

Memorandum

*Making Conservation
a California Way of Life.*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: May 3, 2017

File: P1575-0049

From: *Coco Briseño*
COCO BRISEÑO
Deputy Director
Planning and Modal Programs

Subject: **ACTION PLAN TO INCURRED COST AUDIT—COUNTY OF TEHAMA**

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 Tehama (County) dated March 1, 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 (DLA) concurs with the Audit findings.

Finding 1—Procurement Practices Need Improvement

The County was unable to provide the required documentation to support that they procured professional services, in accordance with federal and State regulations.

Corrective Action

The County will:

- Ensure that the procurement of consultants meet the requirements of current federal and State regulations such as the Public Contract Code and 23 CFR 172.
- Ensure that all documentation to support the awarding of a contract are maintained as required by 2 CFR 200 and the Local Assistance Procedures Manual.
- Ensure that staff are trained on current federal and State procurement regulations and record retention requirements and demonstrate compliance with regulations.

The DLA will work with the Federal Highway Administration (FHWA) to determine if the \$902,727 in disallowed costs associated with this finding for the Evergreen and Bowman Road Projects should be reimbursed.

Finding 2—Contract and Grant Management Need Improvement

The County billed for consultant costs after the consultant contracts had expired.

Corrective Action

By October 1, 2017, the District Local Assistant Engineer will work with the County to:

- Put controls in place to ensure that contracts are amended prior to expiration.
- Ensure that the County only reimburses consultants/contractors for services and other direct costs identified in their contracts.

- Ensure that contracts clearly identify start and end dates.
- Ensure billings to Caltrans occur within six months.
- Ensure staff are trained on contract and grant management requirements and demonstrate compliance with requirements.

By October 1, 2017, the DLA will work with the FHWA to determine if any of the \$2,293,916 in questioned costs are to be repaid to Caltrans.

Finding 3—Construction Management Needs Improvement

The County lacked required documentation to support construction change order (CCO) costs billed, may have paid higher surcharge rates for labor than appropriate, and did not have cost estimates for all CCOs as required by federal and State regulations.

Corrective Action

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

- Reimburse Caltrans \$3,970 in disallowed costs for the Bowman Road Project.
- Continue and reinforce the process of reconciling all force account CCOs to inspection reports to ensure that only supported costs are claimed.
- Ensure that correct surcharge rates are applied to extra work labor costs.
- Ensure that cost estimates are documented and retained in project files.

Finding 4—Labor Charging Practices Need Improvement

The County's Fiscal Year (FY) 2012–13 labor billing rates, which cover the cost of employee wages and fringe benefits, included, among other fringe benefits, health insurance costs plus 12 percent. The additional 12 percent for health insurance was budgeted for an anticipated increase, but there was no increase in the cost of health care for FY 2012–13.

Corrective Action

The County will apply the actual calculated rate to ensure that the billing rate calculations use supported costs and that estimated rates are adjusted to actual costs annually in a systematic and documented process.

If you have any questions, please contact Phyllis Nahale, at (916) 651-8257, or by email sent to phyllis.nahale@dot.ca.gov.

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