DEPARTMENT OF TRANSPORTATION

Its Seismic Retrofit Expenditures Generally Comply With the Bond Act, and It Has Begun to Reimburse the Interim Funding for Fiscal Years 1994–95 and 1995–96

REPORT NUMBER 2001-010, DECEMBER 2001

Department of Transportation's response as of December 2002

In March 1996 California voters approved the Seismic Retrofit Bond Act (Bond Act), which authorized the State to sell $2 billion in general obligation bonds to reconstruct, replace, or retrofit state-owned highways and bridges. Legislation passed in 1995 requires the Bureau of State Audits to ensure that projects funded by the Bond Act are consistent with that measure's purposes. This is the sixth in a series of annual reports on the Department of Transportation's (department) revenues and expenditures authorized by the Bond Act.

Overall, the department has moved forward toward its goal of retrofitting more than 1,150 state-owned highway bridges and 7 state-owned toll bridges. As of June 30, 2001, the department has spent $1.49 billion for retrofit projects and had completed work on 98.1 percent of the highway bridges and 2 of the 7 toll bridges. In addition, as required by the Bond Act, the department has begun to reimburse other accounts for interim funding obtained during fiscal years 1994–95 and 1995–96. During those years, the State Highway Account (highway account) and the Consolidated Toll Bridge Fund (toll bridge fund) provided a total of $114 million for the retrofitting of California's bridges. As of June 30, 2001, the department had reimbursed the highway account $26.3 million and it intends to fully reimburse both the highway account and the toll bridge fund before the Bond Act expires in 2005.

Finding: The department inappropriately charged some expenditures to seismic retrofit projects.

In general, the department has done a good job of ensuring that its seismic retrofit projects meet the criteria for funding outlined by the Bond Act. However, we found two instances in which the department charged expenditures to the Bond Act that were not eligible for such funding. In both instances, department staff stated that they were unaware of the department's policies requiring the allocation of certain types of facility costs. As a result, the staff inappropriately charged approximately $6,800 for a lease payment and a repair bill entirely to seismic projects rather than allocating the amount among seismic and nonseismic projects that benefited from the expenditure.

To ensure that Bond Act proceeds are used only to pay for eligible expenditures under the Bond Act, we recommended that the department direct its staff to follow its policy of allocating facility costs among all projects benefiting from the expenditure.

Department Action: Corrective action taken.

According to the department, it updated its supplemental administrative guidelines to reflect its policy of allocating certain types of costs, such as lease payments and repairs, among all projects benefiting from the expenditures. Further, the department's management continues to reinforce this policy through staff meetings. Finally, our review for fiscal year 2001–02, completed in December 2002, found that the department made appropriate charges to seismic retrofit projects.