

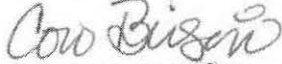
Memorandum

*Making Conservation
a California Way of Life.*

To: WILLIAM E. LEWIS
Assistant Director
Independent Office of Audits and Investigations

Date: October 6, 2017

File: P1575-0050

From: 
COCO BRISEÑO
Deputy Director
Planning and Modal Programs

Subject: **DIVISION CORRECTIVE ACTION PLAN—INCURRED COST AUDIT—RIVERSIDE COUNTY TRANSPORTATION COMMISSION**

This memorandum serves as the California Department of Transportation's (Caltrans) Division of Local Assistance (DLA) corrective action plan for findings described in Audits and Investigations' (A&I) audit of the Riverside County Transportation Commission (RCTC) dated July 19, 2017. We thank you and your staff for the efforts in completing this audit and for helping the RCTC improve their financial management system.

The DLA concurs with the audit findings:

Finding 1—Contract Management Needs Improvement

The RCTC billed for classifications that were not identified on the cost proposal, and billed costs that were not in accordance with their third party contract.

A&I Recommendation

RCTC is recommended to take the following actions:

Parsons Transportation Group (Parsons) Contract

- Reimburse Caltrans \$8,816 in disallowed costs for interns not included in the cost proposal for RCTC's contract with Parsons on the SR 71/SR 91 Connector project.
- Identify and reimburse any additional costs not identified in the audit for work done by Parsons' interns on the SR 71/SR 91 project.

Mason & Mason Real Estate Appraisers & Consultants Contract

- Ensure all contract terms and conditions are understood and followed.
- Reimburse Caltrans \$22,750 in questioned costs determined by Federal Highway Administration (FHWA) as not in accordance with the terms and conditions of the contract on the SR 71/SR 91 Connector project.

Bernard Arroyo Contract

- Maintain all documentation to support any changes to third party contracts.
- Ensure personnel responsible for contract management are trained on RCTC's policy and procedures over contract management and the terms and conditions of their contracts.

Corrective Action

The DLA has determined that by December 31, 2017:

- RCTC should reimburse Caltrans the total amount of \$31,566 (\$8,816 for Parsons contract and \$22,750 for Mason & Mason contract).
- RCTC is to ensure contract managers are trained regarding RCTC's contract management policies and procedures.

Finding 2—Documentation and Administration of Procurements Need Improvement

RCTC did not maintain records to support that the procurements of professional service contracts met state and federal regulations. In addition, RCTC did not identify the method for assigning project-specific task orders in on-call contracts.

A&I Recommendation

RCTC is recommended to take the following actions:

- Ensure original score sheets are able to support individual scores, and are accurately displayed in the compilation.
- Update the on-call Requests for Qualifications/Request for Proposals (RFQ/RFP) and on-call contract language to include how task order work will be awarded.
- Maintain support that contractors/consultants were checked for suspension/disbarment in the procurement files.
- Ensure all staff involved in the procurement process are trained and understand the procurement policies and procedures and the Local Assistance Procedures Manual (LAPM) to ensure compliance with state and federal regulations.

Corrective Action

- The appropriate RCTC staff should attend Caltrans' Local Agency Architectural & Engineering (A&E) Contract Procurement training, offered by the DLA, to become more familiar with the updated procurement and documentation procedures in the LAPM, Chapter 10 – Consultant Selection. RCTC should work with District 8 to schedule training by December 31, 2017.
- The RCTC should provide District 8 with its written procurement procedures for DLA's approval by March 15, 2018.
- The DLA will review the RCTC's procurement procedures and documentation of contracts solicited over the next 12 months to ensure compliance with federal regulations. The number of reviews conducted will depend on the adequacy demonstrated by RCTC.

Finding 3—Construction Change Orders Lacked Supporting Documentation

The RCTC lacked required documentation to support some construction change orders (CCO).

A&I Recommendation

RCTC is recommended to take the following actions:

- Reimburse Caltrans the disallowed force account CCO costs of \$22,295 in unsupported extra work costs for employees, equipment, or hours not reported on RCTC's inspectors' daily diaries.
- Ensure the proper use of Tentative Agreements and CCO documentation.

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- Reconcile all force account CCO work claimed by a contractor with RCTC daily inspection reports.
- Ensure CCO work (especially force account work) documentation and payments comply with Caltrans' Standard Specifications and train staff accordingly.
- Review the documentation of inspectors to ensure that the inspectors are correctly documenting the work being performed.

Corrective Action

District 8 will work with RCTC to:

- Reimburse Caltrans \$22,295 in unsupported extra work costs by December 31, 2017.
- Ensure that RCTC applies proper documentation on future CCO estimates, and trains staff accordingly. In addition, District 8 is to ensure that RCTC's inspection reports record all construction activities and agree with the calculation sheet information and weight certificates. District 8 will assess RCTC's compliance by March 15, 2018.

Finding 4—Required Contract Provisions Were Missing

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

A&I Recommendation

The RCTC is recommended to update its contract language to ensure that all contract provisions required by state and federal regulations and agreements between the RCTC and Caltrans are included in future contracts, and train staff accordingly.

Corrective Action

By December 31, 2017, District 8 will work with RCTC to:

- Update its contract language to ensure that all contract provisions comply with state and federal regulations, including 48 Code of Federal Regulations (CFR) Chapter 1, Part 31, and 49 CFR, Part 18 (superseded by 2 CFR 200 and 23 CFR 172).
- Train staff that engage in contract management functions on the applicable standards and ensure the standards are followed.

If you have any questions, please contact Carmen Wills, Division of Local Assistance, at (916) 653-3990 or carmen.wills@dot.ca.gov.

c: Michael Tritz, Deputy Secretary for Audits and Performance Improvement, California State Transportation Agency

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