

Corrective Action Plan

City of Bakersfield, P1575-0051

Incurring Cost Audit

Issued: October 19, 2017

CAP Due: March 16, 2018

Finding	Recommendation	Responsible Program(s)/ Division(s)	Proposed Corrective Action (Include Time Lines)
<p>FINDING 1–Procurement Practices Need Improvement</p> <p>The City of Bakersfield (City) did not procure professional services in accordance with federal and State regulations. The audit included testing one of the City’s Responsibility Statement and Questionnaire prequalification processes used for construction contract procurements and three requests for qualifications and/or proposals (RFQ/RFP) over the four audited projects: State Route 178 at Morning Drive (Morning Drive); State Route 58 to Interstate 5 (SR 58 to I5); Centennial Corridor and Manor Street Bridge (Manor Street).</p>	<p>We recommend the City take the following actions:</p> <ul style="list-style-type: none">• Ensure its prequalification process meets the requirements of 23 CFR 635 and continue working with FHWA to obtain approval prior to using the prequalification process in the future.• Ensure that the procurement of consultants meets the requirements of current state and federal regulations such as the Public Contract Code and 23 CFR 172.• Ensure that staff are trained on current federal and State procurement regulations and record retention requirements and demonstrate compliance with regulations. <p>In addition, we recommend DLA work with the FHWA to determine if any professional service costs identified above are to be repaid to Caltrans. If costs are to be repaid, the City should identify any other costs billed to Caltrans beyond the Request for Reimbursement (RFR) mentioned above. (As noted earlier, FHWA advised A&I that no repayment will be sought for the construction costs associated with the prequalification.)</p>	<p>Division of Local Assistance</p>	<p>The Division of Local Assistance (DLA) concurs with the audit finding.</p> <p>Corrective Actions:</p> <ul style="list-style-type: none">• The City is working with the FHWA on the guidelines of the prequalification process in compliance with 23 CFR 635. Consistent with the handling of similar findings on local agency contracts procured during this review period, the amount in procurement deficiencies is being addressed programmatically as concurred by FHWA.• The City must develop and implement written procurement policies and procedures in accordance with the Public Contract Code, 23 CFR 172, and the Local Assistance Procedures Manual (LAPM), and provide DLA for review and approval by August 31, 2018.• Appropriate City staff must attend the <i>Local Agency Architectural & Engineering Contract Procurement</i> training, the <i>Federal Aid Series</i> training, and the <i>Resident Engineer’s Academy</i> training to become more familiar with the updated procurement

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			and documentation procedures in the LAPM by August 31, 2018 .
<p>FINDING 2—Contract Management Needs Improvement</p> <p>The City paid labor, service and travel rates that exceeded the amount allowed by contracts and agreement provisions. The City also paid for a consultant position that was not listed in the contract. Additionally, we found that contracts did not include required contract provisions. Federal regulations require agencies to ensure work is delivered under the contract is consistent with the terms, conditions and specifications of the contract. We noted the following exceptions.</p>	<p>We recommend the City take the following actions:</p> <ul style="list-style-type: none"> • Reimburse Caltrans for the \$1,676 in disallowed costs identified. • Ensure that the City only reimburses consultants/contracts for services and other direct costs supported by, and in compliance with, contract terms. • Ensure that the contract accurately reflects the payment methodology the City intends to use (e.g. actual labor rates versus lump sum) and is managed accordingly. • Ensure staff are trained on contract management requirements. • Ensure all third party contracts include the required contract provisions, including limitations on travel rates. <p>In addition, we recommend Caltrans DLA work with the FHWA to determine if any of the \$10,804 in questioned costs identified above are to be repaid to Caltrans.</p>	Division of Local Assistance	<p>DLA concurs with the audit finding.</p> <p>Corrective Actions: The City must take the following actions by August 31, 2018:</p> <ul style="list-style-type: none"> • With FHWA concurrence, the City must reimburse Caltrans the total amount of \$12,480 for the following: <ul style="list-style-type: none"> ○ \$1,676 in disallowed costs associated with contract provisions with consultants. ○ \$10,804 in questioned costs associated with labor, service, and travel rates billed exceeding the approved per diem rate. • The City must train appropriate staff on contract management requirements in compliance with the LAPM, Chapter 10 – Consultant Selection. • The City must develop and include contract language (in accordance with contract requirements) in all third party contracts. The City is to provide Caltrans’ DLA with this updated contract for review and approval.

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<p>FINDING 3—Construction Management Exceptions Noted The City did not adequately support the construction work for two items of 20 samples tested on the Morning Drive Project. Specifically, we noted that neither the engineer’s daily report nor the quantity calculation sheet captured the specific calculation for roadway excavation on progress pay estimate 17, and therefore, we were unable to independently verify whether payment for 3,000 cubic yards of removed material was accurate.</p>	<p>We recommend the City:</p> <ul style="list-style-type: none"> • Ensure project records comply with state and federal regulations and that staff are trained and comply with the regulations. • Ensure staff maintain source documentation that will support the necessary measurements and calculation for determining the quantity of work performed and paid for during construction. • Ensure that quantities from source documents are entered in appropriate project records. 	<p>Division of Local Assistance</p>	<p>DLA concurs with the audit finding. Corrective Actions:</p> <ul style="list-style-type: none"> • District 6 (District) staff will ensure the City records and applies proper documentation on future daily reports, quantity calculation sheets, and construction change orders in accordance with state and federal regulations and the LAPM, Chapter 16 –Administer Construction Contracts. In addition, the District will ensure the City inspection reports record all construction activities (such as what work is being performed and material being delivered, stored, and/or used), and ensure the daily inspection reports agree with calculation sheet information and weight certificates. • The City must train appropriate staff on the regulations by August 31, 2018. • The District will assess the City’s compliance by August 31, 2018.
<p>FINDING 4—Questionable and Unallowable Right of Way Costs The City did not document the need for a loss of rent payment for property being acquired on the Centennial Corridor project, and improperly calculated the payment.</p>	<p>We recommend the City establish procedures to ensure right of way payments are adequately analyzed and supported prior to approving payment and that the City reimburse Caltrans for the \$3,559 in disallowed costs identified.</p>	<p>Division of Local Assistance</p>	<p>DLA concurs with the audit finding. Corrective Actions: The City must take the following actions by August 31, 2018:</p> <ul style="list-style-type: none"> • The City must develop and implement policies and procedures in compliance with the Caltrans Right of Way (ROW)

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			<p>Manual to ensure adequate review and documentation of ROW payments. In addition, the City is to provide Caltrans with the aforementioned manual for review and approval.</p> <ul style="list-style-type: none"> The City must reimburse Caltrans \$3,559 in disallowed costs associated with the recalculation of monthly rents.
<p>FINDING 5–Grant Management Needs Improvement The City did not submit requests for reimbursement (RFR) in a timely manner for three of the four projects reviewed. Agreements between the City and Caltrans require the City to invoice for reimbursement at least every six months.</p>	<p>We recommend the City take the following actions:</p> <ul style="list-style-type: none"> Ensure billings to Caltrans occur within six months. Ensure the \$885 in unallowable costs are credited to the project, or repay Caltrans. Ensure non-allocable costs are not billed to projects that receive no benefit. 	<p>Division of Local Assistance</p>	<p>DLA concurs with the audit finding. Corrective Actions:</p> <p>The City must reimburse Caltrans \$885 in non-allocable costs associated with RFR 26 which are disallowed under federal regulations by August 31, 2018.</p> <ul style="list-style-type: none"> The City is to ensure all future billings to Caltrans occur in a timely manner, at least once every six months. The District will review the City’s billing invoices for accuracy and timeliness, and ensure it’s in compliance with the federal guidelines and the LAPM, Chapter 5–Invoicing.