

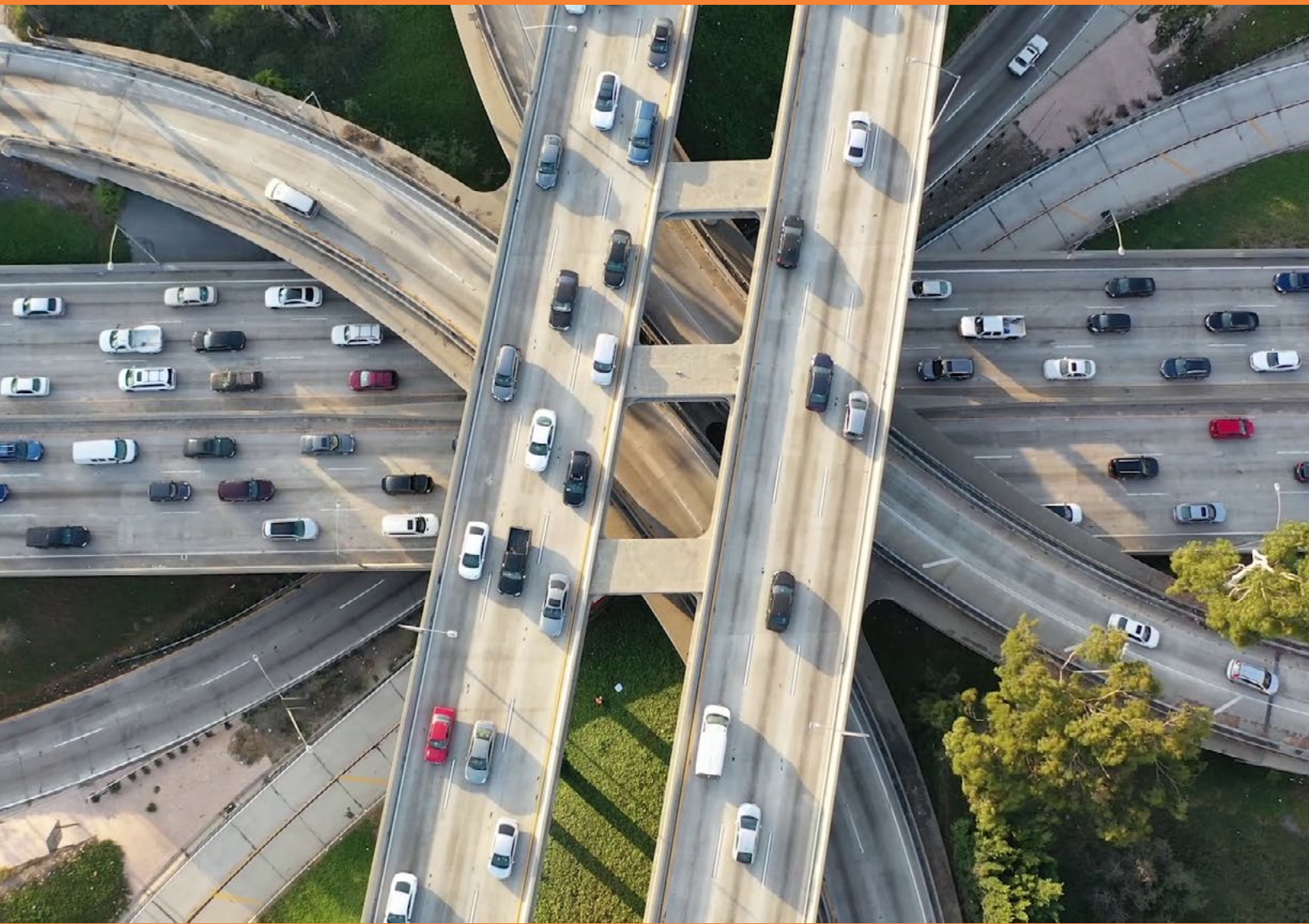
Independent Office of Audits and Investigations



INSPECTOR GENERAL

Annual Summary of Findings and Recommendations

July 1, 2023 – June 30, 2024





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



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Matt Espenshade, Chief Deputy

February 18, 2025

Governor Gavin Newsom
Members of the Legislature
California Transportation Commission

ANNUAL SUMMARY OF FINDINGS AND RECOMMENDATIONS

Government Code section 14460(d)(2) requires a summary report of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the California Transportation Commission. Please find the enclosed Annual Summary of Findings and Recommendations for the period July 1, 2023, to June 30, 2024.

During this reporting period, the Independent Office of Audits and Investigations published 9 audits and performed 209 reviews, resulting in 36 recommendations that are intended to promote performance improvements and increased accountability and transparency. The financial impact of these audits and reviews could potentially be as much as \$18.7 million.

If you have any questions on this report, please contact our office at IOAI.admin@dot.ca.gov.

Sincerely,

Bryan Beyer, CIG
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations

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Sacramento, CA 94274-0001

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HIGHLIGHTS

INVESTIGATIONS

Investigations Opened	37
Investigations Closed	40
Complaints Received	879
Complaints Closed	894

IG HOTLINE

Inspector General Hotline Phone Number* 1-844-283-8442	128
Hotline Email Address Ask.investigations@dot.ca.gov	589
Other Emails	160
Letters Independent Office of Audits and Investigations P.O. Box 942874, MS-2 Sacramento, CA 94274	2

* Includes two phone calls directly to Independent Office of Audits and Investigations employees.

AUDITS

Audit Reports Issued	9
Recommendations	36
Potential Financial Impact	\$7,383,144

REVIEWS

Reviews of Architectural and Engineering Cost Proposals	208
Other Review Activities	1
Potential Financial Impact	\$11,351,288

Total Potential Financial Impact, Audits and Reviews[†]	\$18,734,432
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[†]The total potential financial impact includes our recommendations for cost recovery and avoidance.

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BACKGROUND

Pursuant to Government Code section 14460, the Independent Office of Audits and Investigations (IOAI) conducts audits and investigations to ensure the California Department of Transportation (Caltrans) and external entities that receive state and federal transportation funds from Caltrans are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements. External entities include, but are not limited to, private for-profit and nonprofit organizations, local transportation agencies, and other local agencies that receive transportation funds either through a contract with Caltrans or through an agreement or grant administered by Caltrans.

Additionally, pursuant to Government Code section 14110.1, Caltrans is required to undertake several activities to increase procurement opportunities for small/micro enterprises, disabled veteran-owned, and new and limited contracting small businesses, as well as underrepresented, disadvantaged, formerly incarcerated, and/or LGBT business enterprises or individuals. This code also directs the Inspector General to review, audit, and report on Caltrans' outreach efforts required by this section. The Inspector General is also required to "audit businesses as appropriate to ensure that persons associated with entities that do not meet the definition of a new or limited contracting small business enterprise do not create a new associated entity that would meet the definition of new or limited contracting small business enterprise and thereby subvert the purposes of this section."

In accordance with Government Code section 14460(d)(2), the Inspector General provides an annual summary of investigation and audit findings and recommendations to the Governor, Legislature, and California Transportation Commission (CTC).

Communication Strategies

In addition to an annual report, Government Code section 14460 requires the Inspector General to report all audit and confidential investigation findings to the Secretary of the California State Transportation Agency (CalSTA) and to the Director and Chief Deputy Director of Caltrans on a regular and ongoing basis. Additionally, to promote transparency and provide clear and concise information to the public, the IOAI website provides ongoing access to reports issued to the public, including final audit reports of Caltrans programs and external entities. The website also includes resources for consulting firms and local agencies.



Established Communications

- Ongoing meetings with the Secretary of CalSTA and the Director of Caltrans.
- Monthly reports provided to CalSTA and Caltrans regarding new and ongoing audits and investigations.
- Ongoing communications with Legislative staff, CTC staff, federal agency representatives, local agency representatives, and other external entities as needed.

IOAI Activities

Pursuant to Government Code section 14460, IOAI provides a full scope, independent, and objective audit and investigation program. As such, IOAI develops an audit plan that outlines audit topics and investigative priorities. Performance audits provide objective analysis and conclusions to assist management and those charged with governance and oversight in improving program performance and operations, reduce costs, facilitate decision-making, and contribute to public accountability. Performance audits vary widely depending on the audit objectives and scope. The most common audits conducted by IOAI include the following:

- **Performance Audits** assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage the programs. These audits are performed under government auditing standards.
- **Project Compliance Audits** determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions and state and federal laws and regulations and whether project deliverables (outputs) and benefits (outcomes) are completed as described in executed project agreements or approved amendments. Additional types of compliance audits include audits of contractor and consultant contracts. These audits are performed under government auditing standards.

IOAI also performs review activities, including, but not limited to, reviews of architectural and engineering (A&E) cost proposals. See the Glossary of Terms Used in This Report section for a detailed description.

Pursuant to Government Code section 14110.1, IOAI has a dedicated unit that reviews the programs, policies, and procedures related to diversity and small business development efforts by Caltrans. This unit works with IOAI auditors and investigators to identify risks and determine the audits and investigations needed to assist Caltrans in preparing for and executing legal requirements. In addition, the unit is tasked with providing recommendations and sharing best practices that assist Caltrans to expand its diversity efforts and small business development opportunities.

IOAI's Investigations Unit conducts independent administrative investigations involving allegations of employee misconduct and assists external entities, such as law enforcement, with their investigations. This unit also administers the Inspector General Hotline (Hotline), which is available 24 hours per day, 7 days per week, to receive allegations of employee misconduct or fraud, waste, and abuse.



INVESTIGATIONS

INVESTIGATIONS

Investigations Opened	37 (132 allegations)
Investigations Closed	40 (122 allegations)
Complaints Received	879 (1,464 allegations)
Complaints Closed	894 (1,516 allegations)

The Investigations Unit conducts independent administrative investigations of alleged employee misconduct. The unit maintains the Hotline, which is available 24 hours a day, 7 days a week, to receive allegations of Caltrans employee misconduct or fraud, waste, and abuse. Administrative investigations can result from complaints received from various sources, including:

- Caltrans’ employees
- Members of the public
- Contractors
- Law enforcement and other governmental entities
- Internal and external audit findings

The Investigations Unit reviews reported allegations to determine the appropriate course of action, which may include:

- An administrative investigation
- Referral to Caltrans management
- Referral to law enforcement/governmental entity due to potential criminal misconduct

For administrative investigations, the unit works collaboratively with all levels of Caltrans management statewide. After completing an administrative investigation, the unit refers completed cases to the appropriate Caltrans hiring authority and Caltrans’ Office of Discipline Services to determine the appropriate level of discipline. Discipline can include, but is not limited to, corrective action, such as counseling or a written warning, or adverse action, including a temporary salary reduction, temporary suspension without pay, demotion, or termination. The Investigation Unit also assists external entities, such as law enforcement entities, with their investigations.

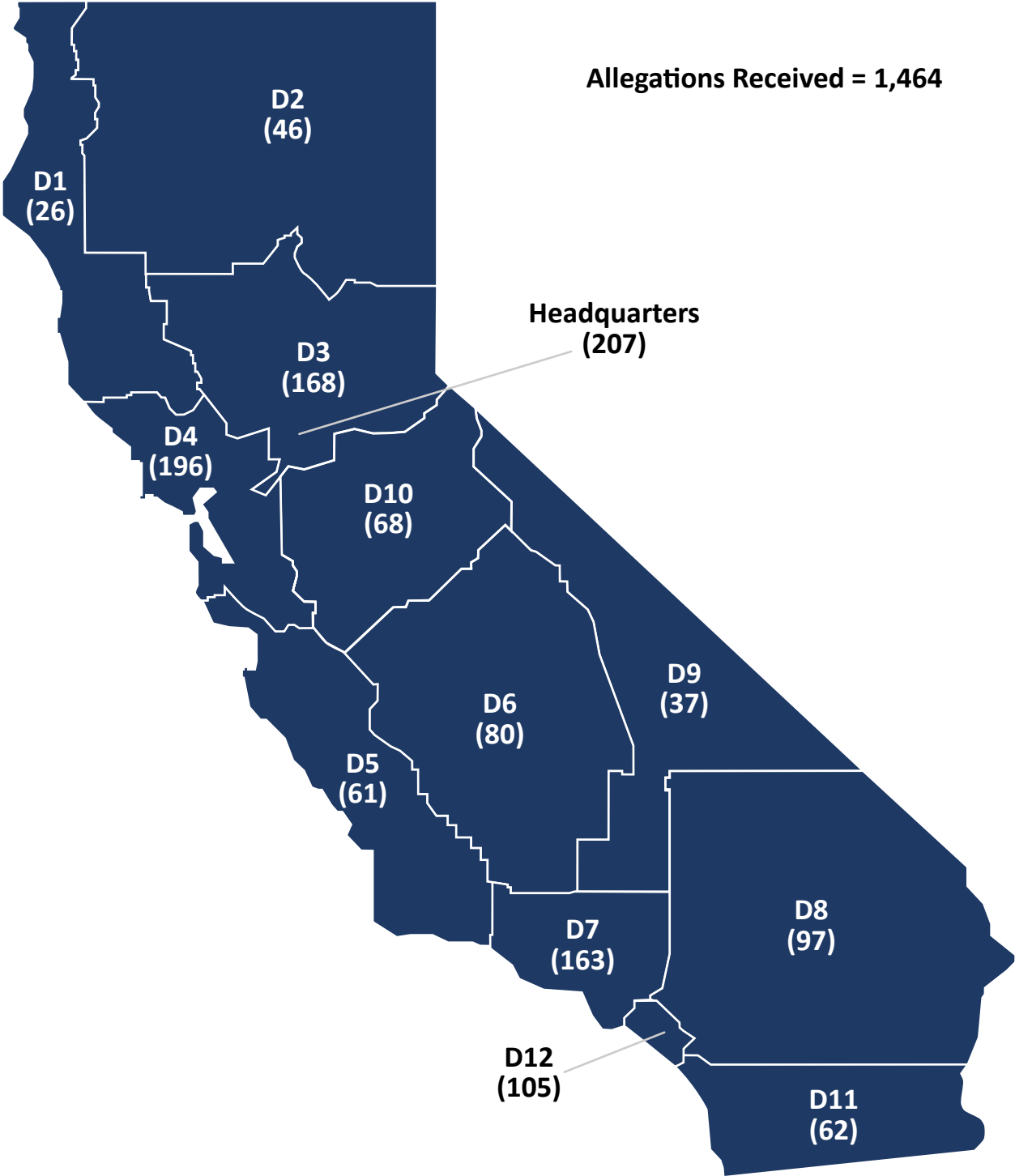


**Report a Concern:
1-844-283-8442**

Complaints closed during 2023–24 include complaints received in previous fiscal years. Similarly, investigations closed during 2023–24 include investigations opened in prior fiscal years.

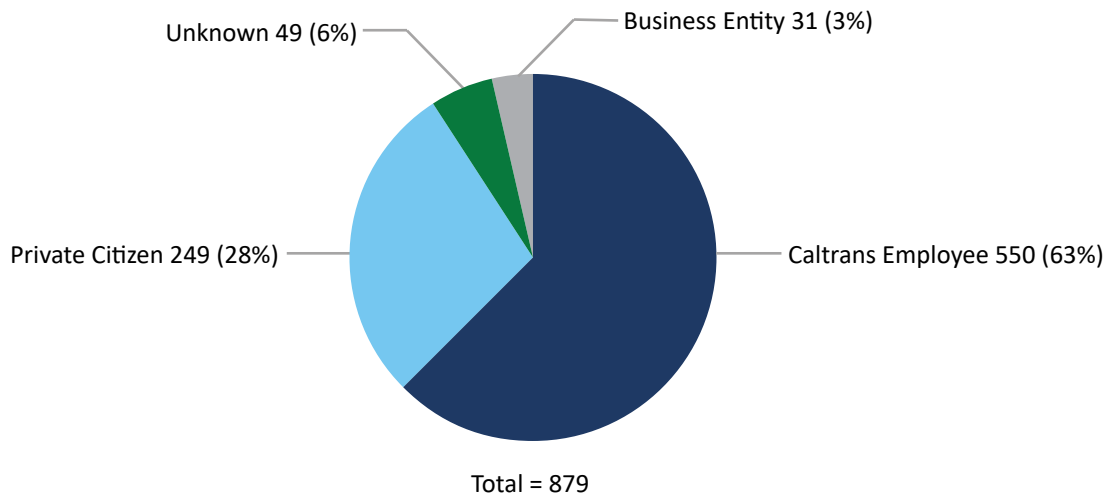
ALLEGATIONS RECEIVED BY DISTRICT (D)

For 148 allegations, the district was unknown.



The Investigations Unit receives complaints originating from multiple sources, which include private citizens, business entities, law enforcement, and other governmental entities. However, Caltrans employees tend to be the highest source of complainants—a pattern that continued in fiscal year 2023–24 as shown below. Caltrans employees include supervisors or managers reporting their employee’s suspected misconduct or any other Caltrans employee reporting misconduct by another Caltrans employee.

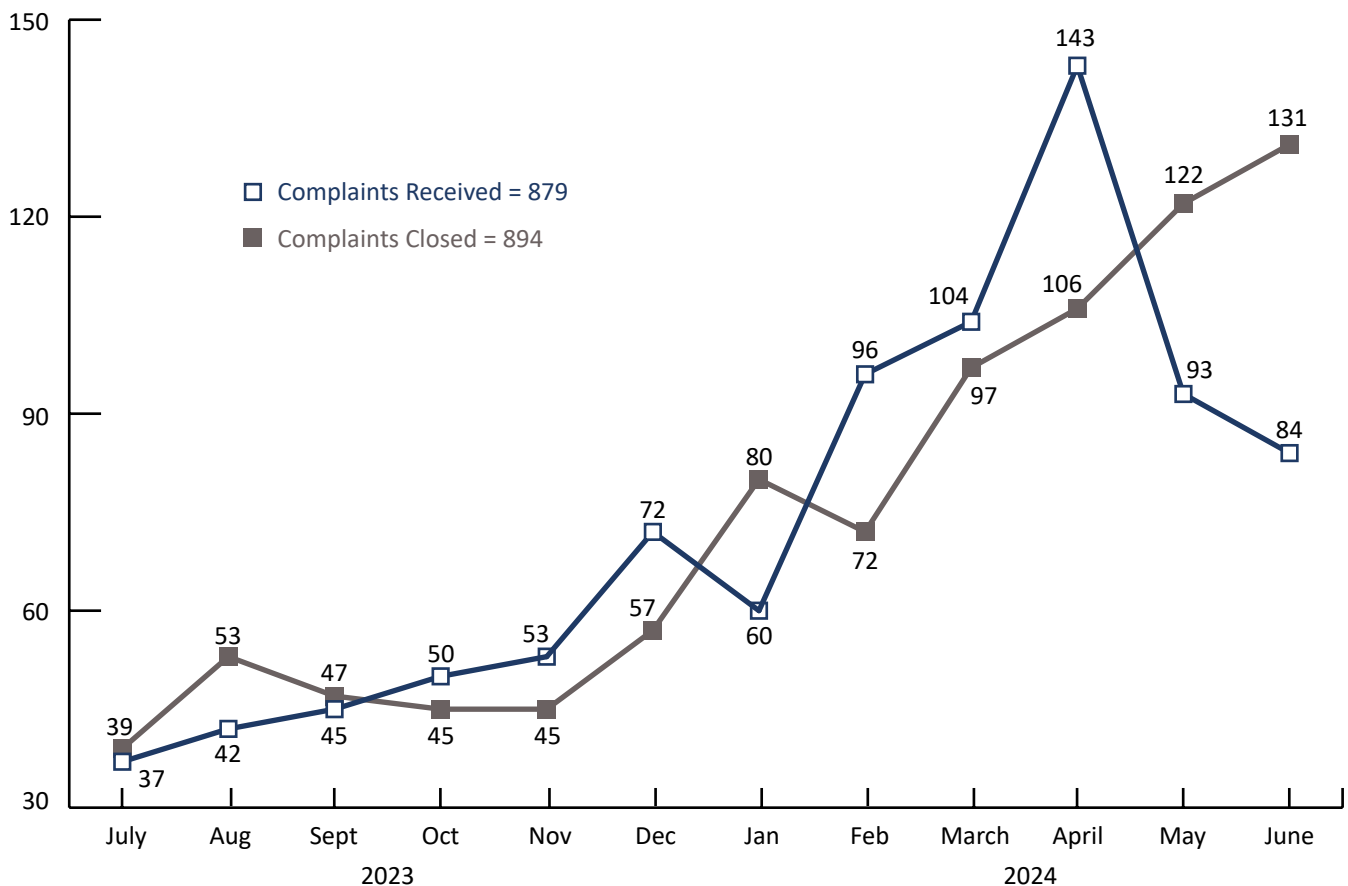
SOURCES OF COMPLAINTS, FISCAL YEAR 2023–24



Source: Independent Office of Audits and Investigations’ analysis of complaint data.

During fiscal year 2023–24, the Investigations’ Unit triaged a significantly increased number of complaints. The unit received more than twice the number of complaints compared to the prior fiscal year—879 in fiscal year 2023–24, compared to 321 in fiscal year 2022–23. Similarly, the unit also closed a significantly increased number of complaints. The Investigations Unit closed 894 complaints—four times the number of complaints closed compared to the prior fiscal year. As shown on the following page, both the number of complaints the unit received and closed trended upward in fiscal year 2023–24.

COMPLAINTS RECEIVED AND COMPLAINTS CLOSED, FISCAL YEAR 2023–24



Source: Independent Office of Audits and Investigations’ analysis of complaint data.

The increase in complaints was due in part to a process change implemented in April 2023. Specifically, the Inspector General requested Caltrans notify the Investigations Unit when it became aware of alleged staff misconduct that, if true, could justify adverse discipline or when employees were placed on administrative time off for behavioral-related reasons. As a result of this new process, in fiscal year 2023–24, we received 198, 162, and 154 complaints from Caltrans’ Equal Employment Opportunity Program, Workplace Violence Prevention Program, and Office of Discipline Services, respectively. The Investigations Unit then carefully reviewed the notifications and determined, based on workload capacity and nature of the alleged behavior, whether it is appropriate to conduct an investigation. In fiscal year 2023–24, the Investigations Unit closed 40 investigations comprised of 132 allegations of staff misconduct. Some examples of our investigative work are detailed on the following page.

Investigations Unit Fiscal Year 2023–24 Examples

The IOAI Investigations Unit conducts independent administrative investigations of alleged employee misconduct and assists other investigatory entities, as shown below.



IOAI received a complaint alleging a Caltrans employee was misusing a state vehicle. We opened an administrative investigation regarding this matter. We gathered evidence and determined the employee used a state vehicle to travel to non-work-related stops. We additionally discovered the employee idled the vehicle for long periods of time at these stops. Our analysis of vehicle position data revealed the employee expended over 100 hours traveling to, traveling from, and stopping at these non-work-related locations. During the interrogation, the employee acknowledged their misuse of the Caltrans state vehicle. The employee is no longer employed at Caltrans.

IOAI received a complaint that a Caltrans employee used a state vehicle for personal use and directed other Caltrans employees to perform work on non-state property using state equipment, materials, and supplies, while on state time. Our investigation found sufficient evidence to support the allegations. We additionally discovered during our investigation that the employee overreported their work time by more than 200 hours during a 9-month period. During our interrogation, the employee acknowledged misusing a state vehicle and state resources, and misreporting time. After receiving our investigation report, Caltrans took disciplinary action and reduced the employee's salary for two years.



IOAI received a complaint alleging a Caltrans employee claimed community service credit through a Caltrans program while simultaneously claiming compensation for regular and overtime hours as a Caltrans employee. Although our administrative investigation found sufficient evidence that this had occurred, we found no evidence that the employee misrepresented their status as a Caltrans employee and on each occasion Caltrans representatives certified to the court that the employee completed their community service hours. We found no policy of the court or Caltrans that disallowed payment for the time the employee worked in community service. Consequently, we found there was insufficient evidence to support employee misconduct.

IOAI received a complaint alleging a Caltrans employee used a state fuel card for personal use. We opened an administrative investigation regarding this matter. Caltrans management noticed a pattern of missing fuel cards and fuel cards being used outside of the district, which followed the employee's transfer to another work area. We gathered evidence and after determining an estimated misuse of about \$24,000, we referred the case to the California Highway Patrol for possible criminal investigation and prosecution. The investigation was ongoing as of the end of fiscal year 2023–24.





PERFORMANCE AUDITS 3

Performance audits assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage its programs.

Audit of the Clean California Program: Litter Abatement Efforts

23A.PROG02

Issue Date: 3/28/2024

Results in Brief

Caltrans is responsible for, among other things, maintaining California's state highway system. Included in Caltrans' Division of Maintenance responsibilities is overseeing the Clean California Program, which is an initiative designed to remove litter, create jobs, and beautify California. Beginning in 2021, Caltrans received \$1.2 billion from the General Fund to implement the Clean California Program, including \$418 million to increase litter abatement or collection efforts by:

- Increasing the number of Caltrans maintenance crews dedicated to litter abatement.
- Partnering with the Butte County Office of Education to hire additional litter collection crews.
- Offering a stipend of \$250 to encourage new Adopt-A-Highway adopters.
- Partnering with local agencies to collect litter on Caltrans' behalf.
- Offering Free Dump Day events for members of the public.

We conducted this audit to determine whether Caltrans effectively collected, tracked, and reported data relative to its litter abatement efforts under the Clean California Program between July 1, 2021, and April 17, 2023.

For our audit period, Caltrans reported that it had collected 502,547 cubic yards of litter. This audit determined that Caltrans' process of collecting and reporting this data was potentially unreliable, decreasing our confidence that Caltrans had actually collected this number of cubic yards. For example, we determined that 68,583 of the 130,479 cubic yards of litter (53 percent) that we reviewed were either unsupported by source records, erroneously calculated, or miscategorized.

Furthermore, we found that Caltrans' reporting methodology to the public and Legislature was not as transparent as it could have been and was potentially misleading. Specifically, when Caltrans reported the amounts of cubic yards it had collected, it did not differentiate between the efforts under the Clean California Program and those from other litter collection programs already in place (and separately funded). Our review of Caltrans' data revealed that most of the litter collected was from non-Clean California Program-related programs. As a result, Caltrans' reporting methodology has made it more difficult to assess the progress and success of the Clean California Program in isolation.

Key Recommendations

Caltrans should:

- Ensure staff enter sufficient information into the comments field of the Integrated Maintenance Management System to corroborate the reported number of cubic yards of litter, such as the number of bags they have collected.
- Develop a Data Quality Management Plan with respect to its Clean California Program litter abatement data. This plan should contain quality assurance and quality control procedures, including data validation techniques to identify potential errors as well as strategies for improving data quality and preventing data errors from occurring.
- Separate the number of cubic yards for the Clean California Program from other related litter collection activities in its public reports. This would allow stakeholders to clearly see the amount of litter it reportedly collected under the Clean California Program relative to the total amount of litter it reportedly collected.

Department of General Services Contract Delegation Audit

24A.PROG02

Issue Date: 4/12/2024

Results in Brief

Public Contract Code (PCC) section 10335 requires all state contracts be approved by the Department of General Services (DGS), with certain exceptions. DGS may exempt from its approval contracts under \$150,000 if the awarding state agency meets all the requirements listed in PCC 10351. DGS issued Caltrans an Exemption Letter dated June 15, 2020, covering the period July 1, 2020, through June 30, 2024, and requiring two audits during this exemption period. These audits must be conducted in accordance with the DGS Office of Audit Services (OAS) guide, and the two audit reports are to be submitted to OAS. This audit is the second of the two required audits.

The audit was to determine if Caltrans:

- Complied with the legal requirements for exemption.
- Documented and implemented a system of internal controls over contracting that can be reasonably relied upon and is effective to ensure compliance with the exemption letter.
- Implemented corrective actions in response to previous audit findings.

Based on our audit, we obtained reasonable assurance that Caltrans complied with the exemption letter and maintains an adequate and effective system of internal control over contracting. We also determined Caltrans implemented corrective action in response to our prior audit and implemented all five recommendations.

Airspace Program (Part I): Audit of the California Department of Transportation's Oversight of an Airspace That Caught Fire Underneath Interstate 10 in Los Angeles on November 11, 2023

24A.PROG03

Issue Date: 5/30/2024

Results in Brief

On November 11, 2023, a massive fire broke out at Caltrans' airspace under an overpass on Interstate 10, at and around 14th and Lawrence streets, in Los Angeles, California (hereinafter referred to as the Lawrence Airspace). The fire shut down a stretch of the freeway where an estimated 300,000 vehicles drive daily. Caltrans is authorized to lease airspaces to public and private entities. Following the fire, the Governor directed Caltrans to perform a comprehensive review of its airspace program. Toward that end, the Director of Caltrans requested IOAI initiate an audit of the program.

We found numerous problems concerning Caltrans' oversight and lease management practices, spanning a period of approximately 15 years coinciding with the rental period of the Lawrence Airspace that caught fire.

The most serious concerns we raised in our audit include:

- Caltrans did not conduct its required annual inspections in 10 of the 15 full years of the property's rental period nor fully document the inspections it did conduct.
- Of the inspections Caltrans did conduct, it failed to rectify numerous potential lease violations and other serious safety conditions it had identified, involving unauthorized subtenants, unallowable business activity, improper storage of materials, rent delinquency, and the absence of adequate liability insurance; any of which, according to the terms of the lease agreement, could have potentially been grounds for its termination well before the fire.
- Caltrans failed to react to previous warning signs, including two fires that broke out underneath freeway structures: one in Atlanta, Georgia, in 2017, and another one adjacent to the Lawrence Airspace in 2022. These fires should have prompted Caltrans to take the risk of fire more seriously than it did.
- Caltrans did not collect \$293,325 of unpaid rent or assess more than \$30,000 in late fees, penalties, and interest associated with untimely rent payments.
- Caltrans failed to execute a new written lease in 2016 after it auctioned off the Lawrence Airspace for a significantly higher monthly rate. Had it done so, we estimate Caltrans would have been entitled to nearly \$500,000 in lease revenue. This failure to execute the new written lease may have violated the law requiring competitive bidding for this type of property and the state's Constitution, which prohibits state entities from gifting public funds to private individuals, such as the tenant.

Key Recommendations

Caltrans should:

- Develop a comprehensive training program for all staff involved with the airspace program in lease management practices. At a minimum, the training program should focus on the following topics:
 - How to identify potential lease violations through inspections, including what types of materials are and are not allowed to be stored at the property under the terms of a lease.
 - How to communicate with a lessee/tenant, including the circumstances for providing violation notices and the number of days the lessee/tenant should have to cure said violation.
 - How to elevate unresolved violations to upper management and/or to their legal team to determine when to pursue legal actions.
- Streamline the approval process for determining when to file legal actions so the department can act nimbler when presented with potentially serious safety concerns.
- Ensure inspections are conducted on an appropriate cycle, based on the type of lease and/or level of risk associated with the property.
- Hold lessees/tenants accountable when they are found to be in violation of the lease. When warranted, this includes taking all appropriate legal actions in a timely manner.
- For potentially serious safety concerns that may pose a threat to a freeway structure or the public, Caltrans should develop a process to obtain expert advice promptly and decide under what circumstances it or another agency should declare an emergency to take possession of a leased property.
- Develop a comprehensive training program for all staff involved with the airspace program that focuses on the fiscal aspects of lease management. At a minimum, the training program should include the following topics:
 - How to appropriately charge late fees, penalties, and interest.
 - How to communicate with a lessee/tenant about delinquent balances, including the circumstances for providing notices and the number of days the lessee/tenant should have to cure said delinquency.
 - How to elevate unresolved delinquencies to upper management and/or to their legal team to determine when to pursue legal actions.
 - How to auction properties and ensure the result is properly documented and incorporated into a new lease agreement.
- Review all month-to-month rental agreements and determine whether they are appropriate under its authority and the law. This should include working with the CTC regarding the usage and duration of month-to-month rental agreements.
- Follow competitive bidding practices at all times, unless expressly exempted under the law.
- Ensure lessees/tenants are using their leased spaces as specified in their lease agreement. Hold lessees/tenants accountable if they refuse to be compliant.
- Review all leases and ensure all of them have proof of adequate liability insurance, as specified in their lease agreements. Hold lessees/tenants accountable if they refuse to be compliant.



LOCAL AGENCY AND CALTRANS PROJECT DELIVERY AUDITS AND REVIEWS

As noted on the following page, IOAI completed six project compliance audits in fiscal year 2023–24, of which five were local agency–related audits and one was Caltrans district–related. Pursuant to the Stewardship and Oversight Agreement between the Federal Highway Administration (FHWA) and Caltrans, IOAI performs various monitoring activities to assess local agencies’ internal controls. Specifically:

Project Compliance Audits (Incurred Cost Audits) are performed to determine whether project costs claimed and reimbursed or incurred are allowable, reasonable, and adequately supported in compliance with agreement provisions, established guidelines, and state and federal laws and regulations, and whether project deliverables (outputs) and benefits (outcomes) are reasonable in comparison with the project cost, scope, schedule, and benefits described in executed project agreements or approved amendments. These audits are performed under government auditing standards. IOAI contracts with the California Department of Finance to perform some of these audits.

Indirect Cost Reviews are incorporated within the project compliance audits on a risk basis, if significant, to ensure compliance with Title 2 Code of Federal Regulations (CFR) Part 200 requirements. Starting in July 2022, Caltrans’ Internal Audits Office reviews indirect rates and issues acceptance letters to the local agency, which allows the local agency to bill Caltrans for indirect costs. Audits may also be performed by IOAI on a risk basis. The audits are performed under government auditing standards.



PROJECT COMPLIANCE AUDITS 6

Local Agencies	5
Caltrans Districts	1
Total Projects	6

Total Project Expenditures =	\$532,925,069
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Total Questioned Costs* =	\$7,383,144
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**Questioned costs are amounts reported to Caltrans management. Actual amounts recovered may differ during final resolution by Caltrans.*



PROJECT COMPLIANCE AUDITS

The following summaries are for the six project compliance audits completed during fiscal year 2023–24.

San Joaquin Regional Rail Commission

P1575-0074

Issue Date: 9/29/2023

Results in Brief

We obtained reasonable assurance that the costs claimed by San Joaquin Regional Rail Commission (SJRRRC) and reimbursed by Caltrans for the three projects were allowable and adequately supported in accordance with Caltrans’ agreement provisions and applicable federal and state regulations, except for \$4,024,400 in questioned costs. Specifically, we determined that SJRRRC did not comply with established contract procurement policies and applicable state law when it noncompetitively awarded two A&E contracts to the same consultant, which amounted to \$2,900,000. We also found that SJRRRC did not properly award one non–A&E contract, in the amount of \$1 million, because it only considered a single bidder and did not obtain prior written approval from Caltrans as required, and SJRRRC did not follow various state procurement requirements. Regarding the non–A&E contract, we also noted several contract management deficiencies that increased the risk of overpayment. In addition, we found that three subconsultants did not have accepted indirect cost rates as required, causing us to question the amounts reimbursed for their indirect costs, which amounted to \$124,400. Finally, we determined that SJRRRC did not submit required documents related to project deliverables in a timely manner.

Project Names: Altamont Corridor Express Near-Term Capacity Improvement Program, Altamont Corridor Express Extension Lathrop to Ceres/Merced, and Valley Rail

Total Project Costs: \$94,674,899

Total Questioned Costs: \$4,024,400 .753

Town of Apple Valley

23A.PJCT02

Issue Date: 11/27/2023

Results in Brief

We obtained reasonable assurance the costs claimed by the Town of Apple Valley (Town) and reimbursed by Caltrans were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria. Construction for one of the three projects was not complete at the time of the audit. We also obtained reasonable assurance the project deliverables (outputs) were consistent with the project scopes and schedules for the two completed projects. The Town completed both projects behind schedule, but it appropriately informed Caltrans of the delay. Finally, we determined the Town did not report project benefits (outcomes) to Caltrans as required for the two completed projects. We did not test deliverables or benefits for the project still in progress.

Project Names: Bear Valley Road Bridge Number 54C-0086, Apple Valley South – Safe Routes to School, and Route 18 West End Widening – Phase 1 Apple Valley Road Realignment

Total Project Costs: \$10,042,416

Total Questioned Costs: \$0

California Department of Transportation, District 11

23A.PJCT06

Issue Date: 12/15/2023

Results in Brief

We obtained reasonable assurance that the costs incurred by Caltrans' District 11 (District) for the project were allowable and adequately supported in accordance with Caltrans' agreement provisions and state regulations, except for \$2,998,414 in questioned costs. Specifically, the District inappropriately used funds allocated to the project to pay various expenses related to a separate project.

Project Name: Siempre Viva Road Interchange

Total Project Costs: \$26,944,803

Total Questioned Costs: \$2,998,414

Riverside County Transportation Commission

23A.PJCT05

Issue Date: 12/29/2023

Results in Brief

We obtained reasonable assurance the costs claimed by the Riverside County Transportation Commission (RCTC) and reimbursed by Caltrans for the three projects were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria. Construction for one of the three projects was not complete at the time of the audit. We also obtained reasonable assurance the project deliverables (outputs) were consistent with the project scopes and schedules. We determined the RCTC was behind schedule for one project, but it appropriately informed Caltrans of the delay. Finally, we determined the RCTC did not submit a completion report or report actual benefits (outcomes) to Caltrans as required for one of the projects.

Project Names: I-15 Express Lanes Project, I-15/SR 91 Express Lanes Connector, and I-15 Railroad Canyon Road Interchange

Total Project Costs: \$292,940,143

Total Questioned Costs: \$0

County of Solano

P1575-0072

Issue Date: 2/16/2024

Results in Brief

We obtained reasonable assurance that the costs claimed by the County of Solano (County) and reimbursed by Caltrans for the three projects were allowable and adequately supported in accordance with Caltrans agreement provisions, state law, and federal regulations, except for \$360,330 in questioned costs. Specifically, the County did not comply with Buy America requirements and claimed \$354,046 in unallowable indirect costs. The County also claimed and was reimbursed \$6,284 for unallowable consultant costs.

Project Names: Storm Damage Repair, Highway Safety Improvement Program 8 Traffic Safety Enhancements, and California Aid to Airports Program

Total Project Costs: \$2,398,255

Total Questioned Costs: \$360,330

Peninsula Corridor Joint Powers Board

24A.PJCT01

Issue Date: 3/25/2024

Results in Brief

We obtained reasonable assurance that the costs claimed by the Peninsula Corridor Joint Powers Board (Board) and reimbursed by Caltrans for the three projects were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria. Construction for all three projects was not complete at the time of the audit. We also obtained reasonable assurance the project deliverables (outputs) were consistent with the project scopes and schedules. Finally, we determined the Board had a system in place to determine and report actual project benefits (outcomes) for two of the three projects that have reporting requirements for benefits.

Project Names: Peninsula Corridor Electrification Project, Peninsula Corridor Electrification Expansion Project, and Caltrain Advanced Signal System

Total Project Costs: \$105,924,553

Total Questioned Costs: \$0



REVIEWS OF A&E COST PROPOSALS AND OTHER REVIEW ACTIVITIES 208

As a service to Caltrans, IOAI reviews A&E financial documents submitted to the contracting agency to determine if proposed indirect cost rates are supported, reasonable, and in compliance with the cost principles and administrative requirements set forth in 48 CFR Part 31 and 23 CFR Part 172. A contracting agency can either be Caltrans or a local agency. For Caltrans contracts with A&E firms, we also review proposed direct costs.

IOAI also performed a review of a Construction Manager/General Contractor at the request of Caltrans to determine if the contractor’s proposed indirect cost rates complied with federal regulations set forth in 23 CFR 635.504.

Valued at	\$1,970,557,963
≈ Avoided Costs	\$5,485,560

Between Caltrans and A&E Consultants

Between Local Agencies and A&E Consultants

Contracts	82
Valued at	\$1,153,323,607
≈ Avoided Costs	\$5,111,361

Contracts	126
Valued at	\$817,234,356
≈ Avoided Costs	\$374,199

The following summaries represent examples of reviews completed during the fiscal year 2023–24.

Orange County Transportation Authority Contract With Anser Advisory Management LLC and Three Subconsultants. Total Contract Value: \$8,094,991

P1391-1335
Issue Date: 9/27/2023

Results in Brief

IOAI determined that two subconsultants proposed higher indirect cost rates than they could support, resulting in approximately \$294,662 of avoided costs. IOAI recommended the proposed costs be adjusted to reflect the indirect cost rates that IOAI determined to be in accordance with the federal cost principles.

County of San Luis Obispo Contract With Cannon Corporation and Two Subconsultants. Total Contract Value: \$1,998,974

P1391-1362
Issue Date: 1/5/2024

Results in Brief

IOAI determined that one consultant proposed higher indirect cost rates than they could support resulting in approximately \$40,961 of avoided costs. IOAI recommended the proposed costs be adjusted to reflect the indirect cost rates that IOAI determined to be in accordance with the federal cost principles.

Caltrans Contract With Chaudhary & Associates Inc. and Four Subconsultants. Total Contract Value: \$28,600,000

P1410-1502

Issue Date: 2/8/2024

Results in Brief

IOAI determined that one consultant proposed higher indirect cost rates than they could support, resulting in approximately \$3,157 of avoided costs. IOAI also concluded two consultants were unable to support their proposed direct costs and one consultant proposed a higher multiplier for the prevailing wage delta, resulting in additional avoided costs totaling \$334,263. IOAI recommended the proposed costs be adjusted to reflect the allowable costs in accordance with the federal cost principles.

Caltrans Contract With Gannett Fleming Engineering Companies and 10 Subconsultants. Total Contract Value: \$31,200,000

P1410-0496

Issue Date: 3/26/2024

Results in Brief

IOAI determined that six consultants proposed higher indirect cost rates than they could support resulting in approximately \$825,328 of avoided costs. IOAI also concluded one consultant was unable to support their proposed direct costs resulting in additional avoided costs totaling \$77,082. IOAI recommended the proposed costs be adjusted to reflect the allowable costs in accordance with the federal cost principles.

OTHER REVIEW ACTIVITIES

Caltrans Contracts With Kiewit Infrastructure West Company. Total Contract Value: \$13.7 Million

P1410-0431

Issue Date: 2/14/2024

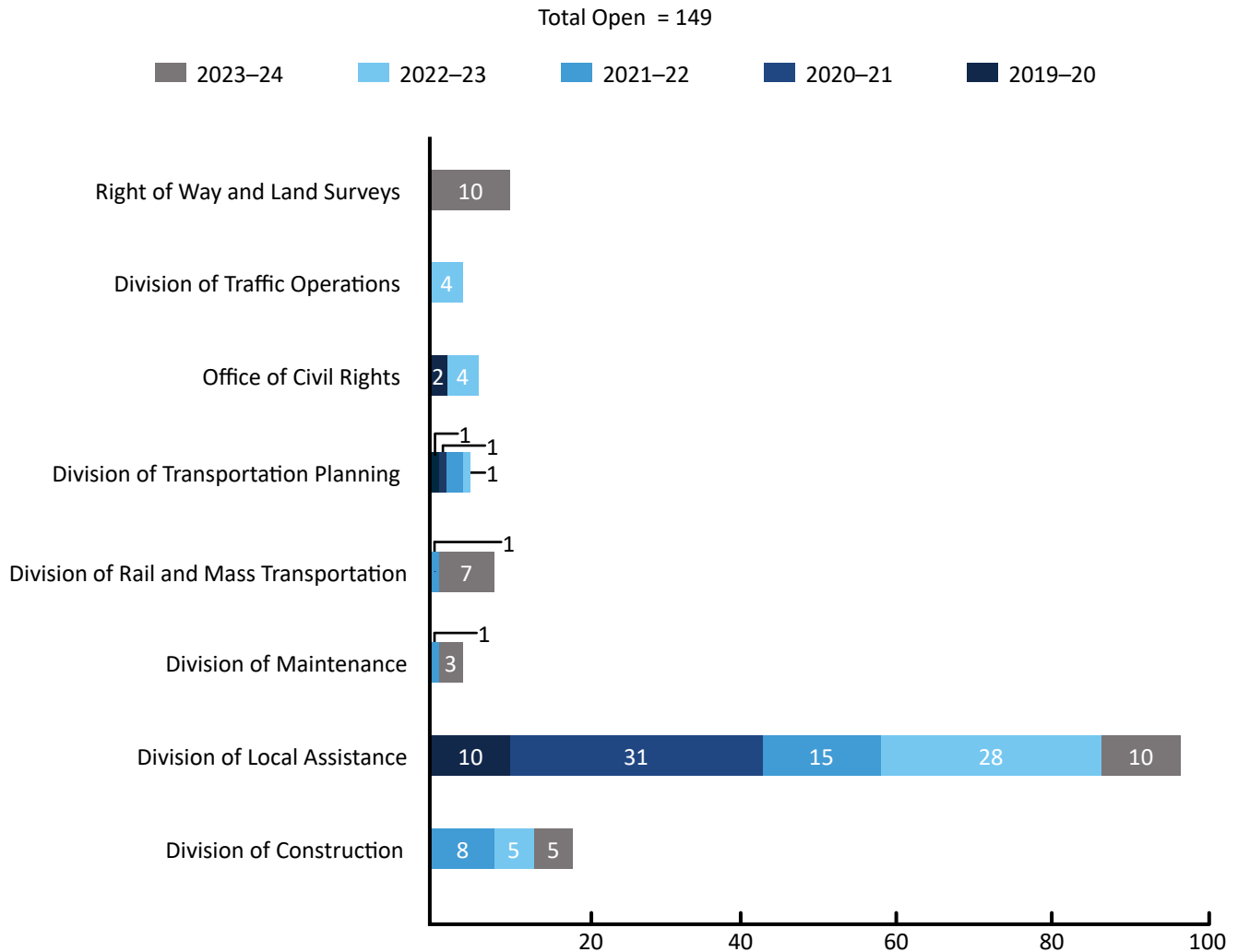
Results in Brief

IOAI determined that Kiewit charged Caltrans higher indirect cost rates on multiple pre-construction engineering contracts instead of the accepted rate, resulting in an estimated overbilling of \$5,865,728 in indirect costs. IOAI recommended Caltrans determine the overbilled costs for each contract and seek reimbursement.

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STATUS OF AUDIT RECOMMENDATIONS

OPEN AUDIT RECOMMENDATIONS, BY CALTRANS' RESPONSIBLE ENTITY AND FISCAL YEAR



Open Recommendation

A recommendation is opened on the date the audit report is issued. The recommendation remains open until Caltrans completes the corrective action and provides IOAI with sufficient supporting evidence of the actions taken.

Closed Recommendation

A recommendation is closed after Caltrans submits a corrective action plan, takes appropriate corrective action, and provides IOAI with sufficient evidence to demonstrate that the action was taken.

STATUS OF AUDIT RECOMMENDATIONS FOR 2023–24

36 - Total Recommendations

35 - Open Recommendations

1 - Closed Recommendations

PERFORMANCE AUDITS

Audit of the Clean California Program: Litter Abatement Efforts

23A.PROG02
Issue Date: 3/28/2024

Entity Responsible:
Division of Maintenance

Recommendations	Status
Ensure staff enter sufficient information into the comments field of the Integrated Maintenance Management System, such as the number of bags they have collected, to corroborate the reported number of cubic yards of litter.	Open
Develop a Data Quality Management Plan with respect to its Clean California Program litter abatement data. This plan should contain quality assurance and quality control procedures, including data validation techniques to identify potential errors as well as strategies for improving data quality and preventing data errors from occurring.	Open
To enhance transparency, IOAI recommends Caltrans separate the number of cubic yards for the Clean California Program from other related litter collection activities in its public reports. This would allow stakeholders to see more clearly the amount of litter Caltrans reportedly collected under the Clean California Program, relative to the total amount of litter it reportedly collected.	Open

Airspace Program (Part I): Audit of the California Department of Transportation’s Oversight of an Airspace That Caught Fire Underneath Interstate 10 in Los Angeles on November 11, 2023

24A.PROG03
Issue Date: 5/30/2024

Entity Responsible:
Right of Way and Land Surveys

Recommendations	Status
<p>Develop a comprehensive training program for all staff involved with the airspace program in lease management practices. At a minimum, the training program should focus on the following topics:</p> <ul style="list-style-type: none"> A. How to identify potential lease violations through inspections, including what types of materials are and are not allowed to be stored at the property under the terms of a lease. B. How to communicate with a lessee/tenant, including the circumstances for providing violation notices and the number of days the lessee/tenant should have to cure said violation. C. How to elevate unresolved violations to upper management and/or to their legal team to determine when to pursue legal actions. 	Open
Streamline the approval process for determining when to file legal actions so Caltrans can act nimbler when presented with potentially serious safety concerns.	Open
Ensure inspections are actually conducted on an appropriate cycle, based on the type of lease and/or level of risk associated with the property.	Open
Hold lessees/tenants accountable when they are found to be in violation of the lease. When warranted, this includes taking any and all appropriate legal actions in a timely manner.	Open
For potentially serious safety concerns that may pose a threat to a freeway structure or to the public, Caltrans should develop a process to obtain expert advice promptly and decide under what circumstances it, or another agency, should declare an emergency in order to take possession of a leased property.	Open

Recommendations	Status
<p>Develop a comprehensive training program for all staff involved with the airspace program that focuses on the fiscal aspects of lease management. At a minimum, the training program should include the following topics:</p> <ul style="list-style-type: none"> A. How to charge late fees, penalties, and interest, when appropriate. B. How to communicate with a lessee/tenant about delinquent balances, including the circumstances for providing notices and the number of days the lessee/tenant should have to cure said delinquency. C. How to elevate unresolved delinquencies to upper management and/or to their legal team to determine when to pursue legal actions. D. How to auction properties and ensure the result is properly documented and incorporated into a new lease agreement. 	Open
<p>Review all month-to-month rental agreements and determine whether they are appropriate under its authority and the law. This should include working with the CTC regarding the usage and duration of month-to-month rental agreements.</p>	Open
<p>Follow competitive bidding practices at all times, unless expressly exempted under the law.</p>	Open
<p>Ensure lessees/tenants are using their leased spaces as specified in their lease agreement. Hold lessees/tenants accountable if they refuse to be compliant.</p>	Open
<p>Review all leases and ensure all of them have proof of adequate liability insurance, as specified in their lease agreements. Hold lessees/tenants accountable if they refuse to be compliant.</p>	Open

PROJECT COMPLIANCE AUDITS

San Joaquin Regional Rail Commission

P1575-0074

Issue Date: 9/29/2023

Entity Responsible:

Division of Rail and Mass Transportation

Recommendations	Status
<p>Caltrans should coordinate with San Joaquin Regional Rail Commission (SJRRC) to develop a corrective action plan that recovers all of the SJRRC's past reimbursed expenses, as well as prevents any of its future reimbursements, related to the two sole-source contracts.</p>	Open

Recommendations	Status
The SJRRC should provide training to its staff on state procurement requirements.	Open
Caltrans should coordinate with the SJRRC to develop a corrective action plan that recovers all of the SJRRC's past reimbursed expenses, as well as prevents any of its future reimbursements, related to the contract for on-call network integration services.	Open
The SJRRC should design and implement a review process to ensure its billings are accurate, valid, and comply with the contract terms.	Open
The SJRRC should provide contract management and oversight training to staff.	Closed
Caltrans should coordinate with the SJRRC to develop a corrective action plan to recover up to \$124,400 in questioned costs identified in this audit. For clarity, these costs are separate from those previously identified related to the two sole-source contracts and the on-call contract for network integration services.	Open
The SJRRC should ensure that all consultants have accepted indirect cost rates prior to contract execution and throughout the duration of its contracts (if required).	Open
The SJRRC should establish a process to ensure that it submits all required deliverable documents by the established deadlines.	Open

Town of Apple Valley

23A.PJCT02
Issue Date: 11/27/2023

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Coordinate with Caltrans Senate Bill 1 program coordinators to resubmit the Completion Reports to include the evaluation of project benefits (outcomes) achieved.	Open
Ensure all project documentation is maintained, including data, methodologies, and assumptions used to support the benefits reported to Caltrans.	Open

California Department of Transportation, District 11

23A.PJCT06
Issue Date: 12/15/2023

Entity Responsible:
Division of Construction

Recommendations	Status
The District should calculate the proportional share of the soil material used for the Siempre Viva and Otay Mesa Port of Entry projects and charge the expenses to each project, accordingly.	Open
The District should ensure that costs incurred for a project are not expensed to other projects.	Open
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.	Open
The District should remove \$24,652 in consultant costs from the Siempre Viva project and apply them to the Otay Mesa Port of Entry project where the work was performed.	Open
The District should train staff on the requirements outlined in Caltrans' directives about project change management, including Caltrans' Project Change Handbook.	Open

Riverside County Transportation Commission

23A.PJCT05
Issue Date: 12/29/2023

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Coordinate with Caltrans Senate Bill 1 program coordinators to facilitate the submission of the Completion Report for project 0818000047, including the evaluation of project benefits (outcomes) achieved.	Open
Review the program guidelines to ensure a clear understanding of the reporting requirements and ensure all project documentation is maintained, including data, methodologies, and assumptions used to support the benefits (outcomes) reported to Caltrans.	Open

County of Solano

P1575-0072
Issue Date: 2/16/2024

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the FHWA and the County to develop a corrective action plan to appropriately resolve this finding. This includes recovering up to \$346,574 in questioned costs.	Open
The County should design and implement a process to ensure its project records for all federally funded projects include the required documentation, including, but not limited to, the Certificates of Compliance and Certified Mill Test Reports.	Open
Caltrans should coordinate with the County to recover \$7,472 of unallowable indirect costs.	Open
The County should design and implement a process to ensure that it charges only allowable costs to each project.	Open
Caltrans should coordinate with the County to recover \$6,284 of unallowable consultant costs.	Open
The County should develop formal procedures to monitor and track contracts and provide training to its staff on its contract tracking process.	Open

STATUS OF AUDIT RECOMMENDATIONS*

FOR 2022–23

72 - Total Recommendations

42 - Open Recommendations

30 - Closed Recommendations

PERFORMANCE AUDITS

Transportation Management Systems Audit

P3010-0659
Issue Date: 10/6/2022

Entity Responsible:
Division of Traffic Operations

Recommendations	Status
Acknowledge for transparency purposes in future public reports, such as its annual Performance Benchmark Report and State Highway System Management Plan, that it did not factor a Transportation Management System (TMS) unit's functional availability when it previously determined and reported on the condition of TMS units and that it may have overstated the overall percentage of TMS units that it had reported in good condition.	Open
Update its TMS inventory and maintain the corresponding documentation to support life cycle dates that are reflected in the database.	Open
Ensure its inventory only includes TMS units that are owned by Caltrans.	Open
Establish additional guidance to ensure staff consistently and accurately determine life cycle dates, including but not limited to, specific source documents to be used to determine a TMS unit's installation and replacement dates.	Open

*The following pages reflect only open recommendations.

REVIEW

Review of Caltrans’ Small and Disadvantaged Business Enterprise Outreach Plan, Activities, and Related Reporting Requirements

22S.SPEC09
Issue Date: 4/26/2023

Entity Responsible:
Office of Civil Rights

Recommendations	Status
<p>To evaluate the effectiveness of its outreach efforts, Caltrans should perform an assessment of past activities and determine which were successful at increasing the number of bid submittals and contract awards to small, disabled veteran, and disadvantaged business enterprises.</p>	<p>Open</p>
<p>To comply with the reporting requirement listed in Government Code section 14110, Caltrans should develop and submit to the Legislature its plan to increase by up to 100 percent the dollar value of contracts and procurements awarded to small, disabled veteran, and disadvantaged business enterprises.</p>	<p>Open</p>
<p>To increase public transparency and accountability over its small, disabled veteran, and disadvantaged business enterprise programs, Caltrans should timely submit all required plans and annual reports specified in Government Code sections 14110.1(a)(2) and 14110.1(d) to the Legislature.</p>	<p>Open</p>
<p>To increase the transparency of its disadvantaged business enterprise reporting methods, Caltrans should separately account for state and federal award information that is included in its calculations.</p>	<p>Open</p>

PROJECT COMPLIANCE AUDITS

Caltrans District 10

P2500-0019
Issue Date: 7/13/2022

Entity Responsible:
Division of Construction

Recommendations	Status
Develop and implement procedures to monitor and ensure local agency partners' matching requirements are met.	Open
For project 1000000229, obtain documentation from the local-agency partner to determine eligible match and report those amounts to Caltrans' headquarters. In the event the match requirement was not met, coordinate with Caltrans' headquarters and the CTC to reimburse the Proposition 1B Trade Corridors Improvement Fund for any ineligible expenditures.	Open
Ensure an adequate audit trail is established and documentation is maintained to support project costs, including match, as required by Caltrans guidelines. The audit trail should facilitate the tracing of incurred expenditures to the accounting records and source documents.	Open
Review the project agreements and program guidelines to ensure an understanding of the reporting requirements.	Open
Develop and implement processes to ensure sufficient monitoring of projects to meet all reporting deadlines, including the timely submittal of Final Delivery Reports.	Open

City of Claremont

P1575-0066
Issue Date: 9/16/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the City to develop a corrective action plan to resolve and close the findings identified in this audit. IOAI also recommends that Caltrans determine the allowability of the questioned costs and recover \$725,849, if applicable.	Open

City of Turlock

22A.INCA04
Issue Date: 2/17/2023

Entity Responsible:
Division of Local Assistance

Recommendations	Status
<p>Caltrans should coordinate with the City to develop a corrective action plan to resolve and close the finding identified in this audit. IOAI also recommends that Caltrans determine the allowability of the questioned costs and recover \$744,870, or any amount it determines to be not supported.</p>	<p>Open</p>
<p>The City should maintain a clear audit trail to support project costs and to facilitate the tracing of incurred costs to source documents. An audit trail would also support the quantities and measurements of materials used and document the progress of construction projects.</p>	<p>Open</p>
<p>The City should provide training to staff on all applicable construction record completion and retention requirements.</p>	<p>Open</p>

Santa Clara Valley Transportation Authority

22A.PJCT03
Issue Date: 5/30/2023

Entity Responsible:
Division of Transportation Planning

Recommendations	Status
<p>Santa Clara Valley Transportation Authority (VTA) should submit a Final Delivery Report that, among other required elements, includes an evaluation of the benefits achieved by the project. As part of this effort, VTA should maintain a clear audit trail to document the methodologies and assumptions used for the project's benefit evaluation.</p>	<p>Open</p>

County of Monterey

22A.INCA02
Issue Date: 6/22/2023

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the FHWA and the County to develop a corrective action plan to appropriately resolve this finding. This includes recovering \$1,056,214 in questioned costs identified in this audit.	Open
Caltrans should recover the \$92,583 in costs that IOAI determined were unallowable. For clarity, IOAI included the amount of these costs as part of the \$1,056,241 in questioned costs.	Open
Caltrans should coordinate with the County to ensure claimed costs, including indirect costs, are in compliance with federal regulations. Toward that end, IOAI recommends that Caltrans recover \$56,249 for the costs IOAI determined were unallowable. For clarity, these costs are separate from those identified in the \$1,056,241 in questioned costs.	Open
The County should design and implement procedures to ensure that it charges an indirect cost rate for the appropriate staff.	Open
The County should provide training to its appropriate staff (related to indirect costs).	Open
Caltrans should coordinate with the County to ensure whether claimed costs, including direct labor costs and fringe benefits, were in compliance with federal regulations. IOAI recommends that Caltrans recover \$6,555 in questioned costs. For clarity, these costs are separate from the \$1,056,241 in questioned costs.	Open
The County should consider whether conducting another user count would better show whether the project had a positive benefit of increasing users.	Open
The County should develop and implement better processes to ensure that it sufficiently monitors projects so they meet all reporting deadlines, including the timely submittal of required reports for future projects.	Open

City of Sanger

22A.INCA05
Issue Date: 6/30/2023

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the FHWA and the City to develop a corrective action plan to appropriately resolve this finding. This includes recovering \$2,381,417 in questioned costs identified in this audit.	Open
The City should design and implement a review process to ensure project files include all relevant source documents, including but not limited to Q Sheets, weight tickets, detailed daily reports, and Contract Change Order memorandums. This process should ensure that the City maintains a clear audit trail to support project costs and to facilitate the tracing of incurred costs to source documents.	Open
The City should ensure the designated “person in responsible charge” performs all the duties as required by state and federal requirements.	Open
Caltrans should coordinate with the FHWA and the City to develop a corrective action plan to appropriately resolve this finding. This includes recovering \$480,520 in questioned costs identified in this audit. These questioned costs are separate from the \$2,381,417 previously identified.	Open
The City should design and implement a process to ensure compliance with state and federal requirements and Caltrans agreement provisions, including updating its retention policy. This process should ensure that the City maintains a clear audit trail to support the solicitation, proposal, evaluation, and selection of consultants and to facilitate the tracing of negotiation activities to source documents.	Open
The City should provide training to staff on all applicable state and federal procurement requirements, including all applicable procurement and record retention requirements.	Open
Caltrans should recover the \$36,911 costs that IOAI determined were unallowable. For clarity, IOAI included these costs as part of the \$480,520 in questioned costs.	Open
The City should design and implement a process to ensure the City obtains written approvals when its consultants utilize subcontractors.	Open
Caltrans should align its Active Transportation Program guidelines and its direction on how to report outcomes information with the CTC’s expectations as described in the Senate Bill 1 Accountability and Transparency Guidelines.	Open

Recommendations	Status
<p>The City should submit an updated Completion Report that includes the actual benefits achieved compared to the estimated benefits included in the executed project agreements. Additionally, if the benefits achieved differ from the estimated benefits identified in the project agreements, the difference should be noted, quantified, and explained.</p>	Open
<p>The City should submit an updated Final Delivery Report that includes an evaluation of the benefits achieved. As part of this effort, the City should maintain a clear audit trail to document methodologies and assumptions used for the project's benefit evaluation.</p>	Open

OTHER REPORTS

Tulare County, Resource Management Agency

P1594-0115
Issue Date: 9/27/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
<p>Caltrans should coordinate with the County to develop a corrective action plan to resolve and close the findings identified in this audit.</p>	Open
<p>The County should reconcile the 2019–20 and 2020–21 indirect billings using the audited rates and resolve any over- and underpayments with Caltrans.</p>	Open
<p>The County should develop, document, and implement Indirect Cost Rate Proposal (ICRP) policies and procedures to comply with 2 CFR 200 and provide the training to staff responsible for preparing and reviewing the ICRPs.</p>	Open

County of Santa Cruz

22A.ICAP07
Issue Date: 11/21/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2021–22 billings using the audited rate and resolve any overpayments with Caltrans.	Open
Ensure Caltrans approved carry forward amounts are used to prepare future ICRP submissions. Obtain documented approvals from Caltrans for adjustments to rates and amounts previously accepted by Caltrans.	Open

STATUS OF AUDIT RECOMMENDATIONS*

FOR 2021–22

72 - Total Recommendations

27 - Open Recommendations

45 - Closed Recommendations

PERFORMANCE AUDITS

Baseline for SB 1 Performance Outcomes – Bridges

P3010-0658
Issue Date: 1/31/2022

Entity Responsible:
Division of Maintenance

Recommendations	Status
<p>Caltrans should revise subsequent Annual Performance Benchmark Reports, or issue an interim report if requested by the CTC. Future reports should:</p> <ul style="list-style-type: none"> A. Separately account for and report Highway Maintenance (HM) and State Highway Operation and Protection Program (SHOPP) fixed bridge accomplishments, including a clear description of the methodology and milestone dates used to report fixed bridges. B. Use the Construction Contract Acceptance milestone to report HM and SHOPP bridge accomplishments, or an alternate milestone that is formally implemented. If an alternate milestone is used, such as “open to traffic” or Expected Construction Work Completion, the milestone should be formally established and implemented as a project delivery milestone that requires a resident engineer to validate and document project performance. 	Open

*The following pages reflect only open recommendations.

PROJECT COMPLIANCE AUDITS

Orange County Transportation Authority

P2500-0008
Issue Date: 8/13/2021

Entity Responsible:
Division of Rail and Mass Transportation

Recommendations	Status
Remit \$250,000 to Caltrans.	Open

City of Woodland

P1575-0067
Issue Date: 1/6/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$131,435 to Caltrans for unsupported construction costs. Caltrans will determine the final disposition of questioned costs.	Open
Remit \$33,039 to Caltrans for questioned indirect costs. Caltrans will determine the final disposition of questioned costs.	Open
Remit \$6,324 to Caltrans for unallowable consultant costs. Caltrans will determine the final disposition of questioned costs.	Open

District 6

P2500-0003
Issue Date: 2/24/2022

Entity Responsible:
Division of Construction

Recommendations	Status
Coordinate with Caltrans to reimburse the Proposition 1B State Route 99 Corridor Account for the \$3,154,412 (\$3,087,904 + \$63,797 + \$2,711) of unsupported and ineligible Proposition 1B expenditures.	Open
Ensure a clear audit trail is established and documentation is maintained to support project costs. The audit trail should facilitate the tracing of incurred expenditures to the accounting records and source documents.	Open
Develop, implement, and maintain an adequate review process to ensure expenditures are allowable based on executed agreements and program guidelines.	Open
Submit Final Delivery Reports for future completed projects to Caltrans/CTC within the specified time frames as required.	Open
Submit Supplemental Final Delivery Reports for all projects addressing all benefits (outcomes).	Open
Ensure future Final Delivery Reports address all project benefits (outcomes).	Open
Ensure total project expenditures are accurately reported in future Final Delivery Reports and Supplemental Final Delivery Reports.	Open

City of Sacramento

P1575-0069
Issue Date: 6/30/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the City to develop a corrective action plan to resolve and close the findings identified in this audit. IOAI also recommends that Caltrans determine the allowability of the questioned costs and recover \$1,072,862, if applicable.	Open
Caltrans should review construction costs for project BRLS-5002 (164) that it reimbursed to the City subsequent to the period covered in this audit report to ensure all reimbursed costs are documented with adequate supporting records.	Open
The City should design and implement a review process to ensure project files include all relevant source documents, including, but not limited to, Q sheets, weight tickets, and complete daily reports. This process should ensure that the City maintains a clear audit trail to support project costs and to facilitate the tracing of incurred expenditures to source documents.	Open
The City should provide training to staff on all applicable construction record completion and retention requirements.	Open

Placer County

P1575-0071
Issue Date: 6/30/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the County to develop a corrective action plan to resolve and close the findings identified in this audit. IOAI also recommends that Caltrans determine the allowability of the questioned costs and recover \$2,255,394, if applicable.	Open
The County should ensure the records are retained to ensure a clear audit trail is maintained to support project costs. The audit trail should facilitate the tracing of incurred expenditures to source documents.	Open

OTHER REPORTS

Kiewit/Mason AJV

P1200-2693
Issue Date: 12/10/2021

Entity Responsible:
Division of Construction

Recommendation	Status
Remit \$11,607 in questioned partnering and rental sign costs. Alternatively, work with Caltrans to determine the final disposition of questioned costs.	Open

City of Chico

P1594-0114
Issue Date: 12/15/2021

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2019–20 and 2020–21 billings using the audited rates and reimburse Caltrans for any overpayments.	Open

Association of Monterey Bay Area Governments

P1594-0111
Issue Date: 2/24/2022

Entity Responsible:
Division of Transportation Planning

Recommendations	Status
Implement a review process to ensure leave balances are removed from indirect salaries prior to the allocation of fringe benefits costs.	Open
Implement a reconciliation process to ensure actual indirect costs used in the carry forward calculation, such as depreciation costs, trace and agree to the accounting system.	Open

Riverside County

22A.ICAP02
Issue Date: 5/26/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2020–21 and 2021–22 billings using the audited rates and resolve any over- and underpayments with Caltrans.	Open
Ensure IOAI approved carry forward amounts and rates are used to prepare future ICRP submissions. Obtain documented approvals from IOAI for adjustments to rates and amounts previously accepted by IOAI.	Open
Design, document, and implement policies and procedures for a secondary level review to ensure the accuracy of ICRP submissions.	Open
Review all ICRP indirect costs pool account categories to ensure costs comply with 2 CFR 200 and are properly segregated between direct and indirect costs.	Open
Design, document, and implement policies and procedures to ensure costs in the indirect costs pool accounts are adequately documented and supported.	Open

STATUS OF AUDIT RECOMMENDATIONS*

FOR 2020–21

139 - Total Recommendations

32 - Open Recommendations

107 - Closed Recommendations

PROJECT COMPLIANCE AUDITS

Yuba County

P1575-0061
Issue Date: 8/19/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$196,935 of disallowed costs for unsupported construction costs.	Open
Establish and implement written procedures for developing proper equipment usage rates and perform periodic updates to ensure the rate reflects the most current equipment costs.	Open
Establish and implement written procedures for obtaining an approved indirect cost rate prior to billing Caltrans.	Open
Include the missing contract provisions in agreements.	Open

**The following pages reflect only open recommendations.*

City of Perris

P1575-0060
Issue Date: 10/13/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$686,526 in disallowed costs due to issues related to the responsible charge.	Open
Designate a City employee as the responsible charge to comply with the requirements of Local Assistance Procedures Manual (LAPM) Chapter 20 and the Federal Master Agreement and regulations.	Open
Reimburse Caltrans for the \$304,411 disallowed construction costs identified.	Open
Develop and implement policies to ensure reimbursement requests and semiannual reports are submitted timely and comply with state and federal requirements, and train staff accordingly.	Open

City of Montebello

P1560-0025
Issue Date: 11/10/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$77,075 in disallowed costs due to the procurement deficiencies identified.	Open
Update procurement guidelines and policies to conform with the requirements stipulated in the Caltrans agreements and state and federal procurement regulations.	Open
Reimburse Caltrans \$402,064 in disallowed construction costs due to issues with the Person in Responsible Charge.	Open
Implement the requirements of California Government Code 4526, 23 CFR 172, and the LAPM Chapter 10, to ensure compliance with applicable laws on procuring consultant contract, potential conflict of interest. Mitigate conflicts of interest and train staff accordingly to ensure compliance with established procurement policies and procedures.	Open
Implement the requirements of LAPM Chapter 20, 23 CFR 172, and the Caltrans/City agreement to ensure a full-time City employee(s) acts as a Person in Responsible Charge and train staff accordingly.	Open

Recommendations	Status
Require staff to take Division of Local Assistance’s Architecture and Engineering consultant procurement training.	Open
Include state and federal regulations, Caltrans/City agreements, and LAPM required language in all third-party contracts.	Open
Require staff to submit and comply with the LAPM Exhibit 10-C requirements before executing a consultant contract.	Open
Require Contract Administer and City employees involved with contract administration to attend Division of Local Assistance’s Federal Aid Series training, specifically on Federal Rules for Contract Administration and Project Completion.	Open
Prior to contract award, verify and document that the construction contractor is not suspended or debarred.	Open
Revise Article XI of their contract to require that all records are maintained for a minimum period of three years from the date of submission of the final expenditure report to Caltrans.	Open
Remove Article XII from their contract or modify the language to ensure that project responsibility resides with the City and remove language that the state has the right to assume full and direct control of the contract.	Open
Update the Municipal Code Policy to include advertising for a minimum of three weeks.	Open
Submit invoices to Caltrans at least every six months.	Open

City of Santa Ana

P1575-0062
Issue Date: 11/23/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$504,283 in questioned costs. Alternatively, work with Caltrans and the FHWA to determine any allowable amounts that may be included in the \$504,283 questioned costs.	Open
Comply with the master agreements and the LAPM Chapter 5.3 and submit an ICRP for approval annually moving forward and prior to billing Caltrans for indirect costs.	Open
Caltrans should also review billings on other projects to determine if indirect costs were reimbursed.	Open

Merced County

P2500-0012
Issue Date: 12/18/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$140,672 to Caltrans.	Open
Develop, implement, and maintain an invoice review process to ensure claimed expenditures are Proposition 1B funding eligible based on agreement terms and program guidelines prior to submitting reimbursement claims to Caltrans.	Open

City of San Marcos

P2500-0013
Issue Date: 6/4/2021

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Review the project agreements and the program guidelines to ensure an understanding of the reporting requirements.	Open
Develop and implement processes to ensure sufficient monitoring of projects to meet all necessary deadlines, including the timely submittal of Final Delivery Reports.	Open

OTHER REPORTS

City of Redding

P1594-0107
Issue Date: 12/31/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Develop and document ICRP and Geographic Information System (GIS) cost allocation procedures to ensure future ICRPs and GIS cost allocations are properly supported, prepared, and reviewed.	Open
Reconcile the 2017–18 and 2018–19 billings using the audited rates and reimburse Caltrans for any overpayments.	Open

Kings County Association of Governments

P1594-0104
Issue Date: 4/20/2021

Entity Responsible:
Division of Transportation Planning

Recommendations	Status
Review all ICRP indirect costs pool accounts to ensure costs are in compliance with 2 CFR 200 and applicable CalHR policies.	Open

STATUS OF AUDIT RECOMMENDATIONS*

FOR 2019–20

223 - Total Recommendations

13 - Open Recommendations

210 - Closed Recommendations

PERFORMANCE AUDITS

Good Faith Efforts

P3010-0652
Issue Date: 6/29/2020

Entity Responsible:
Office of Civil Rights

Recommendations	Status
Caltrans should update its Standard Specifications and Statement of Qualification Submittal Instructions for bidders to state that appropriate North American Industry Classification System (NAICS) codes are required to count for disadvantaged business enterprises participation work on contracts.	Open
Office of Civil Rights should expand operational procedures to include steps that ensure disadvantaged business enterprises are certified for the NAICS code(s) applicable to the kind of work performed on the contract so that disadvantaged business enterprises are properly counted toward disadvantaged business enterprises participation goals.	Open

**The following pages reflect only open recommendations.*

PROJECT COMPLIANCE AUDITS

City of Ontario

P2525-0064
Issue Date: 1/13/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Review the LAPM to ensure an understanding of all contracting requirements.	Open
Revise current procedures for the review of consultant invoices to ensure compliance with contract requirements.	Open
Maintain documentation to support benefits (outcomes) reported in the Final Delivery Reports.	Open
If necessary, submit Supplemental Final Delivery Reports to accurately report benefits (outcomes) achieved for the projects.	Open

City of Commerce

P2525-0053
Issue Date: 2/28/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$1,625,386 to Caltrans.	Open

City of Fairfield

P2525-0054
Issue Date: 5/22/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Submit a Supplemental Final Delivery Report listing the pre- and post-comparable benefits (outcomes).	Open

City of Dinuba

P2535-0128
Issue Date: 6/10/2020

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Remit \$157,239 to Caltrans.	Open

OTHER REPORTS

Humboldt County

P1594-0103
Issue Date: 9/20/2019

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Adjust the 2015–16 actual indirect costs pools by \$270,093 for the unallowable costs and ensure these costs are not included in future indirect costs pools.	Open
Adjust the 2015–16 actual direct cost bases by \$152,026 and ensure these costs are included in future direct cost bases.	Open
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200 and properly segregated between direct, indirect, and unallowable costs.	Open

Kern Council of Governments

P1580-0024
Issue Date: 4/14/2020

Entity Responsible:
Division of Transportation Planning

Recommendation	Status
Ensure all billed costs are eligible for reimbursement.	Open

Architectural and engineering cost proposal reviews

Architectural and engineering (A&E) cost proposals are submitted to Caltrans as part of a bid proposal. The review's purpose is to determine whether financial documents support the contract cost proposal and indirect cost rate(s). These reviews are performed as a service to Caltrans and are conducted prior to contract execution.

Avoided costs

Costs Caltrans avoided paying because of an audit or review that identified unallowable or ineligible costs per statute or agreement. For example, ineligible costs may be identified during a review of A&E cost proposals. Since IOAI notifies Caltrans prior to the contract execution, Caltrans avoids paying the ineligible costs.

Baseline agreement

An agreement between Caltrans and the CTC that sets forth the agreed-upon expected benefits, project scope, schedule, and costs.

Benefits (outcomes)

Also known as outcomes, benefits are nonphysical improvements, such as congestion reduction, air quality improvement, improved safety, or economic development.

Closed recommendation

A recommendation is closed after Caltrans submits a corrective action plan, takes appropriate corrective action, and provides IOAI with sufficient supporting evidence to demonstrate that the action was taken.

Code of Federal Regulations

The Code of Federal Regulations (CFR) is the codification of the general and permanent rules published in the *Federal Register* by the executive departments and agencies of the federal government. It is divided into 50 titles that represent broad areas subject to federal regulation. Each volume of the CFR is updated once each calendar year and issued on a quarterly basis. For further information, visit the [United States National Archives website](#).

Construction Manager/General Contractor

"The entity that has been awarded a two-phase contract for a CM/GC project and is responsible for providing preconstruction services under the first phase and, if a price agreement is reached, construction services under the second phase of such contract." For more information, see [Title 23 CFR 635, Subpart E](#).

Deliverables (outputs)

Also known as outputs, deliverables are the actual infrastructure, such as buses, bike lanes, transit lanes, and high-occupancy vehicle lanes, or required documents related to deliverables as stipulated in an executed contract.

Government Auditing Standards

Government Auditing Standards (commonly referred to as the "Yellow Book") are produced by the United States Government Accountability Office. "Auditors of government entities and entities that receive government awards use our Government Auditing Standards, commonly referred to as generally accepted government auditing standards (GAGAS) or the Yellow Book, to perform their audits and produce their reports. The Yellow Book contains standards for financial audits, attestation engagements, and

performance audits as well as specific requirements for individual auditors and audit organizations” For further information, visit the [United States Government Accountability Office website](#).

Indirect cost rate

An indirect cost rate is a calculated percentage that represents the proportion of an organization’s total indirect costs (e.g., utilities, rent, general administrative expenses) compared to its direct costs (e.g., labor and materials), essentially determining how much of these indirect costs should be allocated to each project or activity based on their direct cost base.

Lessee/tenant/subtenant

A lessee is the person to whom a lease is made and is responsible for adhering to the terms and conditions of the agreement. A lessee is also known as a tenant. A subtenant is one who leases all or part of the rental property from the lessee for a term less than that held by the lessee.

Non–A&E

Services and planning studies not included in the definition of A&E–related services or not directly related to a construction project.

Open recommendation

A recommendation is opened on the date the audit report is issued. The recommendation remains open until Caltrans completes the corrective action and provides IOAI with sufficient supporting evidence of the actions taken.

Performance audits

Audits performed to assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and to determine if Caltrans has adequate controls in place to manage the programs. Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; and compliance. Audit objectives may also pertain to the status or condition of a program. These audits are performed under Government Auditing Standards.

Project compliance audits

Audits performed to determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions, established guidelines, and state and federal laws and regulations, and to determine whether project deliverables (outputs) and benefits (outcomes) are reasonable in comparison with the project scope, schedule, and benefits described in executed project agreements or approved amendments. These audits are performed under Government Auditing Standards.

Questioned costs

“Questioned cost means an amount, expended or received from a Federal award, that in the auditor’s judgment: (i) Is noncompliant or suspected noncompliant with Federal statutes, regulations, or the terms and conditions of the Federal award; (ii) At the time of the audit, lacked adequate documentation to support compliance; or (iii) Appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.” For further information, see [Title 2 CFR 200](#).

Questioned costs included in this report may include state and/or federal funds and are reported to Caltrans management. The actual amounts recovered may differ during final resolution by Caltrans.

A&E

Architectural and Engineering

CalSTA

California State Transportation Agency

Caltrans

California Department of Transportation

CFR

Code of Federal Regulations

CTC

California Transportation Commission

DGS

California Department of General Services

FHWA

Federal Highway Administration

GIS

Geographic Information System

HM

Highway Maintenance

Hotline

Inspector General Hotline

ICRP

Indirect Cost Rate Proposal

IOAI

Independent Office of Audits and Investigations

LAPM

Local Assistance Procedures Manual

NAICS

North American Industry Classification System

PCC

Public Contract Code

RCTC

Riverside County Transportation Commission

SHOPP

State Highway Operation and Protection Program

SJRRC

San Joaquin Regional Rail Commission

TMS

Transportation Management System



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