

# Memorandum

*Making Conservation  
a California Way of Life*

To: WILLIAM E. LEWIS  
Assistant Director  
Audits and Investigations

Date: July 5, 2017

File: P1575-0047

From:   
COCO BRISEÑO  
Deputy Director  
Planning and Modal Programs

Subject: **ACTION PLAN TO INCURRED COST AUDIT—COUNTY OF CONTRA COSTA, PUBLIC WORKS**

This memorandum serves as the California Department of Transportation (Caltrans) corrective action plan for findings described in the Audits and Investigations (A&I) Incurred Cost Audit for the County of Contra Costa, Public Works (County) dated March 6, 2017. We thank you and your staff for completing this Audit and for helping us improve the County's procurement and contract, grant, and construction management practices in compliance with federal regulations.

The Division of Local Assistance concurs with the Audit findings.

## **Finding 1—Contract Management Needs Improvement**

The County billed for costs charged on an expired task order and for unsupported other direct costs related for the Deer Valley Project. The County also did not have written approval for key personnel changed on a contract and amended a contract without the amendment having a well-defined scope of work or a cost proposal.

### **Corrective Action**

By October 1, 2017, the County will:

- Reimburse Caltrans the disallowed cost of \$11,836 for the Deer Valley Project (\$3807+\$8,029).
- Identify and reimburse all costs above the \$8,029 (included in the \$11,836 above) already identified by the auditors for work done by LSA Associates on the Deer Valley Road project for Task Order number 6 that was completed after the expiration date of August 13, 2013.
- Develop and implement policies and procedures on contract management that meets federal and State laws and regulations.
- Ensure personnel responsible for contract management are trained on the County's policies and procedures over contract management.
- Ensure all contract terms are followed and met, and that costs are not being billed on expired contracts and/or task orders or for unapproved staff.

## **Finding 2—Procurement Needs Improvement**

The County did not maintain records to support that the procurement of a sole source professional services contract met federal and State laws and regulations. In addition, the County did not retain records to support that the procurement of three other professional service contracts met federal and State laws and regulations.

### **Corrective Action**

Consistent with the handling of similar local agency incurred cost audit findings, the DLA recommends that no funds be recovered at this time for inadequate procurement practices. Rather, DLA has received Federal Highway Administration concurrence on a programmatic solution to include increased oversight, enhanced guidance, and training.

The DLAE will work with the County to:

- Ensure all staff involved in the procurement process are trained and understand the procurement policies and procedures, and the Local Assistance Procedures Manual to ensure compliance with federal and State regulations. This includes compliance with sole source procurement requirements and the negotiations of price and profit.
- Ensure that all on-call procurements clearly identify the policies and/or the procedure for awarding of on-call work.

### **Finding 3—Equipment Rates are Unsupported**

Title 2 CFR 225 requires that equipment costs be adequately documented, without having a systematic and uniformed approach, the County's billing rates are not adequately documented.

### **Corrective Action**

The County will take the following actions by October 1, 2017:

- Reimburse unsupported equipment costs totaling \$1,521.
- Use a systematic and uniformed process to update equipment rates yearly to ensure rates are adequately documented, consistent, and in accordance with federal cost recovery principles.
- Develop and document policies and procedures for the calculation of equipment rates to ensure compliance with federal regulations and train staff accordingly.

### **Finding 4—Grant Management Needs Improvement**

The County's Public Works Department did not follow requirements of the federal-aid highway program related to oversight, reimbursement, and reporting as required by the County's Master Agreement with Caltrans and federal regulations.

### **Corrective Action**

The County will take the following actions by October 1, 2017:

- Increase their oversight on pass-through funds.
- Develop written procedures for oversight of pass-through funds and train staff.
- Ensure pass-through entities have proper timekeeping and job costing systems.
- Develop and implement grant management policies and procedures that meet federal and State laws and regulations, and ensures that project funding terms, conditions and specifications are met.
- Ensure personnel responsible for grant management are trained on the County's policy and procedures over grant management.

### **Finding 5—Timekeeping and Rate Charging Practices Need Improvement**

The County's Department of Health Services did not have a timekeeping system where employee activities, identified by project or assignment, were recorded and approved.

**Corrective Action**

The County will take the following actions by October 1, 2017:

- Ensure project hours are documented, verified by the employee, and approved by a responsible official before billing direct labor.
- Revise its fringe benefit rates to reflect direct expenditures, or reconcile its fringe benefit rates at least annually to ensure fringe benefit rates reflect actual costs.
- Develop a policy to reconcile estimated rates to actual costs, and how to treat the calculated difference.

**Finding 6–Contract Provisions Need Improvement**

The County was missing required contract provisions in their third party contracts.

**Corrective Action**

District 4 will work with the County by October 1, 2017, to update its policies, procedures, and contract language to ensure all contract provisions required by federal and State regulations and agreements between the County and Caltrans are included in future contracts, and train staff accordingly.

If you have any questions, please contact Carmen Wills, at (916) 653-3990, or by email sent to [carmen.wills@dot.ca.gov](mailto:carmen.wills@dot.ca.gov).

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