California Transportation Commission

Corridor Mobility Improvement Account (CMIA)
& State Route 99 (SR 99)

Accountability Implementation Plan

Supplement 1

Financial Accountability

General: The California Transportation Commission (Commission), in its program adoption actions for the CMIA and SR 99 programs, requested the development of project baseline agreements that set forth the agreed upon project scope, cost, schedule and expected benefits. These agreements include funding plans that account for the estimated cost of, and the start and completion dates for, the environmental, right of way, design (PS&E), and construction components of the project. These baseline agreements are considered the front-end document that forms the foundation for the Commission's in-progress and follow-up accountability.

The Accountability Implementation Plan for the CMIA and SR 99 programs was approved by the Commission in October 2007. This supplement is to further communicate to project sponsors and implementing agencies the Commission's expectations and specifically emphasizes financial accountability. The Commission will continue to exercise programmatic oversight for the delivery of CMIA and SR 99 projects with regard to scope, cost, schedule and benefits consistent with the program objectives and executed project baseline agreements.

Consistent with Government Code Section 8879.50(f), the Commission, as a condition for allocation of funds, requires the project sponsors to report on the activities and progress made toward implementation of the project. The purpose of this reporting is to ensure that the project is executed in a timely fashion, and is within the scope and budget identified when the decision was made to fund the project. Where project costs are anticipated to exceed the budget, corrective action is required.

The financial accountability requirements set forth in this document are not to be confused with the accounting of interregional and county share balances for the State Transportation Improvement Program (STIP), including the provisions of Streets and Highways Code Section 188.8 and Commission Resolution G-02-12 (G-12). Section 188.8 describes STIP shares and specifies, among other things, that the Commission will not adjust shares for cost changes that are within 20 percent of the programmed amount. Resolution G-12 delegates certain allocation authority to the Director of Transportation to adjust project allocations and modify project descriptions, and the Commission does not adjust STIP shares for adjustments made pursuant to that authority. Although these provisions mean that the Commission will not count certain costs against STIP shares, this does not authorize a project budget change for the CMIA or SR 99 Bond program. The Commission expects that any budget change—even if it would be covered by an increase in STIP funding that does not count against STIP share—will be documented through quarterly progress reports and project-specific corrective plans.

For the purposes of this document, sponsors secure funding for projects and serve as project advocates. The sponsor chooses an Implementing Agency and is the customer of the Implementing Agency. There can be more than one partner sponsoring the project. In this case, partners act as co-sponsors with shared responsibility for securing funds for the project. Securing funds may mean arranging funding from a third party. For instance, the sponsor might submit a project for funding by the Commission. The fact that the Commission allocates funds does not mean that the Commission is a sponsor.

The Implementing Agency is that entity charged with the successful completion of each project component as defined in Government Code 14529 (b):

1) Completion of all permits and environmental studies (Environmental)
2) Preparation of plans, specifications, and estimates (PS&E)
3) The acquisition of rights-of-way (Right of Way)
4) Construction, construction management and engineering, including surveys and inspection (Construction)

There can be a different Implementing Agency for each component of a project. To ensure clear lines of responsibility, only one agency can be the Implementing Agency for a single component. Implementing Agencies are identified in the approved project baseline agreement for each of the project's components.

Bond Funds: The Commission programmed CMIA and SR 99 funds to projects based on a demonstration that the expected benefits resulting from the proposed improvements can be achieved at the conclusion of the project. The levels of CMIA and SR 99 funds were determined based on a proportion of the project's construction cost, and are considered a major investment toward achieving the benefits of the project. However, since all available funds from the CMIA and SR 99 accounts are already programmed in full, the Commission considers bond funds to be a "maximum and not to exceed" element of the project's funding plan as reflected in the approved project baseline agreement.

Bond Expenditures: Allocations of bond funds will not exceed those identified in the approved project baseline agreement. Expenditures and reimbursements of bond funds will be based on actual costs incurred and paid, and are expected to be reimbursed in proportion to the overall funding for each component as reflected in the approved project baseline agreement.

Quarterly Progress Reports and Corrective Plans: The Commission expects project sponsors to report quarterly on the activities and progress made towards the implementation of the project. The purpose of this reporting is to ensure that the project is executed in a timely fashion and is within the scope and budget identified when the decision was made to fund the project. The Commission recognizes that scope, cost and schedule changes may occur as the project evolves through the project development process. The Commission expects the project sponsor to document these changes and to prepare a corrective plan for approval by the Commission whenever the project is not on target to meet its scope, cost, schedule or expected benefits identified in the approved baseline agreement. The corrective plan will be submitted with the Quarterly Progress Report to document and address such variances, and the Commission may approve the corrective plan, direct the project sponsor to modify its plan, or take other appropriate action. Projects that have not provided corrective plans, or those with corrective plans that have not received Commission approval, will be placed on a program "watch list". The Commission has the discretion to determine whether a project on the "watch list" for two or more consecutive quarters will remain in the CMIA or SR 99 program.

The Quarterly Progress Report should include a status of project narrative that highlights accomplishments since the last report, current or ongoing activities, a discussion of any variances in the scope of the project, the planned schedule and projected cost of the various project components, and any impacts to the delivery of the project and its expected benefits. This narrative should identify and discuss any significant issues that may impact the implementation of the project including financial constraints and commitments, and potential risks and impacts. This narrative should also include a corrective plan which should address how such risks and impacts will be addressed and what corrective or preventative actions will be employed to turn the project in a way such that it better aligns with the approved baseline agreement.

The corrective plan should include background information that may be useful in understanding the root causes of the issues, how corrective and preventative actions will be executed to correct the issues, and how to avoid or mitigate reoccurrence of these issues in the future. The corrective plan should identify whether corrective actions have been initiated for this project in the past, what new actions are planned to be taken, and the target dates for complete execution of these actions. The corrective plan should also describe processes for managing risks and other activities that may impact execution of the corrective and preventative actions.

Project Cost Increases: The corrective plan must address alternatives to avoid the cost increase, and it may propose either down scoping the project to remain within budget or identifying alternative funding sources to meet the cost increase while still achieving the total expected benefits of the project, including outputs and outcomes.

The Commission expects the project sponsor to secure the necessary funding when the corrective plan recommends an increase in the cost to complete the project. When the project sponsor recommends supplemental funding from sources that are within the purview the Commission (Bond, STIP, TCRP, etc.), Commission approval for programming or allocations of these funds will be required. Conversely, when the sponsor is utilizing local (or local-federal) funds, the project sponsor shall provide a local board action or resolution committing the supplemental funding levels to the Commission.

When the corrective plan recommends an increase in the budget of the project's construction component in preparation for contract advertisement (or vote), the project sponsor will certify and provide a full funding plan that identifies the amount and source of existing and additional funds. The additional funds may be adjusted at contract award to credit the funding sources that contributed additional funds in the amount that is not necessary to fully fund the construction of the project.

When contract bid results necessitate the need for additional funding to award the contract, the project sponsor may recommend award of the contract only after securing the necessary additional funding. Upon contract award, a corrective plan including a revised funding plan that reflects the source and amount of these additional funds shall be provided to the Commission.

When additional funds are needed to complete remaining project activities after the construction contract is accepted, the project sponsor shall provide a funding plan that reflects the source and amount of these additional funds to the Commission.

Project Cost Savings: A financial closeout should be prepared at the completion of the Environmental and PS&E components and each of the Right of Way and Construction components. The financial closeout should reconcile the funding sources expended to the funding sources identified in the approved baseline agreement. Savings identified as a result of the financial closeout may be utilized to complete another component of the same project if recommended in an approved corrective plan.

When the cost to award the construction contract is lower than the total sum of allocated funds, the project sponsor shall provide documentation identifying a proportional credit to each of the respective funds shown in the original baseline agreement for the construction component. The project sponsor may consider crediting the funding source that contributed additional funds in preparation for contract advertisement prior to applying the proportional credits to the funding sources included in the original baseline agreement. Remaining funds will be de-allocated from the project at contract award, but will remain available to address any cost increases necessary to complete the project.

Bond savings de-allocated from the project at contract award may be utilized to supplement a funding plan for another project or contract only upon prior Commission approval. In this case the project sponsor must commit to funding any cost increases to ensure the completion of both projects – the original project where the savings were utilized and the resulting new project using the savings in bond funds.

Upon project close-out, remaining bond funds will be de-allocated and returned to the respective CMIA or SR 99 account.

Project Splits & Combines: When it is necessary to split a project into segments to facilitate its delivery, the scope, benefits, schedule, and cost of each of the individual segments combined must reconcile to the originally approved project baseline agreement. Bond dollars will be distributed proportionately to each segment and must reconcile by component to the approved project baseline agreement. A corrective plan, including a funding plan, that documents the overall project and each of its individual segments shall be provided to the Commission for approval. Savings realized in segments delivered earlier will remain available to complete the entire project when the split was approved.

When a bond funded project is proposed to be combined with another project(s) for construction contract purposes, the project sponsor shall provide a corrective plan that reflects the cost of the combined project and each of its individual segments for Commission approval. This corrective plan must discuss impacts of the combined project on the delivery of the bond funded project, including benefits, risks, and funding commitments to complete the combined project.

Record Keeping and Audits: Implementing agencies and project sponsors are expected to maintain a system of record keeping and internal controls to enable accurate and timely reporting of any changes to the scope of work, schedule and actual costs on a monthly basis. Financial records will be maintained in accordance with Generally Accepted Accounting Principles. Financial audits may be performed at any time during the progress of the bond funded project. These audits will determine whether the costs claimed are allowable, allocable, reasonable, and in compliance with applicable laws, regulations and policies, bond program guidelines, and project baseline agreements. The audits will be conducted in accordance with Generally Accepted Government Auditing Standards. The audits will include tests of the implementing agency's and project sponsor's accounting and project records and other auditing procedures considered necessary. Unsupported or unallowable costs are expected to be reimbursed by the project sponsor.