



INSPECTOR GENERAL

California Department of Transportation

California Department of Transportation

District 11

Project Audit



Independent Office of Audits and Investigations

Bryan Beyer, Inspector General
Diana Antony, Chief Deputy

December 2023
23A.PJCT06



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



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

December 15, 2023

Tony Tavares
Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Final Report – California Department of Transportation, District 11, Project Audit

Dear Director Tavares:

The Independent Office of Audits and Investigations (IOAI) has completed its audit of the California Department of Transportation, District 11 (District). We audited the costs that the District incurred related to “Siempre Viva Road Interchange” project totaling \$26,944,803.

Enclosed is our final report, which includes the California Department of Transportation’s response to the draft report. The final report is a matter of public record and will be posted on IOAI’s website.

A Corrective Action Plan (CAP) addressing the recommendations is due from the California Department of Transportation 60 days from receipt of this letter. Thereafter, CAP updates will be required every 6 months and 1 year from the report issuance date, until all findings have been addressed. The CAP should be sent to ioai.reports@dot.ca.gov.

If you have any questions regarding this report, please contact our office at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations
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Tony Tavares
December 15, 2023
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cc: Michael Keever, Chief Deputy Director, California Department of Transportation
Gustavo Dallarda, District Director, District 11, California Department of Transportation
Nikki Tiongco, District Project Manager, District 11, California Department of Transportation
Ben Shelton, Audit Chief, Internal Audits Office, California Department of Transportation

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Terms Used in Report

Terms/Acronyms	Definition
Baseline Agreement	An agreement between Caltrans and the Commission which sets forth the agreed upon expected benefits, project scope, schedule, and costs.
Benefits	Also known as outcomes, benefits are non-physical improvements, such as congestion reduction, air quality improvement, improved safety, or economic development. ¹
Border System Development	The California-Mexico Border System Project
Caltrans	California Department of Transportation
Commission	California Transportation Commission
Deliverables	Also known as outputs, deliverables are the actual infrastructure, such as buses, bike lanes, transit lanes, and HOV lanes ¹ or required documents as stipulated in the executed agreement or applicable guidelines.
District	California Department of Transportation, District 11
EA	An Expenditure Authorization is a six-digit alpha-numeric field assigned to a specific project to track all project-related expenses in Caltrans' legacy systems.
POE Project	The "Otay Mesa East Port of Entry" project
Siempre Viva Project	The "Siempre Viva Road Interchange" project, which includes site preparation design for the Commercial Vehicle Enforcement Facility.
TCEP	Trade Corridor Enhancement Program

¹The Commission's Senate Bill 1 Accountability and Transparency Guidelines referenced these terms. We obtained the definitions from the Commission's presentation at a Senate Bill 1 Program Benefits Workgroup held on July 18, 2019.

Summary

The purpose of this audit was to evaluate the “Siempre Viva Road Interchange” project, which is one of six projects collectively known as the California-Mexico Border System Project (Border System Development). Our audit objectives were to determine whether incurred costs were allowable and adequately supported in accordance with the California Department of Transportation’s (Caltrans) agreement provisions and state regulations. In addition, we determined whether project deliverables were consistent with the project’s schedule, as described in the executed agreement. We did not evaluate whether the project’s deliverables and benefits were consistent with the project scope because the project was in progress as of June 26, 2023, which was the end of our audit period.

For this audit, we obtained reasonable assurance that the District incurred costs that were allowable and adequately supported in accordance with Caltrans’ agreement provisions and state regulations, except for \$2,998,414. Specifically, we determined that the District inappropriately used funds that the California Transportation Commission (Commission) allocated to the project to pay for costs related to a separate project. Due to this significant area of noncompliance, we are calling into question a total of \$2,998,414.

Although the District did not complete the construction of the interchange on schedule, the District appropriately informed Caltrans of the delay, as required by the Commission’s Senate Bill 1 Accountability and Transparency Guidelines.

Table 1. Summary of Questioned Costs

Finding #	Description	Questioned Costs
1	Contract Change Orders Were Authorized for Work and Materials for a Separate Project.	\$2,973,762
2	Costs Were Moved from a Separate Project by Modifying Invoices Submitted by a Consultant.	\$ 24,652
Total Questioned Costs		\$2,998,414

Source: Analysis by the Independent Office of Audits and Investigations

Introduction

Background

Senate Bill 1 (Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, provided the first significant, stable, and on-going increase in state transportation funding in more than two decades. Caltrans administers various programs that receive federal and state funds. Included among these programs is the Trade Corridor Enhancement Program (TCEP).

TRADE CORRIDOR ENHANCEMENT PROGRAM DESCRIPTION FROM THE CALIFORNIA TRANSPORTATION COMMISSION'S WEBSITE

The purpose of the Trade Corridor Enhancement Program is to provide funding for infrastructure improvements on federally designated Trade Corridors of National and Regional Significance, on California's portion of the National Highway Freight Network, as identified in California Freight Mobility Plan, and along other corridors that have a high volume of freight movement. The Trade Corridor Enhancement Program will also support the goals of the National Highway Freight Program, the California Freight Mobility Plan, and the guiding principles in the California Sustainable Freight Action Plan.

This statewide, competitive program will provide approximately \$300 million per year in state funding and approximately \$515 million in National Highway Freight Program funds, if the federal program continues under the next federal transportation act.

Eligible applicants apply for program funds through the nomination of projects. All projects nominated must be identified in a currently adopted regional transportation plan.

Source: Excerpts obtained from [Trade Corridor Enhancement Program - California Transportation Commission](#)

The 2018 TCEP Guidelines described the project selection process, which required an agency (such as the District) to submit an application that clearly prioritized its projects. According to the application submitted to the Commission, the District (in collaboration with the San Diego Association of Governments, Imperial County Transportation Commission, and the Southern California Association of Governments) would serve as the lead agency over the Border System Development. These funds would invest in the Border System Development, which included six individual projects. In May 2018, the Commission approved the District's application and separately allocated funding to each project, which include:

1. Southbound State Route 125 to Westbound State Route 905 Connector
2. Siempre Viva Road Interchange and Site Preparation Design for Commercial Vehicle Enforcement Facility
3. Otay Mesa East Port of Entry (POE Project)
4. Intelligent Transportation System Technology (Advanced Technology Corridors at Border Ports of Entry)

5. State Route 98 Improvements
6. Calexico East Port of Entry Truck Crossing Improvement

For this audit, we selected the project named the “Siempre Viva Road Interchange” project (Siempre Viva project). For TCEP-funded projects, state law authorizes the Commission to allocate funding. As such, the Commission allocated the District \$4,810,000 and \$32,285,000 in 2018 and 2020, respectively. As shown in Figure 2, the Siempre Viva project included the construction of a new interchange and site design preparation for a commercial vehicle enforcement facility, which included grading, drainage, and utilities. The District, as the lead agency, implemented this project and incurred \$26,944,803. Table 2 includes additional project details.

Table 2. Project Details as of June 2023

Program	Project Number	Funding Source	Project Status ²	Allocated Amount	Incurred Amount
TCEP	1117000087	State Funds	In progress	\$37,095,000	\$26,944,803

Source: Analysis by the Independent Office of Audits and Investigations

Figure 1. Aerial Photo in 2021 Before Construction of the Siempre Viva Project



²The Senate Bill 1 Accountability and Transparency Guidelines define a project as “complete and operational” when the project is within six months of the construction contract acceptance, or the project becomes operable (open to the public). Since this project was not in that state at the end of our audit fieldwork, this project is considered “in progress.”

Figure 2. Aerial Photo in 2023 After Construction of the Siempre Viva Project



Source: The District

Figure 3. Photo in 2023 After Construction of the Siempre Viva Interchange



Source: Independent Office of Audits and Investigations

Although the Commission allocates funding, Caltrans provides administrative oversight and ensures that funded recipients follow the terms and conditions of the Commission’s Senate Bill 1 Accountability and Transparency Guidelines. These guidelines state that as a condition of receiving funds, the implementing agency must adhere to various reporting requirements. Refer to Table 3 for descriptions of key reports that the District must submit to Caltrans, such as the Progress Report, Completion Report, and Final Delivery Report.

Table 3. Definitions From the California Transportation Commission's Senate Bill 1 Accountability and Transparency Guidelines

Progress Report

Once a project has been adopted into one of the Senate Bill 1 Programs, the Implementing Agency will submit regular and timely project updates to Caltrans.

Completion Report

Within six months of construction contract acceptance or the project becoming operable (open to the public), whichever comes sooner, the Implementing Agency shall provide a Completion Report to Caltrans on the scope of the completed project, its estimated final cost, estimated schedule, and project benefits as compared to those included in the executed project agreements. Additionally, the Completion Report shall describe the methodologies and assumptions used to evaluate how the project benefits were calculated as compared to the methodologies and assumptions used in the executed project agreements. In the event the project benefits identified in the Completion Report differ from those identified in the executed program agreements (cooperative, funding, or baseline), the difference must be noted, quantified, and explained. Documentation used for the benefit evaluation shall be preserved and made available for review by Caltrans, the Commission, the Transportation Inspector General, Department of Finance, and/or the California State Auditor, if requested. The Completion Report should not be delayed due to claims, plant establishment periods, ongoing environmental mitigation monitoring, or other reasons.

Final Delivery Report

A Final Delivery Report must be submitted within 180 days of the conclusion of all remaining project activities beyond the acceptance of the construction contract to reflect final project expenditures, any changes that occurred after submittal of the Completion Report and an updated evaluation of the benefits. The Commission may include this information in its annual reports to the Legislature.

Source: The California Transportation Commission's Senate Bill 1 Accountability and Transparency Guidelines

Scope and Methodology

The audit objectives were to determine whether the District incurred costs for the Siempre Viva project that were allowable and adequately supported in accordance with Caltrans' agreement provisions and state regulations. In addition, we determined whether the achieved project deliverables were consistent within the project's schedule, as described in the executed agreements. We did not evaluate whether the project's deliverables and benefits were consistent with the project scope because the project was in progress as of June 26, 2023, the end of our audit period. Our audit period was from August 2018 through June 2023.

We gained an understanding of the Siempre Viva project and identified relevant criteria by reviewing applicable state law, the Commission's and Caltrans' guidelines, executed project agreements, project records, and Caltrans' policies and procedures. Specifically, we reviewed the following:

- Commission's Senate Bill 1 Accountability and Transparency Guidelines
- Commission's 2018 TCEP Guidelines
- Caltrans Construction Manual
- Caltrans Project Changes Handbook
- Caltrans Capital Project Workplan Handbook
- Caltrans Capital Outlay Support Charging Practice Guidelines
- Caltrans Workplan Standards Guide
- Caltrans Deputy Directive 41-R2 titled Caltrans Charging Practices
- Caltrans Project Management Directive 002 titled Project Identification
- Caltrans Project Management Directive 018R3 titled Management of Capital Outlay Support
- Baseline Agreement between the Commission and Caltrans³
- The District's project application

We performed a risk assessment, including identifying and evaluating whether the District properly designed and implemented internal controls significant to our audit objectives. Our evaluation of internal controls focused on the District's review and approval process of costs, contract change orders, and deliverables' completion. As part of our audit work, we identified a significant deficiency related to the District's internal control environment.

³As noted on the Commission's [website](#), baseline agreements establish the agreed-upon expected benefits, project scope, schedule, and cost of a project for which the Commission has approved funding. These agreements provide a foundation for project monitoring and reporting. The baseline agreements also identify the agency responsible for reporting on the progress made towards the implementation of the project. In accordance with the [Senate Bill 1 Accountability and Transparency Guidelines](#), the Commission expects Caltrans to coordinate all baseline agreements.

In addition, we assessed the sufficiency and appropriateness of computer-processed information that we used to support our findings, conclusions, and recommendations. We assessed the reliability of data obtained from AMS Advantage, Caltrans' financial system, which was used to identify and track project costs. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining if selected costs were supported by source documentation. We determined that the data were sufficiently reliable to meet our audit objectives.

Based on our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methodology included conducting interviews with key personnel, analyzing relevant documentation, and testing transactions related to incurred costs and project deliverables as of June 2023. Appendix A details our methods.

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

Audit Results

Based on this audit, we obtained reasonable assurance that the District incurred costs that were allowable and adequately supported in accordance with Caltrans' agreement provisions, except for \$2,998,414 as noted below. Although the District did not complete the construction of the interchange on schedule, the District appropriately informed Caltrans of the delay as required by the Commission's Senate Bill 1 Accountability and Transparency Guidelines.

Appendix B includes more information related to the Siempre Viva project, including the audit results.

The District Inappropriately Used Funds Allocated to the Siempre Viva Project to Pay Various Expenses Related to a Separate Project.

Although the Siempre Viva and the POE projects are two of the six projects that make up the Border System Development, the Commission authorized funding for each project separately. Specifically, the District submitted a Project Programming Request for each project to the Commission for its approval – also known as “programming.” Programming establishes each project's distinct scope, budget, funding source, and timeline. However, as detailed below, we found that the District inappropriately used funds from the Siempre Viva project to pay various expenses related to the POE project using contract change orders and by modifying consultant invoices.

Finding 1. The District Authorized Three Contract Change Orders for Work and Materials for the Port of Entry Project.

Condition

In March 2021, the District entered into a construction contract for work on the Siempre Viva project. Specifically, the contract's scope of work was to construct an interchange, place jointed plain concrete pavement, pour hot mix asphalt, install lighting, and site preparation for the commercial vehicle enforcement facility. Figure 4 illustrates the locations of the Siempre Viva project as well as the POE project.

Figure 4. Aerial Photo of the Siempre Viva Project and Port of Entry Project



Source: The District

As noted in Table 4, the District authorized three change orders that included work and/or materials for the POE project and therefore, were not within the Siempre Viva contract's scope. Below are additional details about each questioned contract change order.

- **Contract Change Order #5:** While the contract change order's description indicated that the soil material was purchased solely for the Siempre Viva project, the Assistant Resident Engineer's Daily Report described that a portion of the soil material was used for the POE project. According to the District's Project Manager, the soil material was used for both projects; however, a breakdown of how much soil material was used at each site was not calculated. Our review of Caltrans' accounting records indicated that all costs were charged to the Siempre Viva project and without knowing each project's allocable share, we are questioning the entire \$1,613,217. Further, the Commission had not allocated construction funds to the POE project at the time these costs were incurred. As noted in the Criteria section of this finding, costs incurred prior to the Commission's allocation is not reimbursable.
- **Contract Change Orders #21 and #31:** The two contract change orders clearly describe that the scope of work was for the POE project. Therefore, we are questioning the entire \$1,360,545.

Based on the above, we are questioning the entire amount of the three contract change orders, which totaled \$2,973,762.

Table 4. Summary of Questioned Contract Change Orders (CCO) and Incurred Costs, by Contract Change Order

CCO# & date	Excerpts from the CCO	Is CCO within the Contract's Scope of Work?	Incurred Costs As of June 2023
5 (May 2021)	The placement of 400,000 cubic yards of import borrow to stockpile within the limits of the Siempre Viva project.	Partially	\$1,613,217
21 (May 2022)	Removing at least the six inches of topsoil as directed by the geotechnical engineer from land on the East Otay Mesa port of entry site (the POE project), which contains high amounts of clay. This will provide a solid base for construction of the future port of entry site. Completing the work now is crucial to ensuring that the future POE project remains on schedule for completion.	No	\$471,481
31 (August 2022)	Importing soil material from the import borrow stockpile and performing various remedial earthwork activities at the future East Port of Entry site (the POE project).	No	\$889,064
Total			\$2,973,762

Source: Analysis by the Independent Office of Audits and Investigations. Incurred costs are defined as costs paid to the contractor. We obtained these amounts from Caltrans' financial system called AMS Advantage.

Criteria

The State Contracting Manual, Volume 1, Chapter 2, Section 2.02 states that "a contract must clearly identify the parties to the contract, the term of the contract, the contract price (or in-kind value), and a contract sets forth terms, conditions, and the statement of all work to be performed."

The 2022 Caltrans' Construction Manual also provides guidance for the administration of construction contracts, including contract change orders. Specifically, Section 5-302 titled Change Order Policy states that unless special situations apply⁴:

Work that is outside the scope of an existing contract should be done in a separate contract.

⁴The Division of Construction and the District stated that none of the special situations apply.

The 2018 TCEP Guidelines describes the Commission's policies and expectations for TCEP and provides guidance to all applicants, including the District. As a recipient of TCEP funds, the District must adhere to these guidelines. Specifically, Section 10 titled Reimbursements states in part:

Costs incurred prior to Commission allocation are not eligible for reimbursement.

In addition, Caltrans Deputy Directive 41-R2 titled *Caltrans Charging Practices* further delineates roles and responsibilities of all Caltrans employees to ensure the costs charged to a project aligns with the actual work performed; are accurate, appropriate, and valid; and are in compliance with Caltrans policy. It states, in part:

Accurate charging practices are essential for providing financial information in a cost effective and timely manner, maintaining financial control of budgets, effective management of projects, billings to the federal government, state government and local agencies for reimbursable work, developing indirect cost rates, and billing rates, and preparation of annual financial statements.

Proper charging practices consist of the key requirements, principles, and other specific directions concerning the recording of labor and other expenditures as stated in Caltrans' guides and manuals.

Source information covered by this directive includes but is not limited to items such as employee time recording, overtime recording, travel expense claims, material acquisition/issuance documents, architectural and engineering contracts, service contracts, purchase documents, and receiving records.

Lastly, Caltrans' Project Management Directive 002 titled *Project Identification* provides guidance to Caltrans employees on how to record project information within various databases, including how to charge capital project costs to the correct project identifier. The directive further emphasizes rules for an active project identifier (known as an expenditure authorization). It states:

Each active multi-phase expenditure authorization may accumulate costs for one, and only one, active capital project.

Cause

According to the District's Project Manager, the two projects are all part of the Border System Development, with all six projects being interdependent of each other. However, the Commission allocated each project's funding separately and Caltrans assigned each project its own unique project identifier to track and monitor costs, as required.

The District also stated that a separate contract would have cost more money and time. However, the District entered into a separate construction contract for the POE project on August 19, 2022. The District could have incorporated this work into the contract for the POE project since contract change orders #21 and #31 were dated between May 2022 and August 2022. On or around the time these contract change orders were authorized, the District was involved in the process of soliciting, negotiating, and selecting a construction contractor.

Effect

Contract administrative laws and policies exist to protect the public from misuse or waste of public funds, provide qualified service organizations with a fair opportunity, stimulate competition, and help eliminate favoritism, fraud, and abuse in selecting firms for service. Without following a competitive process, the public's best interest in obtaining fair and cost-effective services may not have been served.

Recommendations

- 1.1 The District should calculate the proportional share of the soil material used for the Siempre Viva and POE projects and charge the expenses to each project, accordingly.
- 1.2 The District should ensure that costs incurred for a project are not expensed to other projects.
- 1.3 The District should ensure Project Managers have a clear understanding of the requirements identified in the Construction Manual regarding contract change order work that is outside the scope of an existing contract.

Finding 2. The District Moved Costs for the Port of Entry Project to the Siempre Viva Project by Modifying Five Invoices Submitted by a Consultant.


Condition

The District paid for consultant labor costs related to the POE project with Siempre Viva project funds. This consultant was authorized to work on multiple projects, and the invoices that we reviewed served as a reflection of that authorization. Specifically, we examined 14 out of 54 consultant invoices and identified that the District had altered the project identifier on five invoices. In these instances, they crossed out the original POE project identifier and substituted it with the Siempre Viva project identifier. The consultant costs were clearly identified on the invoices and associated timesheets as work performed on the POE project; however, the District did not document a justification for the modifications. The District incurred costs for the POE project; nevertheless, we confirmed, based on Caltrans' accounting records, that \$24,652 was charged to the Siempre Viva project.

See Figure 5 for one example of a modified invoice and Table 5 for summary of questioned consultant costs.

Figure 5. Example of a Modified Consultant Invoice, Invoice # 26316

CA Dept. of Trans. Dist 11
4050 Taylor Street
San Diego, CA 92110
Attn: [REDACTED]
(619) [REDACTED]



Contract No.: 11-1700-0087
Task Order No.: 28
Invoice No.: 26316
Invoice Date: 11/13/2019
Billing Period (Begin Date and End Date): 10/1/19-10/31/19
Consultant Project/Job/Reference No.: [REDACTED]

By [REDACTED]

Prime Consultant Costs:
Direct Labor Costs:
(Attach Time Sheets and Overtime Pre-Approval)

Employee Name	Classification	Shift	Regular / OT	PIN	EA	WBS	Billing Rate	Hours	Labor Cost
[REDACTED]	Risk Manager	1	Regular	11-1500-0139-3	418513	100.20	\$152.25	77.00	\$ 11,723.25
[REDACTED]	Risk Manager	1	Regular	11-1500-0139-3	418513	100.20	\$152.25	77.00	\$ 11,723.25
[REDACTED]	Risk Manager	1	Regular	11-1700-0087-1	056371	100.15	\$152.25	51.00	\$ 7,764.75
[REDACTED]	Risk Manager	1	Regular	11-1700-0087-1	056371	100.15	\$152.25	51.00	\$ 7,764.75
[REDACTED]	Project Manager	1	Regular	11-0002-0520-1	050391	100.15	\$271.08	2.00	\$ 542.16
[REDACTED]	Risk Manager	1	Regular	11-0002-0520-1	056391	100.15	\$152.25	53.00	\$ 8,069.25
				11-0002-0520-1	051231			56.00	\$ 8,611.41
Total Prime Consultant Direct Labor Cost:									\$28,099.41

Handwritten: 11-1700-0087

Other Direct Costs:
(See Notes Below)

Name / In House / Vendor	Description	Invoice / Ref No	Project No.	WBS	Unit Price	No. of Units	ODC
SUB-TOTAL							\$ -
Total Prime Consultant Other Direct Cost:							\$ -

Source: Caltrans District 11

Sensitive Information redacted by the Independent Office of Audits and Investigations. The project identifiers (i.e., EA) are 05637 and 05639 for the Siempre Viva project and the POE project, respectively. The last digit represents the phase of the project (i.e., 1 represents the PS&E project phase).

Table 5. Summary of Questioned Consultant Costs

Invoice Number	Invoice Date	Unrelated Costs Charged to Siempre Viva Project
25919	10/09/2019	\$5,583
26010	10/23/2019	\$1,998
26185	10/25/2019	\$6,480
26316	11/13/2019	\$8,611
27564	12/20/2019	\$1,980
Total Questioned Costs		\$24,652

Source: Analysis by Independent Office of Audits and Investigations

Criteria

Caltrans Project Management Directive 18-R3 clarifies the responsibilities of Project Managers, Deputy District Directors for Project Delivery, and Division of Project Management in the development and maintenance of project workplans and baselines, including planned hours and support costs, throughout the life of a project. Specifically, the directive states that Project Managers are required to, in part:

- Ensure that their projects remain within the allowable spending thresholds.
- Initiate change management documents in accordance with Project Management Directive 022 and the Project Changes Handbook to update the approved funding, schedule or scope, or to terminate the project when the workplan deviates to an extent that recovery is no longer possible.

Caltrans' Project Changes Handbook emphasizes change management and addresses why documenting changes to capital outlay projects and receiving approval is important; which types of changes need to be documented and approved; when and how these changes are documented and approved; and who identifies, initiates, and develops documentation and justification for proposed changes. Section 2.3 of the handbook states that:

If the Estimate at Completion for a phase is greater than the allocated amount, the project manager must add the project to the Watch List as soon as possible and 1) work with the relevant local agency to secure additional funding

or 2) submit a Supplemental Funds Request, which will lead to a supplemental vote by the CTC [Commission].

Cause

According to the District's Project Manager, the costs were moved to the Siempre Viva project due to insufficient funds on the POE project. As noted in the Criteria section, it is the Project Manager's responsibility to ensure that projects remain within budget and follow Caltrans' established processes when actual costs are greater than the allocated costs. However, the District did not implement the established directives and policies for this project.

Effect

The Siempre Viva project's costs are overstated by \$24,652, as these costs are unrelated to the project. Noncompliance with Caltrans' policies on change management decreases transparency and accountability to the Commission, other external stakeholders, and the public.

Recommendations

- 2.1 The District should remove \$24,652 in consultant costs from the Siempre Viva project and apply them to the POE project where the work was performed.
- 2.2 The District should train staff on the requirements outlined in Caltrans' directives about project change management, including Caltrans' Project Change Handbook.

Appendix A. Table of Methodologies

Audit Objectives	Methods
<p>Objective 1</p> <p>To determine whether project costs incurred were allowable and adequately supported in accordance with Caltrans' agreement provisions and state regulations.</p>	<p>Selected significant and high-risk areas to verify compliance with the baseline agreement between the Commission and Caltrans, TCEP guidelines, and the Senate Bill 1 Accountability and Transparency Guidelines. Those areas were:</p> <ul style="list-style-type: none"> • Project construction costs • Contract change orders • Consultant costs • Direct labor <p>Project Construction Costs</p> <p>Determined whether construction costs were reviewed and approved by testing 14 bid line items from four invoices (4 out of 25 invoices). Determined whether selected costs were allowable, supported, authorized, project-related, and incurred within the allowable time frame by reviewing progress payments, bid item pay estimates, daily reports, and comparing to relevant criteria.</p> <p>Contract Change Orders</p> <p>Judgmentally selected six contract change orders based on dollar amount and description (6 out of 33 contract change orders). Determined if contract change orders were approved, within the scope of work, completed, and supported by reviewing memorandums, descriptions, project's scope of work, construction contract, and progress payments. Reviewed the description of the remaining 27 contract change orders to determine whether the contract change orders work was within scope of the project.</p> <p>Consultant Costs</p> <p>Determined whether consultant costs were reviewed and approved by testing 14 of 54 invoices from three consultant contracts (3 out of 6 consultants) with significant costs. Determined whether selected costs were allowable, supported, authorized, project related, and incurred within the allowable time frame by reviewing consultant contracts and comparing to relevant criteria.</p> <p>Direct Labor</p> <p>Gained an understanding on how Caltrans charges labor costs to construction projects by reviewing policies and procedures that included:</p> <ul style="list-style-type: none"> • Deputy Directive 41 R1 Caltrans Charging Practices • Capital Project Workplan Handbook • COS Charging Practice Guidelines • Workplan Standards Guide <p>Reviewed Caltrans timesheet entries in AMS Advantage and performed analytical procedures.</p>

Audit Objectives	Methods
<p>Objective 2</p> <p>To determine whether project deliverables were consistent with the project scope and schedule as described in the executed project agreements or approved amendments.</p>	<p>Determined whether the project deliverables were consistent with project schedule by reviewing the Baseline Agreement and Progress Reports and by obtaining current project status from The District.</p> <p>We did not evaluate whether the project’s deliverables were consistent with the project scope because the project was in progress as of June 26, 2023, which was the end of our audit period.</p>
<p>Objective 3</p> <p>To determine whether project benefits were consistent with the project scope as described in the executed project agreements or approved amendments.</p>	<p>We did not evaluate whether the project’s deliverables were consistent with the project scope because the project was in progress as of June 26, 2023, which was the end of our audit period.</p>

Source: Analysis by the Independent Office of Audits and Investigations

Appendix B. Summary of the Project Details, Including Audit Results

PROJECT DETAILS

Project Name

Siempre Viva Road Interchange and Site Preparation Design for the Commercial Vehicle Enforcement Facility

Project Numbers

Project ID: 1117000087

Expenditure Authorization: 11-05637

Program

Trade Corridor Enhancement Program

Funding Source

State Funds (including Senate Bill 1⁵)

Project Description

Construct interchange at Siempre Viva Road and site preparation design for the Commercial Vehicle Enforcement Facility. Design work includes grading, drainage, and utilities.

Audit Period

August 15, 2018, through June 26, 2023⁶

Project Status

Project is in progress.

AUDIT RESULTS

Project Costs

Project costs incurred were allowable and adequately supported in accordance with Caltrans' agreement provisions and state regulations, except for \$2,998,414 in questioned costs as referenced in Findings 1 and 2.

⁵Senate Bill 1 (Beall, Chapter 5, Statutes of 2017)

⁶The audit period end date reflects the project expenditures in AMS Advantage through June 26, 2023.

Table 6. Schedule of Allocated, Incurred, and Questioned Costs for Siempre Viva Project

Project Phase	Allocated Amount	Incurred Costs	Questioned Costs
Planning, Specifications, and Estimate	\$4,810,000	\$4,809,964	\$24,652
Construction Engineering	\$5,096,000	\$5,056,131	\$0
Construction	\$27,189,000	\$17,078,708	\$2,973,762
Total Costs	\$37,095,000	\$26,944,803	\$2,998,414

Source: Analysis by Independent Office of Audits and Investigations

Project Deliverables

Although the District did not complete the construction of the interchange on schedule, the District appropriately informed Caltrans of the delay as required by the Commission's Accountability and Transparency Guidelines.

We did not evaluate whether the project's deliverables were consistent with the project scope because the project was in progress as of June 26, 2023, the end of our audit period.

Project Benefits

We did not evaluate whether the project's benefits were consistent with the project scope because the project was in progress as of June 26, 2023, the end of our audit period.

Auditee's Response

CALIFORNIA STATE TRANSPORTATION AGENCY

GAVIN NEWSOM, GOVERNOR

California Department of Transportation

CALTRANS INTERNAL AUDITS OFFICE
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December 11, 2023

Mr. Bryan Beyer
Inspector General
Independent Office of Audits and Investigations (IOAI)
P.O. Box 942874, MS-2
Sacramento, CA 94274-0001

Dear Mr. Beyer:

The Department of Transportation (Caltrans) is providing a response to IOAI's District 11's Project Audit Draft Report (23A.PJCT06) dated November 28, 2023. Caltrans thanks IOAI for the opportunity to respond to the audit draft report for the Siempre Viva Road Interchange, an SR-11/Otay Mesa East Port of Entry Project. This new border crossing will bolster binational trade and serve as a critical relief valve for San Diego's highly congested southern border region while being a model of technological innovations.

Caltrans accepts the audit findings as referenced in Findings 1 and 2 in the report. Based on your recommendations, Caltrans will work with the California Transportation Commission to determine a resolution for both findings.

If you have any questions, please contact me at (916) 858-9694 or by email at ben.shelton@dot.ca.gov.

Sincerely,

Ben Shelton

Ben Shelton
Audits Chief – Caltrans Internal Audits Office

c: Tony Tavares, Director, Caltrans
Michael Keever, Chief Deputy Director, Caltrans
Gustavo Dallarda, District Director, District 11, Caltrans
Nikki Tiongco, District Project Manager, District 11, Caltrans

"Provide a safe and reliable transportation network that serves all people and respects the environment"



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