

Independent Office of Audits and Investigations

# INSPECTOR GENERAL

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## Annual Summary of Findings and Recommendations

July 1, 2022 - June 30, 2023





For questions concerning the contents of this report, please contact  
(916) 323-7111 or email [ioai.admin@dot.ca.gov](mailto:ioai.admin@dot.ca.gov)



# Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

February 21, 2024

Governor Gavin Newsom  
Members of the Legislature  
California Transportation Commission

## ANNUAL SUMMARY OF FINDINGS AND RECOMMENDATIONS

Government Code section 14460(d)(2) requires a summary report of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the California Transportation Commission. Please find the enclosed *Annual Summary of Findings and Recommendations* for the period July 1, 2022, to June 30, 2023.

During this reporting period, the Independent Office of Audits and Investigations published 17 audits and performed 133 reviews, resulting in 72 recommendations that are intended to promote performance improvements and increased accountability and transparency. The financial impact of these audits and reviews could potentially be as much as \$18 million.

If you have any questions on this report, please contact our office at [IOAI.admin@dot.ca.gov](mailto:IOAI.admin@dot.ca.gov).

Sincerely,

Bryan Beyer, CIG  
Inspector General

**Gavin Newsom**, Governor

Independent Office of Audits and Investigations

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## HIGHLIGHTS

### INVESTIGATIONS

Complaints Received	321
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Complaints Closed	216
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### IG HOTLINE

Inspector General Hotline Phone Number 1-844-283-8442	116
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Hotline Email Address <a href="mailto:Ask.investigations@dot.ca.gov">Ask.investigations@dot.ca.gov</a>	126
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Other Emails	74
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Letters	5
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Independent Office of Audits and Investigations  
P.O. Box 942874, MS-2  
Sacramento, CA 94274

### AUDITS

Audit Reports Issued	17
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Recommendations	72
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<b>Potential Financial Impact</b>	<b>\$9,972,940</b>
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### REVIEWS

Reviews of Architectural & Engineering Cost Proposals	133
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Reviews of Local Agency Indirect Cost Rates	31
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<b>Potential Financial Impact</b>	<b>\$8,043,740</b>
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<b>Total Potential Financial Impact, Audits and Reviews*</b>	<b>\$18,016,680</b>
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*\*The total potential financial impact includes our recommendations for cost recovery and avoidance.*





## BACKGROUND

Pursuant to Government Code section 14460, the Independent Office of Audits and Investigations (IOAI) conducts audits and investigations to ensure the California Department of Transportation (Caltrans) and external entities that receive state and federal transportation funds from Caltrans are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements. External entities include, but are not limited to, private for profit and nonprofit organizations, local transportation agencies, and other local agencies that receive transportation funds either through a contract with Caltrans or through an agreement or grant administered by Caltrans.

Additionally, pursuant to Government Code section 14110.1, Caltrans is required to undertake several activities to increase procurement opportunities for small/micro enterprises, disabled veteran-owned, and new and limited contracting small businesses, as well as underrepresented, disadvantaged, formerly incarcerated, and LGBT business enterprises or individuals. This code also directs the Inspector General to review, audit, and report on Caltrans' outreach efforts required by this section. The Inspector General is also required to audit businesses as appropriate to ensure that persons associated with entities that do not meet the definition of a new or limited contracting small business enterprise do not create a new associated entity that would meet the definition of new or limited contracting small business enterprise and thus subvert the purposes of this section.

In accordance with Government Code section 14460(d)(2), the Inspector General provides an annual summary of investigation and audit findings and recommendations to the Governor, the Legislature, and the California Transportation Commission.

### Communication Strategies

In addition to an annual report, Government Code section 14460 requires the Inspector General to report all audit and confidential investigation findings to the Secretary of the California State Transportation Agency (CalSTA) and to the Director and Chief Deputy Director of Caltrans on a regular and ongoing basis.

Additionally, to promote transparency and provide clear and concise information to the public, the IOAI website provides on-going access to reports issued to the public, including final audit reports of Caltrans programs and external entities. The website also includes resources for consulting firms and local agencies.



#### Established Communications

- Ongoing meetings with the Secretary of CalSTA and the Director of Caltrans
- Monthly reports provided to CalSTA and Caltrans regarding new and ongoing audits and investigations
- Ongoing communications with Legislative staff, California Transportation Commission staff, federal agency representatives, local agency representatives, and other external entities as needed

### IOAI Activities

Pursuant to Government Code section 14460, IOAI provides a full scope, independent, and objective audit and investigation program. As such, IOAI develops an annual plan outlining audit and investigative priorities and identifies specific engagements to be performed during the coming year. Performance audits provide objective analysis and conclusions to assist management and those charged with governance and oversight with improving program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability. Performance audits vary widely depending on the audit objectives and scope. The most common audits conducted by our office include the following:

- **Performance/Program Audits** assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage the programs. These audits are performed under government auditing standards.
- **Compliance/Project Audits** determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions and state and federal laws and regulations and to determine whether project deliverables (outputs) and benefits (outcomes) are completed as described in executed project agreements or approved amendments. Additional types of compliance audits include audits of contractor and consultant contracts. These audits are performed under government auditing standards.

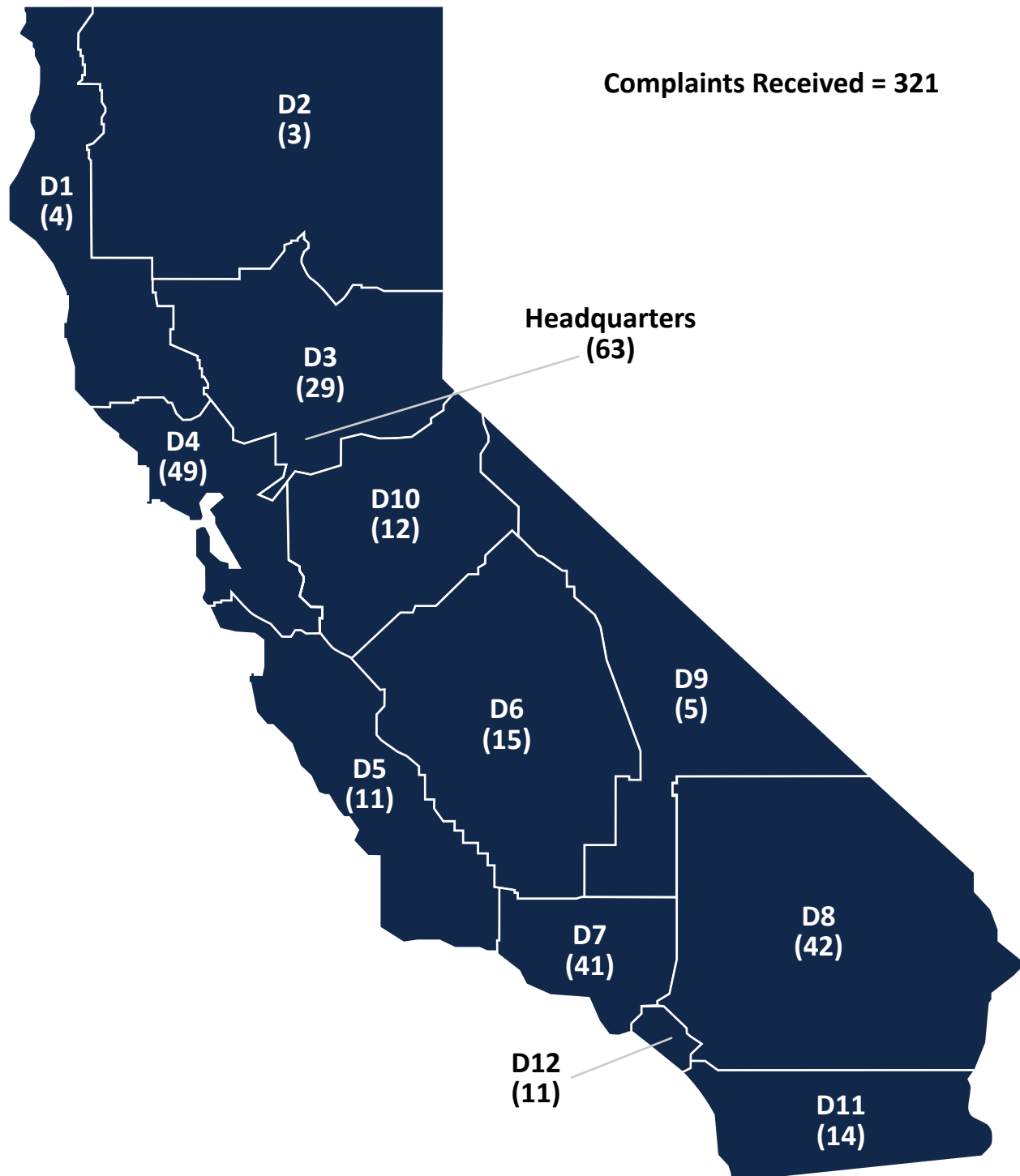
IOAI also performs review activities including, but not limited to, reviews of architectural and engineering cost proposals. See the Glossary for detailed descriptions.

Pursuant to Government Code section 14110.1, IOAI has a dedicated unit that reviews the programs, policies, and procedures related to diversity and small business development efforts by Caltrans. The unit works with IOAI auditors and investigators to identify risks and determine the audits and investigations needed to assist Caltrans in preparing for and executing legal requirements. In addition, the unit is tasked with providing recommendations and sharing best practices that assist Caltrans to expand its diversity efforts and small business development opportunities.

IOAI's Investigations Unit conducts independent administrative investigations involving allegations of employee misconduct and assists external entities, such as the California State Auditor and law enforcement entities, with their investigations. This unit also administers the Inspector General Hotline, which is available 24 hours per day, 7 days per week to receive allegations of employee misconduct or fraud, waste, and abuse.

## COMPLAINTS RECEIVED BY DISTRICT (D)

For twenty-two complaints, the district was unknown.







## INVESTIGATIONS

Complaints Received	321
Complaints Closed	216

The Investigations Unit conducts independent administrative investigations of alleged employee misconduct. The unit maintains the Inspector General Hotline (Hotline), which is available 24 hours a day, 7 days a week to receive allegations of Caltrans employee misconduct or fraud, waste, and abuse. Administrative investigations can result from complaints received from various sources including:

- Caltrans' employees
- Members of the public
- Contractors
- Law enforcement and other governmental entities
- Internal and External audit findings

The Investigations Unit reviews reported allegations to determine the appropriate course of action, which may include:

- An administrative investigation
- Referral to Caltrans management
- Referral to law enforcement/governmental entity due to potential criminal misconduct

For administrative investigations, the unit works collaboratively with all levels of Caltrans' management statewide. After completing an administrative investigation, the unit refers completed cases to the appropriate Caltrans hiring authority and Caltrans' Office of Discipline Services to determine the appropriate level of discipline. Discipline can include, but is not limited to, corrective action, such as counseling or a written warning, or adverse action, including a temporary salary reduction, temporary suspension without pay, demotion, or termination. The Investigation Unit also assists external entities, such as the California State Auditor and law enforcement entities, with their investigations.

*Complaints Received represent complaints received during fiscal year 2022-23. Complaints Closed during 2022-23 include complaints received in previous fiscal years.*

## Investigations Unit Fiscal Year 2022-23 Examples

The IOAI Investigations Unit conducts independent administrative investigations of alleged employee misconduct and assists other investigatory entities, as exemplified below.



IOAI received a complaint alleging a Caltrans contract manager was engaging in fraudulent activities. After opening an administrative investigation and conducting research, we referred the complaint to the U.S. Department of Justice's Procurement Collusion Strike Force. We then assisted the federal investigation upon request by collecting evidence and clarifying Caltrans records. After the federal criminal investigation concluded, the Caltrans contract manager was sentenced to 49 months' imprisonment and ordered to pay \$984,699 in restitution; and a contractor was sentenced to 45 months' imprisonment and ordered to pay \$797,940 in restitution.

IOAI received an allegation that a Caltrans employee was under the influence of a controlled substance while operating a state vehicle. We opened an administrative investigation regarding this matter. During interrogation, the employee admitted that they ingested a controlled substance while working and continued to operate a state vehicle. The employee is no longer employed at Caltrans.



IOAI received a request for investigation alleging that a Caltrans manager (Manager A) assisted a relative in gaining employment with Caltrans. Specifically, the complainant alleged Manager A influenced the hiring process and changed a job advertisement. The complainant further stated that another Caltrans Manager (Manager B) assisted Manager A with the improper hiring because they were close friends. During our administrative investigation, we interviewed multiple witnesses and gathered evidence. Manager B retired during our investigation, and we found there was insufficient evidence that Manager A violated Caltrans' policy.

IOAI received a complaint alleging a Caltrans employee was using a state fuel card for personal use. A Caltrans supervisor noticed suspicious patterns of activity while reconciling monthly invoices for the state fuel cards. During our administrative investigation, we gathered evidence and estimated the employee spent about \$15,000 in questionable state fuel card expenditures. Due to the high dollar amount, we referred this complaint to an external law enforcement entity for possible criminal investigation and prosecution.





## PERFORMANCE AUDITS & REVIEWS 4

Performance audits assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved, and determine if Caltrans has adequate controls in place to manage the programs.

### Transportation Management Systems, Program Audit

P3010-0659

Issue Date: 10/6/2022

#### **Results in Brief**

Senate Bill 1 (Beall, Chapter 5, Statutes of 2017) requires 90 percent of Transportation Management System (TMS) units to be in good condition by 2027. Caltrans reports its progress towards achieving this performance target to the California Transportation Commission (Commission) in its annual performance reports. Caltrans reported in its 2021-22 Performance Benchmark Report that 78.7 percent of its TMS units were in good condition.

The purpose of this audit was to determine whether Caltrans implemented corrective actions to address the three recommendations we made in our April 2018 audit. The three recommendations to Caltrans were:

- Clearly define the TMS elements and the expected life cycle for the elements.
- Complete the process of updating their inventory and ensure that reliable data is in the system. Once completed, a new assessment must be performed.
- Develop policies and procedures to ensure district staff consistently perform updates to maintain a reliable asset inventory system.

This audit determined that Caltrans fully implemented the first recommendation and partially implemented the remaining two recommendations. Specifically, we found that Caltrans clearly defined its TMS units, including their life expectancy, in its Transportation Management System Asset Management Guide (asset management guide). However, we found that Caltrans did not consider functional availability in previous reporting periods when determining a TMS unit's condition, resulting in the potential overstatement of the TMS units it had reported in good condition. In addition, although Caltrans developed policies and procedures as part of an asset management guide, it still needs to develop additional guidance as well as better quality control procedures to improve the reliability of its asset inventory system.

**Key Recommendations**

Caltrans should:

- Acknowledge for transparency purposes in future public reports, such as its annual Performance Benchmark Report and State Highway System Management Plan, that it did not factor a TMS unit's functional availability when it previously determined and reported on the condition of TMS units and that it may have overstated the overall percentage of TMS units that it had reported in good condition.
  - Update its TMS inventory and maintain the corresponding documentation to support life cycle dates that are reflected in the database.
  - Ensure its inventory only includes TMS units that are owned by Caltrans.
  - Establish additional guidance to ensure staff consistently and accurately determine life cycle dates, including but not limited to, specific source documents to be used to determine a TMS unit's installation and replacement dates.
  - Perform quality control reviews to ensure that the inventory database includes all required fields including, but not limited to, the IMMS identification number field and the Direction field.
- ✓ As of June 30, 2023, Caltrans is developing corrective actions for the audit recommendations. See page 29 for more details.

**The Delta Ferries. Program Audit**

P4000-0415

Issue Date: 11/7/2022

**Results in Brief**

Caltrans operates two short-segment ferries in the Sacramento-San Joaquin River Delta 24 hours per day, seven days per week, at no charge to passengers. The ferries serve as an extension of the State Highway System as they allow vehicle access to and from Ryer Island along State Route 84 and State Route 220. Our audit focused on the cost of providing ferry operations, the number of vehicles that used the ferries, and the number of days the ferries were out of service. We also evaluated the extent to which Caltrans has assessed alternatives to ferry operations, such as building new bridges or relinquishing ferry operations to other jurisdictions.

Based on our audit, we concluded that Caltrans has not yet fully analyzed the long-term costs and benefits of providing ferry services to Ryer Island compared to other alternatives. Consequently, we think it would be prudent for Caltrans to complete a comprehensive analysis of various transportation options for the island before it invests tens of millions of additional dollars on the existing system.

Our review found that over the last few years the ferries were frequently out of service, which limited their reliability and usefulness to the regional community. For instance, we found that the two ferries were out of service due to various reasons an average of 116 days and 78 days per year, respectively. We also found that, compared to a nearby bridge that also provided access to the island, a relatively



low number of vehicles utilized the ferry service each year. According to Caltrans' data, approximately 137,000 vehicles used the two ferries combined, while approximately 256,000 vehicles used the bridge – a difference of about 87 percent.

We also found that Caltrans spent about \$4 million each year operating the ferries 24 hours per day, seven days per week, while charging no tolls for the service. In addition, Caltrans is planning to spend at least \$20 million more to repair one of the ferry's fenders and upgrade its concrete ramps within the next couple of years. Complicating the decision to spend money on this repair, however, is that Caltrans will also need to consider new environmental regulations that could potentially go into effect January 1, 2026. If that happens, the new requirements intended to reduce harmful greenhouse gas emissions may affect the existing ferries and their operation. Costs related to becoming compliant will likely be very expensive, given that Caltrans will either need to make extensive changes to the ferries' existing diesel-fuel burning engines or purchase two new ferries. If Caltrans purchases two new ferries, then the money it spends on repairing the existing ferries will be wasted.

The low utilization of the ferries coupled with their high operational costs and additional costs needed to repair and possibly replace them underscores the necessity for Caltrans to conduct a thorough, long range analysis of all potential options. To date, however, Caltrans has performed only a limited analysis of various options involving replacement bridges or the relinquishment of the ferries to a third party. The long-term costs and benefits of its ferry operations relative to other alternatives has not yet been fully addressed.

### Key Recommendations

To ensure Caltrans spends transportation funds efficiently and effectively with respect to its ferry operations in the Sacramento-San Joaquin River Delta, we recommend it conduct a complete, long-term cost-benefit analysis of its ferry operations compared to various alternatives of providing ferry service. This analysis should be completed before it invests additional money in non-emergency repairs, upgrades, or replacements. In addition to analyzing costs, this analysis should consider a holistic view of the transportation needs of the residents of Ryer Island and its visitors, including emergency and non-emergency access. At a minimum, the analysis should evaluate the pros and cons of the following options:

- Maintaining ferry operations at the status quo,
- Building bridges to replace one or both ferries,
- Relinquishing the ferries to a third-party operator (contractor, local jurisdiction, or special district),
- Determining alternative hours of ferry operation, and
- Charging tolls to ride the ferries.

✓ As of June 30, 2023, Caltrans is developing corrective actions for the audit recommendations. See page 30 for more details.

## **Department of General Services Contract Delegation, Program Audit**

23A.PROG01

Issue Date: 12/27/2022

### **Results in Brief**

Public Contract Code (PCC) section 10335 requires all state contracts to be approved by the Department of General Services (DGS) with certain exceptions. DGS may exempt from its approval contracts under \$150,000 if the awarding state agency meets all the requirements listed in PCC 10351. DGS issued Caltrans an Exemption Letter dated June 15, 2020, covering the period July 1, 2020, through June 30, 2024, and requiring two audits during this exemption period. These audits must be conducted in accordance with DGS Office of Audit Services (OAS) guide, and the two audit reports are to be submitted to OAS. This audit is the first of the two required audits.

The audit was to determine if Caltrans:

- Complied with the legal requirements for exemption.
- Documented and implemented a system of internal controls over contracting that can be reasonably relied upon and is effective to ensure compliance with the exemption letter.
- Implemented corrective actions in response to previous audit findings.

Based on our audit, we obtained reasonable assurance that Caltrans complies with the exemption letter and maintains an adequate and effective system of internal control over contracting. We also determined Caltrans implemented corrective action in response to our prior audit and implemented seven of the ten recommendations. Caltrans still needs to implement additional quality controls to improve the accuracy of its contract information.

### **Key Recommendations**

Caltrans' Division of Procurement and Contracts should:

- Update its Contract Administration Tracking System (CATS) to reflect the correct contract information supported by corresponding documentation maintained in the contract files.
- Update guidance to provide clear direction and provide training to key staff to emphasize the importance of data accuracy.
- Establish and implement data quality controls to ensure that CATS includes accurate information, including, but not limited to, category codes, contract values, and effective start and end contract execution dates.
- Submit contracts timely for DGS approval to ensure costs are incurred within the effective contract execution dates.
- Establish and implement data quality controls to ensure the transfer of contract information to State Contract and Procurement Registration System is accurate, complete, consistent, timely, and valid.

- ✓ As of June 30, 2023, Caltrans has implemented 1 of 5 audit recommendations and is developing corrective actions for the remaining recommendations. See page 30 for more details.

## **Review of Caltrans' Small and Disadvantaged Business Enterprise Outreach Plan, Activities, and Related Reporting Requirements**

22S.SPEC09

Issue Date: 4/26/23

### **Results in Brief**

Senate Bill 1 (Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act, invests \$52.47 billion over 10 years to improve and maintain California's transportation infrastructure. Following the passage of Senate Bill 1, Senate Bill 103 (Chapter 95, Statutes of 2017) was approved in July 2017 and codified under Government Code section 14110.1 and requires Caltrans to undertake several activities to increase procurement opportunities for new and limited small business enterprises. This includes small, disabled veteran, and disadvantaged business enterprises.

The purpose of this review was to assess Caltrans' compliance with reporting requirements established under Government Code sections 14110 and 14110.1. Specifically, we verified if Caltrans developed and submitted the required state and federal reports and is following compliance requirements as they relate to Caltrans' Small Business Outreach Plan and related outreach efforts. We also evaluated Caltrans' contracting activity with small, disabled veteran, and disadvantaged business enterprises, as reported by Caltrans for fiscal years 2017-18 through 2021-22 and compared it to annual performance goals as specified in its detailed outreach plan.

We concluded that Caltrans has reported sponsoring and/or funding hundreds of outreach activities annually, including over 300 outreach activities in fiscal year 2021-22. However, we note that Caltrans did not sponsor, fund, or partner with an apprenticeship (on-the-job) program as required by law during fiscal years 2019-20 through 2021-22. We also found that Caltrans has complied with only four of the seven reporting requirements. Lastly, while Caltrans has reported exceeding its overall SB and DVBE annual performance goals for the past five fiscal years, it has not met its annual DBE performance goal for the past three fiscal years.

### **Key Recommendations**

Caltrans should:

- Develop a formal process to track which activities it conducts to ensure it performs all required outreach activities.
- Perform an assessment of past activities to evaluate the effectiveness of its outreach efforts.
- Develop and submit to the Legislature its plan to increase by up to 100 percent the dollar value of contracts and procurements awarded to small, disabled veteran, and disadvantaged business enterprises.
- Submit all required plans and annual reports specified in Government Code sections 14110.1(a)(2) and 14110.1(d) to the Legislature.
- Include in its shortfall analysis explanations of how proposed corrective actions will ensure that its overall annual disadvantaged business enterprise participation goal is reached.
- Separately account for state and federal award information that is included in its calculations to increase transparency of its disadvantaged business enterprise reporting.

✓ As of June 30, 2023, Caltrans is developing corrective actions for the audit recommendations. See page 31 for more details.



## LOCAL AGENCY AUDITS & REVIEWS

As noted in the following page, IOAI completed 11 local agency related audits in fiscal year 2022-23. Pursuant to the Stewardship and Oversight Agreement between the Federal Highway Administration (FHWA) and Caltrans, various monitoring activities are performed to assess local agencies' internal controls. Specifically:

**Project Audits (Incurred Cost Audits)** are performed to determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions, established guidelines, and state and federal laws and regulations, and to determine whether project deliverables (outputs) and outcomes are reasonable in comparison with the project cost, scope, schedule, and benefits described in executed project agreements or approved amendments. These audits are performed under government auditing standards.

**Indirect Cost Reviews and Audits** are conducted to ensure compliance with Title 2 Code of Federal Regulations (CFR) Part 200 requirements. Starting in July 2022, indirect rates are reviewed by Caltrans' Internal Audits Office and acceptance letters are issued to the local agency, which allows the local agency to bill Caltrans for indirect costs. Audits may also be performed by IOAI on a risk basis. The audits are performed under government auditing standards.





## LOCAL AGENCY AUDITS 11

Project Audits	7
Local Agencies	7
Total Projects	13
Total Project Expenditures	\$107,813,322
Total Questioned Costs	\$9,972,940

Indirect Cost Audits	4
Local Agencies	4
Total Indirect Cost Rates	11
Number of Entities with Questioned Costs	2 of 4
Rate Recalculations	8 of 11

## LOCAL AGENCY REVIEWS

Reviews of Local Agency Indirect Cost Rates	31
Fringe and Indirect Cost Rates Reviewed	76

*Questioned Costs are amounts reported to Caltrans management. Actual amounts recovered may differ during final resolution by Caltrans.*



## PROJECT AUDITS

The purpose of a project audit is to determine whether claimed and reimbursed costs for the local agency's projects are allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations. In addition, the audit determines whether project deliverables and benefits reported to Caltrans were achieved and consistent with the projects' scopes and schedules, as described in the executed agreements. The following summaries are for the seven projects audits completed during fiscal year 2022-23.

### City of Sanger

22A.INCA05

Issue Date: 6/30/23

#### **Results in Brief**

For this audit, we determined that the deliverables for the two projects, which included the reconstruction of ramps and a sidewalk; the addition of turn lanes; the construction of a curb, gutter, sidewalk, and raised median; and the modification of traffic signals, were consistent with the projects' approved scopes. However, we were unable to obtain reasonable assurance that \$2,861,937 in total costs claimed by the City of Sanger (City) and reimbursed by Caltrans were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations. Specifically, the City did not follow various state and federal procurement and project records retention requirements. Furthermore, for the "Sanger Active Transportation Access" project, we found that the City did not report the project's benefits, which included increasing pedestrian safety, mobility, and accessibility, in its Final Delivery Report submitted to Caltrans; therefore, it is unknown at this time whether the project achieved its anticipated benefits. With respect to the "Academy Avenue Reconstruction – 11th Street to North Avenue" project: the executed contract did not stipulate any benefit terms; therefore, we did not review project benefits for this project.

**Total Questioned Costs: \$2,861,937**

### County of Monterey

22A.INCA02

Issue Date: 6/22/23

#### **Results in Brief**

We obtained reasonable assurance that the costs claimed by the County of Monterey (County) that were reimbursed by Caltrans for the project were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations, except for \$1,119,018 in questioned costs. Specifically, the County did not follow various state and federal procurement requirements. We also determined that the project's deliverables, including a bicycle/ pedestrian path and bridge over the Union Pacific railroad tracks, were consistent with the project's approved scope. However, with respect to the project's benefits, we noted mixed results: although the County reported that it achieved one project benefit of providing a safe route for pedestrians and bicyclists to cross the railroad tracks and connect to schools, shopping centers, and businesses, it did not meet another project benefit of increasing user counts for pedestrians and bicyclists. For the latter benefit, the County reported that its user counts actually decreased after it completed the project. Finally, we found that the County did not submit its Completion Report and Final Delivery Report to Caltrans in a timely manner.

**Total Questioned Costs: \$1,119,018**

## **Santa Clara Valley Transportation**

22A.PJCT03

Issue Date: 5/30/23

### **Results in Brief**

We obtained reasonable assurance that the costs claimed by the Santa Clara Valley Transportation Authority (VTA) that were reimbursed by Caltrans for the project were allowable and adequately supported in accordance with Caltrans' agreement provisions and state regulations. We also determined that project deliverables, including improvements to on and off-ramps and pedestrian and bicycle facilities, were consistent with the approved scope and schedule. However, we determined that the project's benefits, including decreases in vehicle miles traveled (VMT) and greenhouse gas emissions (GHG), were not reported in the April 2021 Completion Report; therefore, it is unknown at this time whether the project has actually achieved its anticipated benefits.

**Total Questioned Costs: \$0**

## **City of Turlock**

22A.INCA04

Issue Date: 2/17/23

### **Results in Brief**

We obtained reasonable assurance that the costs claimed by the City of Turlock (City) and reimbursed by Caltrans for the two projects were allowable and adequately supported in accordance with Caltrans' agreement provisions and state regulations, except for \$744,870 in questioned costs for project number ATPSB1L-5165(090). For project number 10-OT910, the project deliverables/outputs were consistent with the project scope as described in the executed agreement. For project number ATPSB1L-5165(090), the project is still in progress.

**Total Questioned Costs: \$744,870**

## **County of Orange**

P1575-0073

Issue Date: 2/8/23

### **Results in Brief**

We obtained reasonable assurance that the costs claimed by the County of Orange, Public Works (County) and reimbursed by Caltrans for the four projects were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations, except for procurement deficiencies identified in this report. Specifically, we determined that certain procurement transactions for three of the four projects we reviewed did not fully comply with established contract procurement policies and applicable state and federal regulations.

**Total Questioned Costs: \$0**

## **San Joaquin Council of Governments**

22A.PJCT01

Issue Date: 12/6/22

### **Results in Brief**

Caltrans' Trade Corridors Improvement Fund (TCIF) program funds infrastructure improvement projects along corridors that have a high volume of freight movement. In 2014, Caltrans' District 10 was allocated \$69,458,000 for the construction of two mixed flow lanes and two auxiliary lanes in each direction on State Route 4 Crosstown Freeway between Fresno Avenue and Navy Drive in Stockton, California. Pursuant to TCIF program requirements, this amount was intended to fund 50 percent of the total project costs, which amounted to \$129,900,586. As such, Caltrans' District 10 and San Joaquin Council of Governments (SJCOG) were project co-sponsors – each were responsible for expending 50 percent of the total project costs. In July 2022, an audit performed by the California Department of Finance (DOF) found that District 10 could not demonstrate that SJCOG provided its match requirement. As a result, we followed up with SJCOG to determine whether it could provide support for its portion of the match requirement. Our audit determined that SJCOG was able to support \$60,442,586 towards the match requirement; however, this amount was short of the full amount by \$4,507,707. Therefore, we recommend SJCOG remit that amount to Caltrans to balance the total cost of the project.

**Total Questioned Costs: \$4,507,707**

## **City of Claremont**

P1575-0066

Issue Date: 9/16/22

### **Results in Brief**

We obtained reasonable assurance that the costs claimed by the City of Claremont and reimbursed by Caltrans for these two projects were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations, except for \$725,849 in unsupported costs and \$13,559 in unallowable costs. We also determined that the project deliverables and outputs were consistent with the project scopes and schedules as described in the executed agreements.

**Total Questioned Costs: \$739,408**



## PROPOSITION 1B AUDITS 2

The California Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) dedicated \$19.925 billion over a ten-year period for transportation projects. Under Government Code sections 8879.2(c) and 8879.50, audits are required of bond project expenditures and outcomes. IOAI is responsible for conducting audits to determine if Proposition 1B bond fund recipients complied with federal and state procurement requirements, project costs reimbursed were allowable, and to ensure project deliverables and outcomes were met. IOAI contracts with the California Department of Finance to perform most of these audits.

Proposition 1B Projects	7
Total Project Expenditures	\$309,122,788
Total Questioned Costs	\$0

### Key Results

- One of the two audited entities did not report the achieved project benefits. Specifically, the audited entity had not yet measured the actual project benefits achieved after the project was completed.
- Both of the two audited entities did not submit their required Financial Delivery Reports timely, which is required within six months of the project becoming operable.
- One of the two audited entities could not provide documentation supporting whether the required \$69.5 million in dollar-for-dollar matching costs were incurred by the local agency partner. Additionally, the entity could not provide sufficient documentary evidence to support utility expenditures.



## REVIEWS OF ARCHITECTURAL & ENGINEERING COST PROPOSALS

133

As a service to Caltrans, our office reviews architecture and engineering (AE) financial documents submitted to the contracting agency to determine if proposed indirect cost rates are supported, reasonable, and in compliance with the cost principles and administrative requirements set forth in 48 CFR Part 31 and 23 CFR Part 172. A contracting agency can either be Caltrans or a local agency. For Caltrans contracts with AE firms, we also review proposed direct costs.

Valued at	\$949,172,593
≈ Avoided Costs	\$8,043,740

### Between Caltrans and AE Consultants

Contracts	52
Valued at	\$403,236,113
≈ Avoided Costs	\$5,850,699

### Between Local Agencies and AE Consultants

Contracts	81
Valued at	\$545,936,480
≈ Avoided Costs	\$2,193,041

The following summaries represent examples of reviews completed during the fiscal year 2022-23.

### San Diego Association of Government Contract with WSP USA, Inc. (Prime) and 23 Subconsultants. Total Contract Value: \$50 Million

P1391-1227

Issue Date: 8/2/2022

#### Results in Brief

IOAI determined that eight consultants proposed higher indirect cost rates than they could support resulting in approximately \$1.3 million of avoided costs. IOAI recommended the proposed costs be adjusted to reflect the indirect cost rates that IOAI determined to be in accordance with the federal cost principals.

**County of Los Angeles and PMCS Group Inc., and Nine Subconsultants.  
Total Contract Value: \$24 Million.**

P1391-1305

Issue Date: 6/09/23

**Results in Brief**

IOAI determined that three consultants proposed higher indirect cost rates than they could support resulting in approximately \$249,520 of avoided costs. IOAI recommended the proposed costs be adjusted to reflect the allowable costs in accordance with the federal cost principals.

**Caltrans Contract with T.Y. Lin International and Modjeski & Masters, Inc.  
(Joint Venture) and Four Subconsultants. Total Contract Value: \$5 Million**

P1410-0416

Issue Date: 2/23/2023

**Results in Brief**

IOAI determined that two consultants proposed higher indirect cost rates than they could support resulting in approximately \$146,637 of avoided costs. IOAI also concluded three consultants were unable to support their proposed direct costs resulting in an additional avoided costs totaling \$475,752. IOAI recommended the proposed costs be adjusted to reflect the allowable costs in accordance with the federal cost principals.

**Caltrans Contract with Alta Vista Solutions, Inc., and Two Subconsultants.  
Total Contract Value: \$6.5 Million.**

P1410-0392

Issue Date: 7/11/22

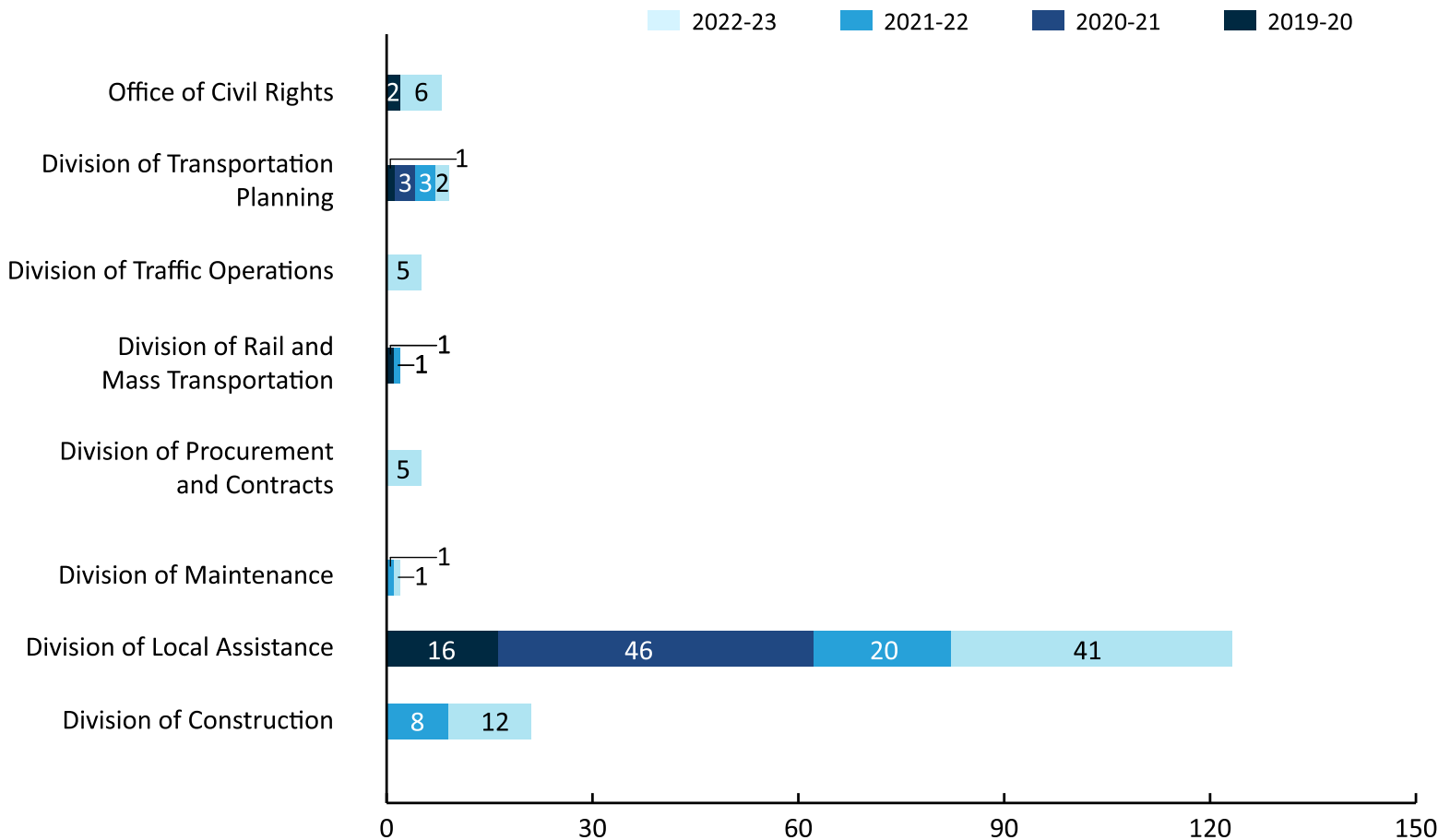
**Results in Brief**

IOAI determined that two consultants proposed higher indirect cost rates than they could support resulting in approximately \$374,208 of avoided costs. IOAI recommended the proposed costs be adjusted to reflect the allowable costs in accordance with the federal cost principals.

## STATUS OF AUDIT RECOMMENDATIONS

### OPEN AUDIT RECOMMENDATIONS, BY CALTRANS' RESPONSIBLE ENTITY AND FISCAL YEAR

Total Open = 174



#### Open Recommendation

A recommendation is opened on the date the audit report is issued. The recommendation remains open until Caltrans completes the corrective action and provides IOAI with sufficient supporting evidence of the actions taken.

#### Closed Recommendation

A recommendation is closed after Caltrans submits a Corrective Action Plan, takes appropriate corrective action, and provides IOAI with sufficient evidence to demonstrate that the action was taken.



## STATUS OF AUDIT RECOMMENDATIONS FOR 2022-23

**72** - Total Recommendations

**65** - Open Recommendations

**7** - Closed Recommendations

### PERFORMANCE AUDITS

#### Transportation Management Systems Audit

P3010-0659  
Issue Date: 10/6/2022

Entity Responsible:  
**Division of Traffic Operations**

Recommendations	Status
Acknowledge for transparency purposes in future public reports, such as its annual Performance Benchmark Report and State Highway System Management Plan, that it did not factor a Transportation Management System (TMS) unit's functional availability when it previously determined and reported on the condition of TMS units and that it may have overstated the overall percentage of TMS units that it had reported in good condition.	Open
Update its TMS inventory and maintain the corresponding documentation to support life cycle dates that are reflected in the database.	Open
Ensure its inventory only includes TMS units that are owned by Caltrans.	Open
Establish additional guidance to ensure staff consistently and accurately determine life cycle dates, including but not limited to, specific source documents to be used to determine a TMS unit's installation and replacement dates.	Open
Perform quality control reviews to ensure that the inventory database includes all required fields including, but not limited to, the Integrated Maintenance Management System identification number field and the Direction field.	Open

**The Delta Ferries**

P4000-0415  
Issue Date: 11/7/2022

Entity Responsible:  
**Division of Maintenance**

Recommendations	Status
<p>To ensure Caltrans spends transportation funds efficiently and effectively with respect to its ferry operations in the Sacramento-San Joaquin River Delta, we recommend it conduct a complete, long-term cost-benefit analysis of its ferry operations compared to various alternatives of providing ferry service. This analysis should be completed before it invests additional money in non-emergency repairs, upgrades, or replacements. In addition to analyzing costs, this analysis should consider a holistic view of the transportation needs of the residents of Ryer Island and of its visitors, including emergency and non-emergency access. At a minimum, the analysis should evaluate the pros and cons of the following options:</p> <ul style="list-style-type: none"> <li>a. Maintaining ferry operations at the status quo,</li> <li>b. Building bridges to replace one or both ferries,</li> <li>c. Relinquishing the ferries to a third-party operator (contractor, local jurisdiction, or special district),</li> <li>d. Determining alternate hours of ferry operation, and</li> <li>e. Charging tolls to ride the ferries.</li> </ul>	Open

**Department of General Services Contract Delegation Audit**

23A.PROG01  
Issue Date: 12/27/2022

Entity Responsible:  
**Division of Procurement and Contracts**

Recommendations	Status
Update Contract Administration and Tracking System (CATS) to reflect the correct contract information supported by corresponding documentation maintained in the contract files.	Open
Update guidance to provide clear direction and provide training to key staff to emphasize the importance of data accuracy.	Open
Establish and implement data quality controls to ensure that CATS includes accurate information, including, but not limited to, category codes, contract values, and effective start and end contract execution dates.	Open
Timely submit contracts for California Department of General Services approval to ensure costs are incurred within the effective contract execution dates.	Closed
Establish and implement data quality controls to ensure the transfer of contract information to State Contract and Procurement Registration System is accurate, complete, consistent, timely, and valid.	Open

## REVIEW

### Review of Caltrans' Small and Disadvantaged Business Enterprise Outreach Plan, Activities, and Related Reporting Requirements

22S.SPEC09

Issue Date: 4/26/2023

Entity Responsible:

**Office of Civil Rights**

Recommendations	Status
To ensure Caltrans performs all required outreach activities, it should develop a formal process to track which activities it conducts and link them to each of the required outreach activities specified in Government Code section 14110.1,(b).	Open
To evaluate the effectiveness of its outreach efforts, Caltrans should perform an assessment of past activities and determine which were successful at increasing the number of bid submittals and contract awards to small, disabled veteran, and disadvantaged business enterprises.	Open
To comply with the reporting requirement listed in Government Code section 14110, Caltrans should develop and submit to the Legislature its plan to increase by up to 100 percent the dollar value of contracts and procurements awarded to small, disabled veteran, and disadvantaged business enterprises.	Open
To increase public transparency and accountability over its small, disabled veteran, and disadvantaged business enterprise programs, Caltrans should timely submit all required plans and annual reports specified in Government Code sections 14110.1,(a)(2) and 14110.1,(d) to the Legislature.	Open
To ensure that its overall annual disadvantaged business enterprise participation goal is reached, Caltrans should include in its shortfall analysis explanations of how proposed corrective actions will increase disadvantaged business enterprise participation in the current year and include a timeline for implementation, as federal regulations require.	Open
To increase transparency of its disadvantaged business enterprise reporting methods, Caltrans should separately account for state and federal award information that is included in its calculations.	Open

## PROJECT AUDITS

### City of Claremont

P1575-0066

Issue Date: 9/16/2022

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the City of Claremont (City) to develop a corrective action plan to resolve and close the findings identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$725,849, if applicable.	Open
The City should design and implement a review process to ensure project files include all relevant source documents, including but not limited to Q sheets, weight tickets, and daily reports. This process should ensure that the City maintains a clear audit trail to support project costs and to facilitate the tracing of incurred expenditures to source documents.	Open
Caltrans should coordinate with the City to recover \$13,559.	Open
The City should design and implement contract management procedures to ensure compliance with the contract terms. Additionally, the City should provide contract management and oversight training to staff.	Open

### San Joaquin Council of Governments

23A.PJCT01

Issue Date: 12/6/2022

Entity Responsible:

**Division of Construction**

Recommendations	Status
Caltrans should coordinate with San Joaquin Council of Governments (SJCOG) to develop a corrective action plan to resolve and close the finding identified in this audit. We also recommend that Caltrans recover \$4,507,707 to meet the Trade Corridors Improvement Fund match requirement.	Open
SJCOG should maintain accurate accounting records by performing reconciliations and resolving discrepancies (such as duplicate entries) in a timely matter.	Closed
SJCOG should develop, implement, and maintain an adequate review process to ensure project costs are incurred within the eligibility period described in the Cooperative Agreement.	Closed
SJCOG should develop and implement procedures to monitor and ensure matching requirements are met.	Closed

**County of Orange, Public Works**

P1575-0073  
Issue Date: 2/8/2023

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
The County of Orange, Public Works (County) should revise its procedures to ensure consistency and full alignment with the Local Assistance Procedures Manual. Specifically, the County should clearly specify the procedures to be used to award/execute task orders among the consultants, which is either through an additional qualifications-based selection process or on a regional basis.	Open
The County should coordinate with Caltrans to ensure updates to the County's procedures address the deficiencies noted in this finding.	Open
The County should ensure a clear audit trail is established and documentation is maintained to support the task order award process.	Open
To ensure free and open competition, the County should discontinue its practice of 1) predetermining contract item amounts in its Invitation for Bids and 2) improperly using supplemental work as a contract item in its bid schedule to add more contingency funds.	Open
The County should develop and implement procedures to align with the procedures manual and construction contract guide to ensure proper use of contract items and supplemental work in its construction projects.	Open

**City of Turlock**

22A.INCA04  
Issue Date: 2/17/2023

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the City of Turlock (City) to develop a corrective action plan to resolve and close the finding identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$744,870, or any amount it determines to be not supported.	Open
The City should maintain a clear audit trail to support project costs and to facilitate the tracing of incurred costs to source documents. An audit trail would also support the quantities and measurements of materials used and document the progress of construction projects.	Open
The City should provide training to staff on all applicable construction record completion and retention requirements.	Open

**Santa Clara Valley Transportation Authority**

22A.PJCT03  
Issue Date: 5/30/2023

Entity Responsible:  
**Division of Transportation Planning**

Recommendations	Status
Santa Clara Valley Transportation Authority (VTA) should submit an updated Completion Report that includes the actual benefits achieved compared to the estimated benefits included in the executed baseline agreement. Additionally, if the benefits achieved differ from the estimated benefits identified in the baseline agreement, the difference should be noted, quantified, and explained.	Open
VTA should submit a Final Delivery Report that, among other required elements, includes an evaluation of the benefits achieved by the project. As part of this effort, VTA should maintain a clear audit trail to document the methodologies and assumptions used for the project's benefit evaluation.	Open

**County of Monterey**

22A.INCA02  
Issue Date: 6/22/2023

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the Federal Highway Administration and the County of Monterey (County) to develop a corrective action plan to appropriately resolve this finding. This includes recovering \$1,056,214 in questioned costs identified in this audit.	Open
The County should design and implement a process to ensure compliance with the contract terms. This process should ensure that the County maintains a clear audit trail to support the solicitation, proposal, evaluation, and selection of consultants and to facilitate the tracing of negotiation activities to source documents.	Open
The County should provide training to staff on all applicable state and federal procurement requirements, including all applicable record retention requirements.	Open
Caltrans should recover the \$92,583 in costs that we determined were unallowable. For clarity, we included the amount of these costs as part of the \$1,056,214 in questioned costs.	Open
The County should design and implement a review process to ensure its billings are accurate, valid, and comply with the contract terms. Additionally, the County should provide contract management and oversight training to staff.	Open

Recommendations	Status
Caltrans should coordinate with the County to ensure claimed costs, including indirect costs, are in compliance with federal regulations. Towards that end, we recommend that Caltrans recover \$56,249 for the costs we determined were unallowable. For clarity, these costs are separate from the \$1,056,214 in questioned costs.	Open
The County should design and implement procedures to ensure that it charges an indirect cost rate for the appropriate staff.	Open
The County should provide training to its appropriate staff (related to indirect costs).	Open
Caltrans should coordinate with the County to ensure whether claimed costs, including direct labor costs and fringe benefits, were in compliance with federal regulations. We recommend that Caltrans recover \$6,555 in questioned costs. For clarity, these costs are separate from the \$1,056,214 in questioned costs.	Open
The County should design and implement procedures to ensure that it only charges Caltrans for the appropriate amount of direct costs and fringe benefits.	Open
The County should provide training to its appropriate staff (related to direct labor costs and fringe benefits).	Open
The County should consider whether conducting another user count would better show whether the project had a positive benefit of increasing users.	Open
The County should develop and implement better processes to ensure that it sufficiently monitors projects so they meet all reporting deadlines, including the timely submittal of required reports for future projects.	Open

## City of Sanger

22A.INCA05  
Issue Date: 6/30/2023

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the Federal Highway Administration and the City of Sanger (City) to develop a corrective action plan to appropriately resolve this finding. This includes recovering \$2,381,417 in questioned costs identified in this audit.	Open

Recommendations	Status
The City should design and implement a review process to ensure project files include all relevant source documents, including but not limited to Q Sheets, weight tickets, detailed daily reports, and Contract Change Order memorandums. This process should ensure that the City maintains a clear audit trail to support project costs and to facilitate the tracing of incurred costs to source documents.	Open
The City should ensure the designated “person in responsible charge” performs all the duties as required by state and federal requirements.	Open
Caltrans should coordinate with the Federal Highway Administration and the City to develop a corrective action plan to appropriately resolve this finding. This includes recovering \$480,520 in questioned costs identified in this audit.	Open
The City should design and implement a process to ensure compliance with state and federal requirements and Caltrans agreement provisions, including updating its retention policy. This process should ensure that the City maintains a clear audit trail to support the solicitation, proposal, evaluation, and selection of consultants and to facilitate the tracing of negotiation activities to source documents.	Open
The City should provide training to staff on all applicable state and federal procurement requirements, including all applicable procurement and record retention requirements.	Open
Caltrans should recover the \$36,911 costs that we determined were unallowable. For clarity, we included these costs as part of the \$480,520 in questioned costs.	Open
The City should design and implement a process to ensure the City obtains written approvals when its consultants utilize subcontractors.	Open
Caltrans should align its ATP program guidelines and its direction on how to report outcomes information with the California Transportation Commission’s expectations as described in the Senate Bill 1 Accountability and Transparency Guidelines.	Open
The City should submit an updated Completion Report that includes the actual benefits achieved compared to the estimated benefits included in the executed project agreements. Additionally, if the benefits achieved differ from the estimated benefits identified in the project agreements, the difference should be noted, quantified, and explained.	Open
The City should submit an updated Final Delivery Report that includes an evaluation of the benefits achieved. As part of this effort, the City should maintain a clear audit trail to document methodologies and assumptions used for the project’s benefit evaluation.	Open



## PROPOSITION 1B AUDITS

### Caltrans District 10

P2500-0019  
Issue Date: 7/13/2022

Entity Responsible:  
**Division of Construction**

Recommendations	Status
Develop and implement procedures to monitor and ensure local agency partners' matching requirements are met.	Open
For project 1000000229, obtain documentation from the local-agency partner to determine eligible match and report those amounts to Caltrans' headquarters. In the event the match requirement was not met, coordinate with Caltrans' headquarters/California Transportation Commission to reimburse the Proposition 1B Trade Corridors Improvement Fund fund for any ineligible expenditures.	Open
Ensure an adequate audit trail is established and documentation is maintained to support project costs, including match, as required by Caltrans guidelines. The audit trail should facilitate the tracing of incurred expenditures to the accounting records and source documents.	Open
Review the project agreements and program guidelines to ensure an understanding of the reporting requirements.	Open
Develop and implement processes to ensure sufficient monitoring of projects to meet all reporting deadlines, including the timely submittal of Final Delivery Reports.	Open

### Caltrans District 11

P2500-0006  
Issue Date: 8/3/2022

Entity Responsible:  
**Division of Construction**

Recommendations	Status
Design and implement policies and procedures to ensure timely completed project reporting, specifically the Final Delivery Report (FDR), to Caltrans/California Transportation Commission (CTC) within the specified time frames as required.	Closed
Measure the actual daily vehicle hours of time saved and compare actuals to the expected daily vehicle hours of time saved noted in the CTC Financial Vote List. Submit a Supplemental FDR that includes the actual daily vehicle hours of time saved.	Closed
Retain documentation that supports the actual daily vehicle hours of time saved reported in the Supplemental FDR.	Closed

## INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

### Tulare County, Resource Management Agency

P1594-0115  
Issue Date: 9/27/2022

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the Tulare County, Resource Management Agency (County) to develop a corrective action plan to resolve and close the findings identified in this audit.	Open
The County should reconcile the 2019-20 and 2020-21 indirect billings using the audited rates in Table 1 and resolve any over and under payments with Caltrans.	Open
The County should develop, document, and implement Indirect Cost Rate Proposal (ICRP) policies and procedures to comply with 2 CFR 200 and provide the training to staff responsible for preparing and reviewing the ICRPs.	Open

### County of Santa Cruz

22A.ICAP07  
Issue Date: 11/21/2022

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Reconcile the 2021-22 billings using the audited rate and resolve any over-payments with Caltrans.	Open
Ensure Caltrans approved carry forward amounts are used to prepare future ICRP submissions. Obtain documented approvals from Caltrans for adjustments to rates and amounts previously accepted by Caltrans.	Open

## STATUS OF AUDIT RECOMMENDATIONS\*

### FOR 2021-22

**72** - Total Recommendations

**33** - Open Recommendations

**39** - Closed Recommendations

## PERFORMANCE AUDITS

### Baseline for SB 1 Performance Outcomes – Bridges

P3010-0658  
Issue Date: 1/31/2022

Entity Responsible:  
**Division of Maintenance**

Recommendations	Status
Caltrans should revise subsequent Annual Performance Benchmark Reports, or issue an interim report if requested by the Commission. Future reports should:	
A. Separately account for and report HM and SHOPP fixed bridge accomplishments, including a clear description of the methodology and milestone dates used to report fixed bridges.	Open
B. Use the Contract Completion Acceptance milestone to report HM and SHOPP bridge accomplishments, or an alternate milestone that is formally implemented. If an alternate milestone is used, such as “open to traffic” or Expected Construction Work Completion, the milestone should be formally established and implemented as a project delivery milestone that requires a resident engineer to validate and document project performance.	

*\*Following pages reflect only open recommendations.*

## INCURRED COST AUDITS

### City of Woodland

P1575-0067  
Issue Date: 1/6/2022

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Remit \$131,435 to Caltrans for unsupported construction costs. Caltrans will determine the final disposition of questioned costs.	Open
Implement reconciliation procedures to ensure non-participating costs are not billed to Caltrans.	Open
Remit \$33,039 to Caltrans for questioned indirect costs. Caltrans will determine the final disposition of questioned costs.	Open
Develop and implement policies and procedures on chargeback costs to ensure indirect costs are not billed as direct costs and provide training to responsible staff.	Open
Work with Caltrans to review prior billings to determine if additional chargeback costs were reimbursed and should be repaid.	Open
Remit \$6,324 to Caltrans for unallowable consultant costs. Caltrans will determine the final disposition of questioned costs.	Open

**City of Sacramento**

P1575-0069  
Issue Date: 6/30/2022

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the City to develop a corrective action plan to resolve and close the findings identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$1,072,862, if applicable.	Open
Caltrans should review construction costs for project BRLS-5002 (164) that it reimbursed to the City subsequent to the period covered in this audit report to ensure all reimbursed costs are documented with adequate supporting records.	Open
The City should design and implement a review process to ensure project files include all relevant source documents, including, but not limited to, Q sheets, weight tickets, and complete daily reports. This process should ensure that the City maintains a clear audit trail to support project costs and to facilitate the tracing of incurred expenditures to source documents.	Open
The City should provide training to staff on all applicable construction record completion and retention requirements.	Open

**Placer County**

P1575-0071  
Issue Date: 6/30/2022

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Caltrans should coordinate with the County to develop a corrective action plan to resolve and close the findings identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$2,255,394, if applicable.	Open
The County should design and implement a review process to ensure expenditures are eligible and allowable based on executed agreements.	Open
The County should ensure the records are retained to ensure a clear audit trail is maintained to support project costs. The audit trail should facilitate the tracing of incurred expenditures to source documents.	Open

## PROPOSITION 1B AUDITS

### Orange County Transportation Authority

P2500-0008  
Issue Date: 8/13/2021

Entity Responsible:  
**Division of Rail and Mass Transportation**

Recommendations	Status
Remit \$250,000 to Caltrans.	Open

### District 6

P2500-0003  
Issue Date: 2/24/2022

Entity Responsible:  
**Division of Construction**

Recommendations	Status
Coordinate with Caltrans to reimburse the Proposition 1B State Route 99 Corridor Account fund for the \$3,154,412 (\$3,087,904 + \$63,797 + \$2,711) of unsupported and ineligible Proposition 1B expenditures.	Open
Ensure a clear audit trail is established and documentation is maintained to support project costs. The audit trail should facilitate the tracing of incurred expenditures to the accounting records and source documents.	Open
Develop, implement, and maintain an adequate review process to ensure expenditures are allowable based on executed agreements and program guidelines.	Open
Submit FDRs for future completed projects to Caltrans/CTC within the specified time frames as required.	Open
Submit Supplemental FDRs for all projects addressing all benefits/outcomes.	Open
Ensure future FDRs address all project benefits/outcomes.	Open
Ensure total project expenditures are accurately reported in future FDRs and Supplemental FDRs.	Open

## INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

### City of Chico

P1594-0114  
Issue Date: 12/15/2021

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Reconcile the 2019-20 and 2020-21 billings using the audited rates and reimburse Caltrans for any over payments.	Open
Review all ICRP indirect costs pool accounts to ensure costs comply with 2 CFR 200.	Open

### Association of Monterey Bay Area Government

P1594-0111  
Issue Date: 2/24/2022

Entity Responsible:  
**Division of Transportation Planning**

Recommendations	Status
Reconcile the 2019-20 and 2020-21 indirect cost billings using the audited rates and reimburse Caltrans for any over payments.	Open
Implement a review process to ensure leave balances are removed from indirect salaries prior to the allocation of fringe benefits costs.	Open
Implement a reconciliation process to ensure actual indirect costs used in the carry forward calculation, such as depreciation costs, trace and agree to the accounting system.	Open

**Riverside County**

22A.ICAP02  
Issue Date: 5/26/2022

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Reconcile the 2020-21 and 2021-22 billings using the audited rates and resolve any over and under payments with Caltrans.	Open
Ensure Caltrans's Independent Office of Audits and Investigations approved carry forward amounts and rates are used to prepare future ICRP submissions. Obtain documented approvals from Caltrans's IOAI for adjustments to rates and amounts previously accepted by Caltrans's IOAI.	Open
Design, document, and implement policies and procedures for a secondary level review to ensure the accuracy of ICRPs submissions.	Open
Review all ICRP indirect costs pool account categories to ensure costs comply with 2 CFR 200 and are properly segregated between direct and indirect costs.	Open
Design, document, and implement policies and procedures to ensure costs in the indirect costs pool accounts are adequately documented and supported.	Open

**CONTRACT COMPLIANCE AUDITS****Kiewit/Mason AJV**

P1200-2693  
Issue Date: 12/10/2021

Entity Responsible:  
**Division of Construction**

Recommendation	Status
Remit \$11,607 in questioned partnering and rental sign costs. Alternatively, work with Caltrans to determine the final disposition of questioned costs.	Open



## STATUS OF AUDIT RECOMMENDATIONS\*

### FOR 2020-21

**139** - Total Recommendations

**49** - Open Recommendations

**90** - Closed Recommendations

### INCURRED COST AUDITS

#### Yuba County

P1575-0061  
Issue Date: 8/19/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Reimburse Caltrans \$196,935 of disallowed costs for unsupported construction costs.	Open
Include the required construction contract provisions in current and future construction contracts to comply with the Federal Master Agreement requirements.	Open
Amend the construction contract provision to correct Article V, on the performance of the contract, to read, in part, "the County shall exercise general supervision."	Open
Establish and maintain an accounting system that properly accumulates and segregates costs by project phase and by eligible or non-eligible project costs as required by the grant agreement.	Open
Establish and implement written procedures for developing proper equipment usage rates and perform periodic updates to ensure the rate reflects the most current equipment costs.	Open
Establish and implement written procedures for obtaining an approved indirect cost rate prior to billing Caltrans.	Open
Include the missing contract provisions in agreements.	Open
Adhere to the County's procurement policies and procedures that align with state and federal procurement requirements.	Open
Document and maintain procurement records for every project procurement.	Open

*\*Following pages reflect only open recommendations.*

Recommendations	Status
Submit semi-annual reports timely to Caltrans.	Open
Update and implement their written purchasing policy and procedures to require the names of key personnel and specify no contingencies are allowed on cost proposals.	Open

## City of Perris

P1575-0060  
Issue Date: 10/13/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Reimburse Caltrans \$686,526 in disallowed costs due to issues related to the responsible charge.	Open
Designate a City employee as the responsible charge to comply with the requirements of Local Assistance Procedures Manual (LAPM) Chapter 20 and the Federal Master Agreement and regulations.	Open
Reimburse Caltrans for the \$304,441 in disallowed construction costs identified.	Open
Develop and implement policies and to ensure reimbursement requests and semi-annual reports are submitted timely and comply with state and federal requirements, and train staff accordingly.	Open

## City of Wasco

P1575-0059  
Issue Date: 11/2/2020

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Reimburse Caltrans \$168,584 for the disallowed costs associated with the conflict of interest.	Open
Reimburse Caltrans \$45,492 for total disallowed labor cost.	Open
Reimburse Caltrans \$10,623 for disallowed procurement costs.	Open

## City of Montebello

P1560-0025  
Issue Date: 11/10/2020

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Reimburse Caltrans \$77,075 in disallowed costs due to the procurement deficiencies identified.	Open
Update procurement guidelines and policies to conform with the requirements stipulated in the Caltrans agreements and state and federal procurement regulations.	Open
Reimburse Caltrans \$402,064 in disallowed construction costs due to issues with the Person in Responsible Charge.	Open
Implement the requirements of California GC section 4526, 23 CFR 172, and the LAPM Chapter 10, to ensure compliance with applicable laws on procuring consultant contracts and potential conflict of interest. Mitigate conflicts of interest and train staff accordingly to ensure compliance with established procurement policies and procedures.	Open
Implement the requirements of LAPM Chapter 20, 23 CFR 172, and the Caltrans and City agreement to ensure a full-time City employee(s) acts as a Person in Responsible Charge and train staff accordingly.	Open
Require staff to take the DLA's Architecture and Engineering consultant procurement training.	Open
Include state and federal regulations, Caltrans and City agreements, and LAPM required language in all third-party contracts.	Open

Recommendations	Status
Require staff to submit and comply with the LAPM Exhibit 10-C requirements before executing a consultant contract.	Open
Require Contract Administer and City employees involved with contract administration to attend DLA's Federal Aid Series training, specifically on Federal Rules for Contract Administration and Project Completion.	Open
Prior to contract award, verify and document that the construction contractor is not suspended or debarred.	Open
Revise Article XI of the contract to require that all records are maintained for a minimum period of three years from the date of submission of the final expenditure report to Caltrans.	Open
Remove Article XII from the contract or modify the language to ensure that project responsibility resides with the City and remove language that the state has the right to assume full and direct control of the contract.	Open
Update the Municipal Code Policy to include advertising for a minimum of three weeks.	Open
Submit invoices to Caltrans at least every six months.	Open

## City of Santa Ana

P1575-0062

Issue Date: 11/23/2020

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Remit \$504,283 in questioned costs. Alternatively, work with Caltrans and the Federal Highway Administration to determine any allowable amounts that may be included in the \$504,283 questioned costs.	Open
Comply with the master agreements and the LAPM Chapter 5.3, and submit an ICRP for approval annually moving forward and prior to billing Caltrans for any indirect costs.	Open
Develop and implement policies and procedures to address the roles and responsibilities over labor billing practices, and a consistent methodology in billing labor costs according to applicable state and federal regulations.	Open
Caltrans should also review billings on other projects to determine if indirect costs were reimbursed.	Open
Require managers and staff involved with procurement take Caltrans DLA's consultant procurement training.	Open
Require billings to Caltrans be submitted at least once every six months per project.	Open
Comply with the reporting guidelines outlined in the LAPG.	Open
Implement the Caltrans Interim Active Transportation Program (ATP) Count Methodology Guidance issued on September 16, 2019, for future ATP project scoping and planning purposes.	Open

## PROPOSITION 1B AUDITS

### City of San Marcos

P2500-0013  
Issue Date: 6/4/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Review the project agreements and the program guidelines to ensure an understanding of the reporting requirements.	Open
Develop and implement processes to ensure sufficient monitoring of projects to meet all necessary deadlines, including the timely submittal of FDRs.	Open

### Merced County

P2500-0012  
Issue Date: 12/18/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Remit \$140,672 to Caltrans.	Open
Develop, implement, and maintain an invoice review process to ensure claimed expenditures are Proposition 1B funding eligible based on agreement terms and program guidelines prior to submitting reimbursement claims to Caltrans.	Open

## INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

### City of Redding

P1594-0107

Issue Date: 12/31/2020

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Develop and document ICRP and Geographic Information System (GIS) cost allocation procedures to ensure future ICRPs and GIS cost allocations are properly supported, prepared, and reviewed.	Open
Reconcile the 2017-18 and 2018-19 billings using the audited rates and reimburse Caltrans for any over payments.	Open

### Kings County Association of Governments

P1594-0104

Issue Date: 4/20/2021

Entity Responsible:

**Division of Transportation Planning**

Recommendations	Status
Reconcile the 2018-19 and 2019-20 billings using the audited rates and reimburse Caltrans for any over payments.	Open
Review all ICAP indirect costs pool accounts to ensure costs are in compliance with 2 CFR 200 and applicable CalHR policies.	Open
Develop and document ICAP policies and procedures to comply with CFR 200 and applicable CalHR policies.	Open

## STATUS OF AUDIT RECOMMENDATIONS\*

### FOR 2019-20

**223** - Total Recommendations

**20** - Open Recommendations

**203** - Closed Recommendations

## PERFORMANCE AUDITS

### Good Faith Efforts

P3010-0652  
Issue Date: 6/29/2020

Entity Responsible:  
**Office of Civil Rights**

Recommendations	Status
Caltrans should update its Standard Specifications and Statement of Qualification Submittal Instructions for bidders to state that appropriate North American Industry Classification System (NAICS) codes are required to count for Disadvantaged Business Enterprises (DBE) participation work on contracts.	Open
Office of Civil Rights should expand operational procedures to include steps that ensure DBEs are certified for the NAICS code(s) applicable to the kind of work performed on the contract so that DBEs are properly counted towards DBE participation goals.	Open

## PROPOSITION 1B AUDITS

### Riverside County

P2525-0073  
Issue Date: 10/4/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Submit supplemental FDRs that accurately address all project benefits/outcomes, including pre and post comparable metrics.	Open

\*Following pages reflect only open recommendations.



## City of Ontario

P2525-0064  
Issue Date: 1/13/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Remit \$67,428 to Caltrans.	Open
Collaborate with Caltrans to identify additional ineligible consultant personnel costs and remit total ineligible costs to Caltrans.	Open
Review the LAPM to ensure an understanding of all contracting requirements.	Open
Revise current procedures for the review of consultant invoices to ensure compliance with contract requirements.	Open
Maintain documentation to support benefits/outcomes reported in the FDRs.	Open
If necessary, submit Supplemental FDRs to accurately report benefits/outcomes achieved for the projects.	Open

## Port of Los Angeles

P2525-0049  
Issue Date: 2/28/2020

Entity Responsible:  
**Division of Rail and Mass Transportation**

Recommendations	Status
Submit Supplemental FDRs for projects 0013000261, 0700000494, and 0712000072, that address all project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.	Open

**City of Commerce**

P2525-0053

Issue Date: 2/28/2020

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Remit \$1,625,386 to Caltrans.	Open
Develop and Implement policies and procedures to ensure invoices and CCOs are properly and consistently reviewed for accuracy and compliance with the project baseline agreement prior to submitting for reimbursement.	Open
Review all requirements as outlined in the project baseline agreement and ancillary documents and use these documents as a guide to develop policies and procedures.	Open

**City of Dinuba**

P2535-0128

Issue Date: 6/10/2020

Entity Responsible:

**Division of Local Assistance**

Recommendation	Status
Remit \$157,239 to Caltrans.	Open

**City of Fairfield**

P2525-0054

Issue Date: 5/22/2020

Entity Responsible:

**Division of Local Assistance**

Recommendations	Status
Submit a Supplemental FDR listing the pre- and post-comparable benefits/outcomes.	Open

## INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

### Kern Council of Governments

P1580-0024  
Issue Date: 4/14/2020

Entity Responsible:  
**Division of Transportation Planning**

Recommendation	Status
Ensure all billed costs are eligible for reimbursement.	Open

### Humboldt County

P1594-0103  
Issue Date: 9/20/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendations	Status
Adjust the 2015-16 actual indirect costs pools by \$270,093 for the unallowable costs and ensure these costs are not included in future indirect costs pools.	Open
Adjust the 2015-16 actual direct cost bases by \$152,026 and ensure these costs are included in future direct cost bases.	Open
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200 and properly segregated between direct, indirect, and unallowable costs.	Open
Reconcile the 2015-16 billings using the audited rates and reimburse Caltrans for any overpayments.	Open

**Architectural & Engineering Cost Proposal Reviews**

Architectural and engineering cost proposals are submitted to Caltrans as part of a bid proposal. The review's purpose is to determine whether financial documents support the contract cost proposal and indirect cost rate(s). These reviews are performed as a service to Caltrans and are conducted prior to contract execution.

**Avoided Costs**

Costs Caltrans avoided paying as a result of an audit or review that identified unallowable or ineligible costs per statute or agreement. For example, ineligible costs may be identified during a review of architectural and engineering cost proposals. Since IOAI notifies Caltrans prior to the contract execution, Caltrans avoids paying the ineligible costs.

**Closed Recommendation**

A recommendation is closed after Caltrans submits a Corrective Action Plan, takes appropriate corrective action and provides IOAI with sufficient supporting evidence to demonstrate that the action was taken.

**Code of Federal Regulations**

The Code of Federal Regulations (CFR) is the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject to Federal regulation. Each volume of the CFR is updated once each calendar year and is issued on a quarterly basis. For further information, see United States National Archives <https://www.archives.gov/federal-register/cfr/about.html>.

**Government Auditing Standards**

Government Auditing Standards (commonly referred to as the "Yellow Book") are produced by the United States Government Accountability Office. "The Yellow Book is used by auditors of government entities, entities that receive government awards, and other audit organizations performing Yellow Book audits. It outlines the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports." For further information, see United States Government Accountability Office, <https://www.gao.gov/yellowbook>.

**Indirect Cost Reviews and Audits**

Reviews and audits are performed to determine whether a local government's Indirect Cost Rate Proposal is prepared in accordance with federal requirements. Pursuant to the Stewardship and Oversight Agreement between the Federal Highway Administration and Caltrans, Caltrans is responsible for approval of indirect cost allocation plans. Any department, division or other organization unit within the local agency that seeks reimbursement of their indirect costs, must receive an Approval/Acceptance Letter of its Indirect Cost Rate Proposal (ICRP) prior to billing for any indirect costs. ICRPs are reviewed to determine compliance with the requirements of Title 2 Code of Federal Regulations Part 200 (2 CFR 200). Audits may also be performed on a risk basis. The audits are performed by either IOAI or the California Department of Finance through an inter-agency agreement.

**Project (Incurred Cost) Audits**

Audits are performed to determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions, established guidelines, and state and federal laws and regulations, and to determine whether project deliverables (outputs) and benefits (outcomes) are reasonable in comparison with the project scope, schedule, and benefits described in executed project agreements or approved amendments. These audits are performed under government auditing standards.

**Open Recommendation**

A recommendation is opened on the date the audit report is issued. The recommendation remains open until Caltrans completes the corrective action and provides IOAI with sufficient supporting evidence of the actions taken.

**Performance (Program) Audits**

Audits performed to assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage the programs. Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; and compliance. Audit objectives may also pertain to the current status or condition of a program. These audits are performed under government auditing standards.

**Proposition 1B Bond Audits**

The California Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) dedicated \$19.925 billion over a ten-year period for transportation projects. Under Government Code sections 8879.2(c) and 8879.50, audits are required of bond project expenditures and outcomes. The audits are performed to determine the allowability of costs and to assess whether deliverables and outcomes were met.

**Questioned Costs**

“Questioned cost means a cost that is questioned by the auditor because of an audit finding: (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used as to match Federal funds; (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.” For further information, see Title 2 CFR 200. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

Questioned costs included in this report may include state and/or federal funds and are reported to Caltrans management. The actual amounts recovered may differ during final resolution by Caltrans.

**Single Audit**

Pursuant to Title 2 Code of Federal Regulations Part 200, a Single Audit is required for an entity that expends \$750,000 or more of federal funds. The audit's primary objective is to provide assurance to the federal government that funds are properly managed by recipients such as states, cities, universities, non-profit organizations, and Indian Tribes. The audit is typically performed by an independent certified public accountant.

**AE**

Architecture and Engineering

**ATP**

Active Transportation Planning

**CalHR**

California Department of Human Resources

**CalSTA**

California Transportation Agency

**Caltrans**

California Department of Transportation

**CAP**

Corrective Action Plan

**CATS**

Contract Administration Tracking System

**CCA**

Contract Completion Acceptance

**CCO**

Contract Change Orders

**CFR**

Code of Federal Regulation

**CTC**

California Transportation Commission

**DBE**

Disadvantaged Business Enterprises

**DGS**

California Department of General Services

**DLA**

Division of Local Assistance

**DOF**

California Department of Finance

**DVBE**

Disabled Veteran Business Enterprise

**ECWA**

Expected Construction Work Completion

**FHWA**

Federal Highway Administration

**FDR**

Financial Document Report

**GHG**

Greenhouse Gas Emissions

**GIS**

Geographic Information System

**HM**

Highway Maintenance

**Hotline**

Inspector General Hotline

**IOAI**

Independent Office of Audits and Investigations

**ICAP**

Indirect Cost Allocation Plan

**ICRP**

Indirect Cost Rate Proposal

**LAPG**

Local Assistance Program Guidelines

**LAPM**

Local Assistance Procedures Manual

**LGBT**

Lesbian, Gay, Bisexual, and Transgender

**NAICS**

North American Industry Classification System

**OAS**

DGS Office of Audit Services

**PCC**

Public Contract Code

**Proposition 1B**

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006

**SB**

Small Business

**SB 1**

Senate Bill 1, the Road Repair and Accountability Act of 2017

**SB 103**

Senate Bill 103, Chapter 95, Statutes of 2017

**SHOPP**

State Highway Operation and Protection Program

**TCIF**

Trade Corridors Improvement Fund

**TMS**

Transportation Management System

**VMT**

Vehicle Miles Traveled









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