



## City of Riverside

Proposition 1B Bond Program

Project Numbers 080000186, 0800020115 and  
0800020369

Report No. 19-2660-022  
June 2019

### **Team Members**

Cheryl L. McCormick, CPA, Chief  
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Rick Cervantes, CPA, Manager  
Jeremy Jackson, CPA, Supervisor  
Jeffrey Neller

Final reports are available on our website at <http://www.dof.ca.gov>.

You can contact our office at:

California Department of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

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Transmitted via e-mail

June 12, 2019

Ms. MarSue Morrill, Chief  
Planning and Modal Office, Independent Office of Audits and Investigations  
California Department of Transportation  
1304 O Street  
Sacramento, CA 95814

Dear Ms. Morrill:

**Final Report—City of Riverside, Proposition 1B Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Riverside's (City) Proposition 1B funded projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
0800000186	P2525-0069	Iowa Avenue Grade Separation
0800020115	P2525-0070	Streeter Avenue Grade Separation
0800020364	P2525-0071	Riverside Avenue Grade Separation

The enclosed report is for your information and use. The City's response to the report findings and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Rick Cervantes, Manager, or Jeremy Jackson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations

cc: Mr. Michael D. Beauchamp, District 8 Director, California Department of Transportation  
Ms. Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation  
Ms. Kris Martinez, Public Works Director, City of Riverside  
Mr. Farshid Mohammadi, Engineering Manager, City of Riverside  
Mr. Ed Lara, Principal Engineer, City of Riverside  
Mr. Patrick Keeney, Senior Administrative Analyst, City of Riverside

# BACKGROUND, SCOPE, AND METHODOLOGY

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## BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.<sup>1</sup>

### **PROGRAM DESCRIPTION<sup>1</sup>**

**TCIF:** \$2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement.

CTC awarded the City of Riverside (City) \$38.9 million in Proposition 1B funds from the Trade Corridors Improvement Fund (TCIF) to construct three grade separation crossings within the City. The Iowa Avenue Grade Separation project (0800000186) constructed an overpass over the Burlington Northern Santa Fe rail line. The Streeter Avenue Grade Separation project (0800020115) and the Riverside Avenue Grade Separation project (0800020364) constructed underpasses under the Union Pacific rail line. Construction for these projects is complete and the projects are operational.

The City was required to provide a dollar-for-dollar match for the TCIF funding.

## SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit periods and the reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.
2. Deliverables/outputs were consistent with the project scopes and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports.

For 0800000186 and 0800020115, our audit did not include the first audit objective stated above because Caltrans recently performed a fiscal review of these projects.

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<sup>1</sup> Excerpts obtained from the bond accountability website <https://bondaccountability.dot.ca.gov/>.

For audit objective 3, project benefits/outcomes related to congestion reduction and emissions reduction are expected to be achieved in the year 2030, after our audit fieldwork. Accordingly, we did not evaluate whether these project benefits/outcomes were achieved or adequately reported. Instead, we evaluated whether the estimated project benefits/outcomes described in the executed project agreements or approved amendments were adequately supported.

The City's management is responsible for ensuring accurate financial reporting; compliance with project agreements, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. CTC and Caltrans are responsible for the state-level administration of the program.

## **METHODOLOGY**

In planning the audit, we gained an understanding of the projects and respective program, and identified relevant criteria by reviewing the executed project agreements, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations; and interviewing City and Caltrans personnel.

We conducted a risk assessment, including evaluating whether the City's key internal controls relevant to our audit objectives, such as procurement, progress payment preparation, reimbursement request preparation, and review and approvals processes were properly designed, implemented, and operating effectively. Our assessment included conducting interviews with City personnel, observing processes, and testing transactions related to construction expenditures and contract procurement. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

We assessed the reliability of data from the City's procurement system, Active Bidder. To assess the reliability of data generated by this system, we interviewed City staff, performed data testing, and examined existing documents. We determined the data were sufficiently reliable for the purpose of this audit.

We determined a reliability assessment of the data from the City's financial systems, Integrated Financial Accounting System and SPL Contract Management System, was not necessary because other sufficient evidence was available to complete the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies on the following page.

## Table of Methodologies

Audit Objective	Methods
<p><b>Objective 1 (only applicable to project 0800020364):</b> To determine whether the City's Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements.</p>	<ul style="list-style-type: none"> <li>• Reviewed procurement records to verify compliance with the Caltrans Local Assistance Procedures Manual (LAPM) requirements to ensure the project was appropriately advertised and awarded to the lowest, responsible bidder by reviewing bidding documents, contracts, and project advertisements.</li> <li>• Selected significant and high-risk cost category expenditures to verify compliance with selected project requirements. Specifically, we selected expenditures from the construction and construction engineering categories.</li> <li>• Selected two construction progress payments and two consultant engineering invoices from the most quantitatively significant reimbursement invoice. Additionally, selected a contract change order (CCO) from one of the construction progress payments and performed the following: <ul style="list-style-type: none"> <li>○ Determined if selected reimbursed and match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, and cancelled checks, and comparing to relevant criteria.</li> <li>○ Determined if reimbursed CCO was project-related, not a duplication of work, incurred within the allowable time frame, and supported, by reviewing the project's scope of work, comparing the work of the CCO to the original construction contract, and reviewing vendor invoices.</li> </ul> </li> <li>• Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the project agreements by inquiring with City staff, reviewing a list of other funding sources, project accounting records, vendor activity reports, and the City chart of accounts, and performing analytical procedures to identify possible duplicate payments.</li> </ul>
<p><b>Objective 2:</b> To determine whether deliverables/outputs were consistent with the project scope and schedule.</p>	<ul style="list-style-type: none"> <li>• Determined whether project deliverables/outputs were consistent with the project scopes by reviewing the Project Programming Requests and conducting site visits to verify project existence.</li> <li>• Evaluated whether project deliverables/outputs were completed on schedule as described in the approved amendments by reviewing the Final Delivery Reports and the Notice of Completions.</li> </ul>

Audit Objective	Methods
<p><b>Objective 3:</b> To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Report.</p>	<ul style="list-style-type: none"> <li>• Determined whether project benefits/outcomes for safety, velocity, throughput, and reliability were achieved by comparing actual project benefits/outcomes in the Final Delivery Report with the expected project benefits/outcomes described in the executed project agreements or approved amendments.</li> <li>• Evaluated whether project benefits/outcomes for safety, velocity, throughput, and reliability were adequately reported in the Final Delivery Report by interviewing City staff, reviewing photos, and conducting site visits.</li> <li>• Evaluated whether the estimated project benefits/outcomes for congestion reduction and emissions reduction described in the executed project agreements or approved amendments were adequately supported by reviewing an engineering study.</li> </ul>

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements, except as noted in Finding 1. We also obtained reasonable assurance the project deliverables/outputs were consistent with the project scope; however, as noted in Finding 2, the Final Delivery Report for project 0800000186 was not submitted timely. Although projects 0800020115 and 0800020364 were behind schedule, the City appropriately informed Caltrans and CTC of the delays.

Additionally, we obtained reasonable assurance the project benefits/outcomes for safety, velocity, throughput, and reliability were adequately reported in the Final Delivery Report and the City achieved the expected project benefits/outcomes as described in the project agreements or approved amendments. Project benefits/outcomes for congestion reduction and emissions reduction described in the executed project agreements or approved amendments expected to be met in 2030 were adequately supported.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Unallowable Contractor and Consultant Expenditures

For project 080020364, the City claimed and was reimbursed ineligible construction and construction engineering expenditures totaling \$145,215. Adequate procedures to monitor and review contracts and reimbursement claims were not implemented or effective. As a result, the City was reimbursed the following ineligible project costs:

- \$1,008 for welding certifications obtained by a contractor. These certifications are not construction costs. TCIF guidelines, section 6, states project funding will be limited to costs of construction.
- \$144,207 in expenditures incurred after the end of the contract period for a construction engineering consultant. The contract ended on August 7, 2015, and the City did not amend the contract to extend the end date. LAPM 10.8 states all contract amendments must be in writing and fully executed before the end date of the contract. Failure to amend a contract prior to the ending date may result in the loss of local agency funding.

### Recommendations:

- A. Remit \$145,215 to Caltrans.
- B. Develop and implement an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.
- C. Monitor contracts to ensure contract amendments are executed prior to the end date of the contract.



## **Finding 2: Final Delivery Report Not Submitted Timely**

The Final Delivery Report for project 0800000186 was not submitted to Caltrans within six months of the project becoming operable (construction contract acceptance date). The project's Final Delivery Report was due November 2014, but was submitted March 2016. According to the City, the Final Delivery Report was delayed to allow inclusion of the final costs of the project. The City was unaware a Supplemental Final Delivery Report could be submitted to include revised expenditures, project deliverables, and actual project benefits/outcomes.

TCIF guidelines, section 17, requires a Final Delivery Report be submitted within six months of the project becoming operable. The Proposition 1B Project Close-out Process Update 2016 further states final project expenditures should be reported in the Supplemental Final Delivery Report.

Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes.

### **Recommendations:**

- A. Review program guidelines to ensure a clear understanding of the requirements.
- B. Submit Final Delivery Reports for completed projects to Caltrans within the specified timeframes as required.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Riverside: City
- Trade Corridors Improvement Fund: TCIF
- Burlington Northern and Santa Fe Railway: BNSF
- Union Pacific Railroad: UPRR

## Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables /Outputs Consistent	Benefits/ Outcomes Achieved <sup>1</sup>	Benefits/ Outcomes Adequately Reported <sup>2</sup>	Page
0800000186	N/A	C	N/A	Y	P	P	A-1
0800020115	N/A	C	N/A	Y	P	P	A-2
0800020364	\$10,208,315	C	P	Y	P	P	A-3

### **Legend**

C = Complete

Y = Yes

P = Partial

N/A = Not Applicable, project costs were not audited.

<sup>1</sup> Project benefits/outcomes for congestion reduction and emissions reduction are expected to be achieved in the year 2030; therefore, we did not evaluate whether these benefits/outcomes were achieved or adequately reported.

**Project Number:** 0800000186  
**Project Name:** Iowa Avenue Grade Separation  
**Program Name:** TCIF  
**Project Description:** Construct a four lane roadway bridge over existing BNSF tracks on Iowa Avenue between Palmyrita Drive and Spring Street.  
**Audit Period:** September 1, 2008 through April 21, 2014<sup>2</sup>  
**Project Status:** Construction is complete and the project is operational.

## **Results:**

### Deliverables/Outputs

The construction phase of the project was completed in April 2014. At the time of our site visit in September 2018, project deliverables/outputs were consistent with the project scope and schedule. As noted in Finding 2, the project's Final Delivery Report was due in November 2014, but was submitted in March 2016, 17 months late.

### Benefits/Outcomes

The actual project benefits/outcomes relating to safety, velocity, throughput, and reliability were adequately reported in the Final Delivery Report. Additionally, for those categories, the City achieved the expected project benefits/outcomes as described in the executed project agreement or amendments. The project benefits/outcomes for congestion reduction and emissions reduction expected to be achieved in 2030, as described in the executed project agreement or amendments, were adequately supported.

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<sup>2</sup>The audit period end date reflects the notice of completion for construction.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Safety	Elimination of this at-grade crossing will: <ul style="list-style-type: none"> <li>• Improve public safety because it will eliminate the potential for train versus automobile/truck/pedestrian accidents.</li> <li>• Eliminate the need for pedestrians to walk across the tracks.</li> <li>• Eliminate emergency vehicle response delays.</li> </ul>	Eliminated: <ul style="list-style-type: none"> <li>• at-grade crossing</li> <li>• pedestrians walking across the tracks, and</li> <li>• emergency vehicle response delays.</li> </ul>	Yes
Velocity	Elimination of this at-grade crossing will improve velocity on BNSF and UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks. Vehicular traffic will be able to travel at the posted speed without interruption from train traffic.	Improved railroad velocity by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Throughput	Elimination of this at-grade crossing will improve throughput on BNSF and UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks.	Improved railroad throughput by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Reliability	Elimination of this at-grade crossing will improve reliability on BNSF and the UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks.	Improved railroad reliability by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Congestion Reduction	<ul style="list-style-type: none"> <li>• 6.29 Hours Reduction in Daily Vehicle Hours of Delay (2030).</li> <li>• 7.48 miles Reduction in Total Daily Vehicle Queue Length (2030).</li> </ul>	Expected to be achieved in 2030.	Not Applicable
Emissions Reduction	<ul style="list-style-type: none"> <li>• 51.63 Tons per Year of Greenhouse Gas Emissions (CO2 equivalent for 2030) Eliminated.</li> <li>• 6.16 Grams/Day of Particulate Matter (PM2.5 for 2030) Eliminated.</li> </ul>	Expected to be achieved in 2030.	Not Applicable

**Project Number:** 0800020115  
**Project Name:** Streeter Avenue Grade Separation  
**Program Name:** TCIF  
**Project Description:** Construct a four lane grade separation at the existing UPRR on Streeter Avenue between Lantana Street and Beatty Drive.  
**Audit Period:** September 1, 2008 through August 20, 2015<sup>3</sup>  
**Project Status:** Construction is complete and the project is operational.

## **Results:**

### Deliverables/Outputs

The construction phase of the project was completed in August 2015. At the time of our site visit in September 2018, project deliverables/outputs were consistent with the project scope. However, the project was behind schedule and completed 15 months late. The City appropriately updated Caltrans and CTC of the delay.

### Benefits/Outcomes

The actual project benefits/outcomes relating to safety, velocity, throughput, and reliability were adequately reported in the Final Delivery Report. Additionally, for those categories, the City achieved the expected project benefits/outcomes as described in the executed project agreement or amendments. The project benefits/outcomes for congestion reduction and emissions reduction expected to be achieved in 2030, as described in the executed project agreement or amendments, were adequately supported.

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<sup>3</sup> Ibid.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Safety	Elimination of this at-grade crossing will: <ul style="list-style-type: none"> <li>• Improve public safety because it will eliminate the potential for train versus automobile/truck/pedestrian accidents.</li> <li>• Eliminate the need for pedestrians to walk across the tracks.</li> <li>• Eliminate emergency vehicle response delays.</li> </ul>	Eliminated: <ul style="list-style-type: none"> <li>• at-grade crossing</li> <li>• pedestrians walking across the tracks, and</li> <li>• emergency vehicle response delays.</li> </ul>	Yes
Velocity	Elimination of this at-grade crossing will improve velocity by allowing for improved train staging reducing time required for UPRR trains to accelerate to and enter and clear the BNSF San Bernardino Subdivision mainline tracks and improve passing of UPRR and Metrolink trains. Improved traffic flow on Streeter Avenue as vehicular traffic will be able to travel at the posted speed of 35 miles per hour without interruption from train traffic.	Improved railroad velocity by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Throughput	Elimination of this at-grade crossing will improve throughput on BNSF and UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks.	Improved railroad throughput by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Reliability	Elimination of this at-grade crossing will improve reliability on UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks.	Improved railroad reliability by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Congestion Reduction	<ul style="list-style-type: none"> <li>• 2.54 Hours Reduction in Daily Vehicle Hours of Delay (2030).</li> <li>• 2.03 miles Reduction in Total Daily Vehicle Queue Length (2030).</li> </ul>	Expected to be achieved in 2030.	Not Applicable
Emissions Reduction	<ul style="list-style-type: none"> <li>• 10.14 Tons per Year of Greenhouse Gas Emissions (CO2 equivalent for 2030) Eliminated.</li> <li>• 1.209 Grams/Day of Particulate Matter (PM2.5 for 2030) Eliminated.</li> </ul>	Expected to be achieved in 2030.	Not Applicable

**Project Number:** 0800020364

**Project Name:** Riverside Avenue Grade Separation Project

**Program Name:** TCIF

**Project Description:** Construct a four lane grade separation at the existing UPRR on Riverside Avenue between Merrill Avenue and Elizabeth Street.

**Audit Period:** September 1, 2008 through February 9, 2018<sup>4</sup>

**Project Status:** Construction is complete and the project is operational.

#### Schedule of Proposition 1B Expenditures

Category	Reimbursed	Unallowable Expenditures
Construction	\$ 8,828,845	\$ 1,008
Construction Engineering	1,379,470	144,207
<b>Total Proposition 1B Expenditures</b>	<b>\$10,208,315</b>	<b>\$145,215</b>

#### Results:

##### Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed agreements, except for \$145,215 of unallowable construction and construction engineering expenditures, as noted in Finding 1. Additionally, the match requirement was met.

##### Deliverables/Outputs

The construction phase of the project was completed in March 2016. At the time of our site visit in September 2018, project deliverables/outputs were consistent with the project scope. Although, the project was behind schedule and completed 11 months after the due date, the City appropriately updated Caltrans and CTC of the delay.

##### Benefits/Outcomes

The actual project benefits/outcomes relating to safety, velocity, throughput, and reliability were adequately reported in the Final Delivery Report. Additionally, for those categories, the City achieved the expected project benefits/outcomes as described in the executed project agreement or amendments. The project benefits/outcomes for congestion reduction and emissions reduction expected to be achieved in 2030, as described in the executed project agreement or amendments, were adequately supported.

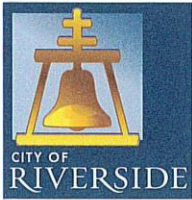
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<sup>4</sup>The audit period end date reflects the billing period end date of the last reimbursement claim submitted to Caltrans.

Project Benefits/Outcomes Category	Expected Benefits/Outcomes	Actual Benefits/Outcomes	Benefits/Outcomes Achieved
Safety	Elimination of this at-grade crossing will: <ul style="list-style-type: none"> <li>• Improve public safety because it will eliminate the potential for train versus automobile/truck/pedestrian accidents.</li> <li>• Eliminate the need for pedestrians to walk across the tracks.</li> <li>• Eliminate emergency vehicle response delays.</li> </ul>	Eliminated: <ul style="list-style-type: none"> <li>• at-grade crossing</li> <li>• pedestrians walking across the tracks, and</li> <li>• emergency vehicle response delays.</li> </ul>	Yes
Velocity	Elimination of this at-grade crossing will improve velocity by allowing for improved train staging reducing time required for UPRR trains to accelerate to and enter and clear the BNSF San Bernardino Subdivision mainline tracks and improve passing of UPRR and Metrolink trains. Improved traffic flow on Riverside Avenue as vehicular traffic will be able to travel at the posted speed of 35 miles per hour without interruption from train traffic.	Improved railroad velocity by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Throughput	Elimination of this at-grade crossing will improve throughput on BNSF and UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks.	Improved railroad throughput by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Reliability	Elimination of this at-grade crossing will improve reliability on the UPRR by eliminating the potential for train versus automobile/truck/pedestrian accidents and associated delays to investigate and clear tracks.	Improved railroad reliability by eliminating the potential for train versus vehicle/pedestrian collision.	Yes
Congestion Reduction	<ul style="list-style-type: none"> <li>• 2.9 Hours Reduction in Daily Vehicle Hours of Delay (2030).</li> <li>• 4.2 miles Reduction in Total Daily Vehicle Queue Length (2030).</li> </ul>	Expected to be achieved in 2030.	Not Applicable
Emissions Reduction	<ul style="list-style-type: none"> <li>• 13.64 Tons per Year of Greenhouse Gas Emissions (CO2 equivalent for 2030) Eliminated.</li> <li>• 1.63 Grams/Day of Particulate Matter (PM2.5 for 2030) Eliminated.</li> </ul>	Expected to be achieved in 2030.	Not Applicable







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May 23, 2019

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations  
California Department of Finance  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814

**RE: RESPONSE TO DRAFT AUDIT REPORT NO. 19-2660-022  
City of Riverside Proposition 1B Bond Program  
Project Numbers 0800000186, 0800020115 and 0800020369**

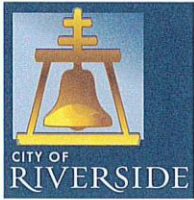
Ms. McCormick:

### **Overview**

The City takes the State and Federal requirements for the use of its grant funds seriously and has always worked closely with the Caltrans District Local Assistance office to comply with the intent of the law and the oversight regulations. We believe that we have complied with the various guidelines governing the expenditure of these funds and that taxpayer dollars were expended diligently on eligible expenses. That said, we acknowledge that there are some areas for improvement and are in the process of making the appropriate changes to address certain procedural matters. However, there are several findings that we dispute, as more specifically delineated below.

### **1. Unallowable Contractor and Consultant Expenditures**

- a. Welding certifications – The welding certification is for inspection to ensure that the welding team has the practical knowledge of welding rebar steel to structural weathering steel. The City of Riverside maintains that this is an eligible project cost as it was a quality assurance requirement for the project, and not for the benefit of the contractor. See attachment 1 for documentation detailing welder test qualifications and procedure specification for welding.



- b. Expenditures incurred after the end of a contract period for a construction engineering consultant –The construction of this project was expected to last approximately 20 months. However, construction was delayed by about 7 months, for a total of 27 months. Some of this delay was due to adverse weather conditions and some due to the complexity of the project and contractors scheduling of the various construction activities, including the track work that was performed by Union Pacific railroad. Additionally, the City's Construction Project Manager assigned to oversee the construction activities and responsible for maintaining a current agreement retired during the course of the construction. As a result, the consultant agreement was not amended to extend the term of the agreement. Regrettably, this was an oversight issue however the expenses incurred after the termination of the consultant agreement are still valid project costs. The City has made the following process improvements to prevent incidences of work being performed after the expiration date of contracts/agreements:

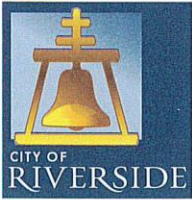
Public Works Department – An Administrative Analyst has been assigned to the Construction Contracts division whose duties include updating and tracking agreements monthly to assure they are current.

Finance Department – Implemented the Contracts Management Module in July 2017. This module includes pertinent details of City contracts including contract expiration date. The module is managed by the Purchasing Division of the Finance Department with access for project managers. The project manager will be notified by the Contracts Management system when there are 90, 60 and 30 days left until contract expiration. This additional tool should prevent expenditures to vendors with expired contracts.

## **2. Final Delivery Report Not Submitted Timely**

While the City acknowledges the Final Delivery Report was not submitted within 6 months of the construction contract acceptance date, the City disputes the timeline presented in the draft audit report. The City maintains the Final Delivery Report was due in December 2014 and was submitted on November 3, 2015. See





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below timeline and Attachment 2 for copies of e-mails regarding submission of the Final Delivery Report.

- a. Corrective Action Plan submitted on October 27, 2014, including requested change of final Delivery Report due date to December 2014.
- b. Submittal of Final Delivery Report on November 3, 2015.
- c. Submittal of updated signature page to correct printing error on March 3, 2016.
- d. Submittal of requested expanded outcome information and typographical error corrections on March 24, 2016.

Additionally, the City would like to note that the Final Delivery Reports for the Proposition 1B Bond projects completed after the Iowa Avenue project – Riverside Avenue and Streeter Avenue were submitted within the 6 month timeframe.

Original Signed by  
Edward Enriquez, Chief Financial  
Officer/City Treasurer

Original Signed by  
Kris Martinez, Public Works Director

05/23/2019  
Date

05/23/2019  
Date

The City's response to the draft audit report has been reviewed and incorporated into the final report. In the interest of brevity, attachments to the response are omitted. We acknowledge the City's willingness to implement Recommendation C for Finding 1. In evaluating the City's response, we provide the following comments:

### **Finding 1: Unallowable Contractor and Consultant Expenditures**

The City asserts the welding certifications expenditures were eligible because it was a quality assurance requirement for the project, and not for the benefit of the contractor. However, the City provided the same evidence previously submitted during fieldwork and it is the contractor's responsibility to employ appropriately licensed personnel to meet the contract project requirements. Additionally, the City asserts expenditures incurred after the contract expiration are valid. Because the City did not provide additional supporting documentation, the finding and recommendations remain unchanged.

### **Finding 2: Final Delivery Report Not Submitted Timely**

Although the City acknowledges the Final Delivery Report was not submitted within six months of the construction contract acceptance date, the City disputed the timeline. However, the finding and recommendations will remain unchanged because the City did not provide the Final Delivery Report dated November 3, 2015, cited in the response.