

Memorandum



August 19, 2020

JEANIE WARD-WALLER
DEPUTY DIRECTOR
Planning and Modal Programs
California Department of Transportation

Dear Ms. Ward-Waller:

The Independent Office of Audits and Investigations (IOAI) performed an interim incurred cost audit of the County of Yuba (County) of five projects with costs totaling \$3,498,790 reimbursed by the California Department of Transportation (Caltrans). The audit was performed to determine whether project costs claimed by the County were allowable, and adequately supported in accordance with respective Caltrans agreement provisions and state and federal regulations. The final audit report, including the County's response, is enclosed.

Based on our audit we determined that project costs totaling \$196,935 were not in compliance with Caltrans agreement provisions and state and federal regulations. In addition, we identified deficiencies in the overall financial management system related to accounting, procurement, contract and grant management.

Please provide our office with a corrective action plan addressing the recommendations in the enclosed report, including timelines, by October 31, 2020.

Ms. Jeanie Ward-Waller
August 19, 2020
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If you have any questions contact MarSue Morrill, Audit Chief, at
marsue.morrill@dot.ca.gov.

Sincerely,

RHONDA L. CRAFT
INSPECTOR GENERAL

Enclosures

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P1575-0061



County of Yuba Incurred Cost Audit

AUDIT REPORT
P1575-0061
AUGUST, 2020



PREPARED BY:

Independent Office of Audits and Investigations – MS 2

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- A. Summary of Disallowed Costs**
- B. The County of Yuba’s Response to the Draft Report**

SUMMARY, OBJECTIVE, SCOPE, AND METHODOLOGY

SUMMARY

The Independent Office of Audits and Investigations (IOAI) performed an interim incurred cost audit of the County of Yuba (County) on five projects with costs totaling \$3,498,790 reimbursed by the California Department of Transportation (Caltrans). We identified disallowed costs totaling \$196,935 that were not in compliance with Caltrans agreement provisions and state and federal regulations. See Attachment A for a summary of disallowed costs.

OBJECTIVE

The audit was performed to determine whether project costs claimed by the County were allowable, and adequately supported in accordance with respective Caltrans agreement provisions and state and federal regulations.

SCOPE

We conducted the interim incurred cost audit of the County's costs claimed during the period of March 1, 2015, through April 22, 2019 for the following projects:

Project	Description	Amount
ATPL-5916(113)	Widen for Bike lane, curb gutter and sidewalk on Seventh Ave east of Ella Elementary.	\$ 1,094,988
ATPL-5916(116)	Widen for Bike lane, curb gutter and sidewalk on Seventh Ave west of Ella Elementary.	\$ 137,486
STPL-5916(112)	Construction roundabout on the intersection of Olivehurst Ave and Powerline Road.	\$ 676,196
STPL-5916(120)	Pavement resurfacing and rehabilitation on Feather River Blvd.	\$ 912,389
STPL-5916(121)	Rehabilitate and reconstruct pavement on Woodruff Lane.	\$ 677,731
-	Total Audited Costs:	\$ 3,498,790

The scope of the audit was limited to financial and compliance activities. The audit was less in scope than an audit performed for expressing an opinion on the County's financial statements. Therefore, we did not audit and are not expressing an opinion on the County's financial statements.

The County is responsible for the claimed costs and compliance with applicable agreement provisions and state and federal regulations. In addition, the County is responsible for the adequacy of their financial management system to accumulate and segregate reasonable, allowable costs allocated to projects. Considering the inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit included interviews of County staff necessary to obtain an understanding of the County's financial management system. Additionally, we reviewed and tested the County's financial records, reports, and transactions of reimbursed project costs for compliance with applicable state and federal regulations and requirements stipulated in the agreements with Caltrans. We reviewed internal controls as they related to financial and compliance activities over project costs. Fieldwork was completed on November 20, 2019 and transactions subsequent to this date were not tested and, accordingly our conclusion does not pertain to costs or credits arising after this date.

We also assessed the reliability of data from the County's financial management system used in billing costs to Caltrans. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining if costs billed to Caltrans were eligible by reviewing accounting records, contractor and consultant invoices, employee timesheets, right of way case files, and construction files. We determined that the data was sufficiently reliable to meet our audit objectives.

VIEWS OF RESPONSIBLE OFFICIALS

Our findings and recommendations take into account the County's response dated July 2, 2020, to our June 15, 2020, draft report. Our findings and recommendations, the County's response, and our analysis of the response are set forth in the Findings and Recommendations section of this report. A copy of the County's response is included as Attachment B. For brevity purposes, the County's attachments to their response were not included in this report.

The report is a matter of public record and will be placed on IOAI's webpage, which can be viewed at <<https://ig.dot.ca.gov>>.

If you have questions, please contact MarSue Morrill, Audit Chief, at marsue.morrill@dot.ca.gov.

CONCLUSION AND FINDINGS AND RECOMMENDATIONS

CONCLUSION

Based on the audit, we determined the County's project costs claimed and reimbursed by the California Department of Transportation (Caltrans) were allowable in accordance with Caltrans agreement provisions and state and federal regulations with exceptions noted below. In addition, we identified ineligible costs billed to Caltrans and deficiencies in the overall financial management system related to accounting, procurement, contract and grant management. as follows:

- Claimed construction costs totaling \$196,935 lacked supporting documentation.
- The County's accounting system does not adequately identify eligible project costs.
- Construction and consultant contracts lacked some required contract provisions, and the County's processes did not ensure proper contract management was followed.
- The County's consultant procurement did not comply with state and federal regulations and the County's own procurement procedures and lacked supporting documentation to support fair and open competition had taken place.
- Grant management procedures did not ensure certain required reports were submitted timely and documentation for negotiation on Right of Way property acquisitions was not maintained.

FINDING 1 – Construction Contract Management Deficiencies

During the audit we tested the County's processes for managing their construction contracts. Specific deficiencies identified are summarized below.

Inadequate documentation to support claimed construction costs

We tested the County's construction calculation sheets on two projects and the calculations of the source documents were not independently verified by an authorized staff to confirm the accuracy and allowability of costs as required per the Caltrans Local Assistance Procedures Manual (LAPM) Chapter 16.

The County stated they were short staffed and said they had no written procedures to require verifications of the construction calculation sheets.

In addition, the County was unable to support some of their construction

costs. The County lacked documentation to support the actual quantity of materials used in eight of 18 construction line items tested. Unsupported costs reimbursed totaled \$196,935 and are disallowed. For a summary of disallowed costs by project see Attachment A.

LAPM Chapter 16.9 Construction Records and Accounting Procedures (January 2017) states in part. "The calculation on source documents are to be checked in accordance with good engineering practice and the name of the checker included thereon..."

LAPM Chapter 16.9 Construction Records and Progress Payments, Accounting (January 2017) states, "Source documents shall be any written record(s) prepared by the administering agency which clearly record, (such as) the necessary measurements and/or calculations by which the quantity is determined."

Missing various construction contract provisions

The County did not include contract provisions required by the Federal Master Agreement No. 03-5916F15 as follows:

Missing Provisions

1. Record retention three years from date of final payment to Administering Agency under any Program Supplement.

Criteria

Federal Master Agreement No. 03-5916F15, Article V (3) In part, "All of the above referenced parties shall make such AGREEMENT, PROGRAM SUPPLEMENT and contract materials available at their respective offices at all reasonable times during the entire PROJECT period and for three (3) years from the date of the final expenditure reported by the STATE to the FHWA."

Missing Provisions

1. Repayment of unallowable costs due to subsequent to audit.
2. Any overpayment made shall be returned.
3. If funds not returned, agency may withhold amount from future invoice.

Criteria

Federal Master Agreement No. 03-5916F15, Article IV. 21 states, "Any project costs for which Administering Agency has received payment or credit that are determined by subsequent audit to be unallowable under 2 CFR, Part 200, 23 CFR, 48 CFR, Chapter 1, Part 31, and other applicable STATE and FEDERAL regulations, are subject to repayment by ADMINISTERING AGENCY to STATE."

State assuming control over the project

The County inaccurately stipulated in the contract provisions on STPL-5916(121) that Caltrans was the entity responsible for the County's construction contracts.

LAPM Chapter 2.1 (Jan 2018) states, in part, "The responsibility for implementing individual projects on the local streets, roads, and other transportation systems resides with the local agencies, principally the cities and counties."

The County stated they were short staffed and therefore, the construction calculation sheets were not verified. The County also indicated that they were not aware of the required contract provisions or the inaccurate language in their contract. By not exercising proper contract management the County cannot ensure costs billed to Caltrans are allowable. In addition, by not including required contract provisions the County may not be able to enforce controls or adequately oversee contracts.

RECOMMENDATION

Reimburse Caltrans \$196,935 of disallowed costs for unsupported construction costs.

Develop and implement written procedures to conduct an independent verification of the quantity in the construction calculation sheets and to reconcile the quantities in the calculation sheets to the construction records (i.e. material quantity used) before payments are made to the contractor.

Include the required construction contract provisions in current and future construction contracts to comply with the Federal Master Agreement requirements.

Amend the construction contract provision to correct Article V, on the performance of the contract, to read, "the County shall exercise general supervision...".

SUMMARY OF COUNTY'S RESPONSE

The County disagreed with the unallowable construction cost finding and submitted additional documents. The additional document contained the assistant resident engineer's daily report and photos of the worksite. The County agreed with the other issues in Finding 1 and indicated they have taken actions to implement new language template for construction contract provisions. In addition, the County has removed the state assuming control from its construction contract template.

ANALYSIS OF COUNTY'S RESPONSE

The County's additional documentation did not provide sufficient evidence to support their construction cost. The additional documents did not list the correct units of measurement to determine the payment quantity. Regarding the other issues, we appreciate the County's acknowledgment. Any processes implemented subsequent to the fieldwork have not been audited or reviewed.

FINDING 2 – Financial Management System Deficiencies

During the audit we tested the County's financial management system to determine its ability to segregate project costs. Specific deficiencies identified are summarized below.

Accounting system does not segregate project cost

The County's project cost accounting system lacks the ability to accumulate and segregate project costs by phases of the work performed and is unable to identify project costs as eligible or non-eligible. As a result, we identified \$3,064 of unsupported costs. During our fieldwork the County refunded Caltrans for the unallowable costs identified. Without a proper accounting system, there are no assurances that project costs are properly billed to Caltrans.

State-Funded Project Master Agreement 00143S, Article V, section 2 states that "ADMINISTERING AGENCY, its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred PROJECT costs and matching funds by line item for the PROJECT."

Outdated equipment rates were used

The County used their 2015 equipment data to calculate 2017 equipment rates. This resulted in the County using obsolete equipment rates for billing 2017 equipment services. The County stated they do not have written procedures for calculating their equipment rates and the employee who developed their last rates is no longer there. Without written procedures the County cannot support that their equipment rates are calculated based on actual costs and prepared consistently from year to year.

Government Code 4005 (D) states in part, "... the engineer shall prepare and file... the total cost of the work, segregated so as to show the actual cost of all labor, materials, equipment, engineering or architectural services..."

Unapproved overhead (indirect) costs were billed

The County charged an equipment rate that included an unapproved overhead rate on three of ten equipment billings tested. The County stated they were unaware it billed an overhead rate. Furthermore, the County did not have written procedures for approving indirect cost rates. Overhead costs billed totaled \$56 which are immaterial and therefore, will not be disallowed.

LAPM Chapter 5.13 Obtaining Approval for Indirect Cost states, in part, "All local agency divisions, departments or segments must have an approved indirect cost rate prior to billing for and being reimbursed the costs."

RECOMMENDATION

- A. Establish and maintain an accounting system that properly accumulates and segregates costs by project phase and as eligible or non-eligible project costs as required by the grant agreement.
- B. 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.
- C. Establish and implement written procedures for obtaining an approved indirect cost rate prior to billing Caltrans.

SUMMARY OF COUNTY'S RESPONSE

The County agreed with the finding. The County indicated they are procuring a new accounting system and have taken actions to implement additional procedures for equipment rates and excluding indirect cost rates.

ANALYSIS OF COUNTY'S RESPONSE

We appreciate the County's acknowledgement and the steps the County has taken and plans to take to address the issues. Any processes implemented subsequent to the fieldwork have not been audited or reviewed.

FINDING 3 – Consultant Contract Management Needs Improvement

During the audit we tested the County's processes for managing their consulting service contracts. Specific deficiencies identified are summarized below.

Overbilling for mileage expenses

The County paid consultant's mileage expenses that were in excess of the state allowable reimbursement rate in three of seven consultant invoices tested. The County stated they were not aware of the travel mileage rate requirements and accepted a mileage rate that exceeded authorized rates. The mileage costs totaled \$88 which are immaterial and, therefore, will not be disallowed.

State Master Agreement 00143S Article IV, 16 and Federal Master Agreement 03-5916F15 Article IV, 17 states in part, "Payments to ADMINISTERING AGENCY for PROJECT-related travel and subsistence (per diem) expenses of ADMINISTERING AGENCY forces and its contractors and subcontractors claimed for reimbursement or as local match credit shall not exceed rates authorized to be paid rank and file STATE employees under current State Department of Personnel Administration (DPA) rules...."

Deficiencies identified on cost proposals

We reviewed four consultant contracts, and three of the four contract cost proposals did not comply with the LAPM Chapter 10-H Cost Proposal requirements. Specifically, the County's executed cost proposals had the following deficiencies:

- Three of four cost proposals reviewed did not identify the key personnel by name.
- A contingency rate was included in one of four cost proposals.

LAPM Chapter 10 states, "Key personnel names and classifications are to be identified in the original cost proposal and shall not change in the executed contract."

48 CFR 31.205-7(b) Contingencies states, "Costs for contingencies are generally unallowable for historical costing purposes because such costing deals with costs incurred and recorded on the contractor's books."

The County stated they were not aware of the requirement to identify key personnel by name on cost proposals and did not have procedures addressing this requirement. Without key personnel identified by name on the cost proposal there is a risk of the consultant billing Caltrans a higher labor rate than the labor rate of the employee who actually performed

the work. In addition, the County stated they were not aware of a contingency rate that was included in a Consultant’s cost proposal.

Missing various consultant contract provisions

The County did not include contract provisions required by the State Master Agreement No. 00143S and Federal Master Agreement No. 03-5916F15 as follows:

Missing Provisions	Criteria	Consultant Contract
Referencing to 23 CFR 172	Federal Master Agreement No. 03-5916F15, Article I (9) states, "ADMINISTERING AGENCY shall conform to all State statutes, regulations and procedures (including those set forth in the Local Assistance Procedures Manual and the Local Assistance Program Guidelines, hereafter collectively referred to as "Local Assistance Procedures") relating to the federal-aid program, all Title 23 Code of Federal Regulation (CFR) and 2 CFR Part 200 federal requirements, and all applicable federal laws, regulations, and policy and procedural or instructional memorandum, unless otherwise specifically waived as designated in the executed project-specific Program Supplement.	Blackburn Consultant STPL-5916(112) Drake Haglan STPL-5916(112) STPL-5916(120)
Travel per diem in accordance with DPA regulations	State Master Agreement 00143S Article IV Section 16 states," Payments to ADMINISTERING AGENCY for PROJECT-related travel and subsistence (per diem) expenses of ADMINISTERING AGENCY forces and its contractors and subcontractors claimed for reimbursement or as local match credit shall not exceed rates authorized to be paid to rank and file STATE employees under current State Department of Personnel Administration (DPA) rules. If the rates invoiced by ADMINISTERING AGENCY are in excess of DPA rates, ADMINISTERING AGENCY is responsible for the cost difference, and any overpayments inadvertently paid by STATE shall be reimbursed to STATE by ADMINISTERING AGENCY on demand."	Blackburn Consultant STPL-5916(112) Drake Haglan STPL-5916(112) STPL-5916(120) MHM, Inc. TPL-5916(116)

Continued

Missing Provisions	Criteria	Consultant Contract
Debarment is not verified by the County.	State Master Agreement 00143S Article VI Section 6 states," ADMINISTERING AGENCY certifies that neither ADMINISTERING AGENCY nor its principals are suspended or debarred at the time of the execution of this AGREEMENT, and ADMINISTERING AGENCY agrees that it will notify STATE immediately in the event a suspension or a debarment occurs after the execution of this AGREEMENT."	Blackburn Consultant STPL-5916(112) Drake Haglan STPL-5916(112) STPL-5916(120) MHM, Inc. ATPL-5916(116)

The County stated they were not aware of the required contract provisions. Without including all required provisions, the County may not be able to enforce contract requirements and risks billing Caltrans for unallowable costs.

RECOMMENDATION

- A. Comply with the travel mileage rate requirements for not exceeding the state allowable mileage reimbursement rate on consultant contracts.
- B. Update and implement their written purchasing policy and procedures to require the names of key personnel and specify no contingencies are allowed on cost proposals.
- C. Include the missing contract provisions in agreements.

SUMMARY OF COUNTY'S RESPONSE

The County agreed with the finding and indicated they are taking actions to implement additional procedures to prevent overbilling mileage expenses, to update cost proposals, and to include missing contract provisions in future agreements.

FINDING 4 – Consultant Procurement Transactions Deficiencies

The County was not in compliance with their procurement policies and procedures (CP&P) and state and federal procurement requirements on consultant contracts. Although the County has adequate procurement procedures in their manual, the County did not adhere to them.

We selected four consultant contracts with costs totaling \$79,740 on four state and federal projects as shown below to test the County compliance with state and federal project procurement policy and procedures. Specifically, we identified 25 deficiencies as follows:

Consultant	Blackburn Consultant	Drake Haglan (One Contract)	Drake Haglan (One Contract)	MHM, Inc.	MHM, Inc.	Criteria
Area of non-compliance\ Project	STPL-5916(112)	STPL-5916(112)	STPL-5916(120)	ATPL-5916(113)	ATPL-5916(116)	-
Lack of profit negotiation	X	X	X	X	X	LAPM Ch 10.2, (2016) CP&P 8.01(b)
Missing record of date/time receipt of procurement proposal.	X	-	-	X	-	LAPM Ch 10.1.5 (2017) CP&P 8.01.4
No Public Interest Finding (PIF)	X	X	X	-	-	LAPM Ch 10 (2017) CP&P 8.5(c)
Insufficient independent cost estimate	X	-	-	-	-	23 CFR 172.7(a)(1)(v) (B) CP&P 8.01(a)
No cost analysis performed	X	X	X	X	X	23 CFR 172.7(V)(E) LAPM 10.2.3 (H) CP&P 8.01(a)

Continued

Consultant	Blackburn Consultant	Drake Haglan (One Contract)	Drake Haglan (One Contract)	MHM, Inc.	MHM, Inc.	Criteria
Area of non-compliance\ Project	STPL-5916(112)	STPL-5916(112)	STPL-5916(120)	ATPL-5916(113)	ATPL-5916(116)	-
Incomplete conflict of interest	-	X	X	X	X	23 CFR 172.7(b)(4) GC 4529.12 CP&P 8.1.6
Incomplete score sheet	-	X	X	X	-	2 CFR 200.323 (iv) (F) CP&P 8.1.6
No cost negotiation	-	X	X	X	X	2 CFR 200.323(c) GC 4004 CP&P 8.01(b)
Consultant self-certified debarment and suspension without County verification	X	X	X	X	X	23 CFR 172.7(b)(3) State Master Agreement 001435 Article VI Section 6 CP&P 10.3

Legend: X=Non-compliance

The County stated they were aware of the County's current established procurement policies and procedures, but they did not document or maintain procurement records listed above as required. Without performing the required procurement procedures may result in the County not procuring the most qualified consultants at a fair and reasonable price.

RECOMMENDATION

Adhere to the County's procurement policies and procedures that align with state and federal procurement requirements.

Document and maintain procurement records for every project procurement.

SUMMARY OF COUNTY'S RESPONSE

The County agreed with the finding. The County indicated they will document and maintain procurement records for every project procurement.

FINDING 5 – Grant Management Needs Improvement

We identified deficiencies in the County's management of their state and federal funded grants received from Caltrans. Specific deficiencies identified are summarized below.

The first semi-annual report was submitted late

The County's fund allocation for both Active Transportation Projects (ATP) tested were effective January 22, 2015, and June 30, 2016, respectively, however, their first Project Progress Report for the two projects was not submitted until March 20, 2018, as a condition of the project allocation, the project's progress is required to be submitted semi-annually. The County stated that the staff who was responsible for project management retired, and there was no record of why the reports were not submitted timely.

Local Assistance Programs Guidelines Chapter 22, ATP Section 22.17 Project Reporting states in part, "As a condition of the project allocation, the California Transportation Commission will require the implementing agency to submit semi-annual reports, to their District Local Assistance Engineers, on the activities and progress made toward implementation of the project and a final delivery report...."

No Proof of negotiation of right-of-way acquisitions

The County did not maintain the written statement of acceptance during the negotiation process in three out of the four right of way property acquisitions transactions tested. The County stated they were unaware a written statement was required for the negotiations with the landowner. Furthermore, there were no

written procedures for requiring the documentation of negotiations of right of way property acquisitions transactions. Not documenting the acceptance opens Caltrans to the risk of funding an ineligible right of way acquisitions.

Right of Way Manual Chapter 8.01.33.00 states in part, "All correspondence, memorandum and other papers or data relating to a particular right of way transaction shall be placed in the proper official office file for such transaction..."

RECOMMENDATION

- A. Submit semi-annual reports timely to the Caltrans.
- B. Develop and implement written right-of-way procedures for requiring documentation of the negotiations for all real property acquisitions.

SUMMARY OF COUNTY'S RESPONSE

The County agreed with the finding and indicated they have taken actions to implement additional procedures for right-of-way negotiations and submit semi-annual reports timely.

ANALYSIS OF COUNTY'S RESPONSE

We appreciate the County's acknowledgment and the steps the County has taken to address the issue. Any processes implemented subsequent to the fieldwork have not been audited or reviewed.

Attachment A

Summary of Disallowed Costs

Finding	Description	Project	Billing No.	Consultant/ Contractor	Invoices	Disallowed Cost
1	Unsupported construction costs	ATPL-5916(113)	Progress pay 5	R&R Horn, Inc.	Jul-17	\$174,469
1	Unsupported construction costs	STPL-5916(121)	Progress pay 2	Knife River Construction	Jul-17	\$22,466
-	-	-	-	-	Total	\$196,935

Attachment B
The County of Yuba's Response to the Draft Report

The County of Yuba

Community Development & Services Agency

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July 2, 2020

Independent Office of Audits and Investigation
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Following is the management response to Draft Audit Report June 2020 prepared by Independent Office of Audits and Investigation.

Finding 1 Construction Contract Management Deficiencies

We agree with the auditors' comment that the County's contract management could be improved in specific areas. However, the construction management staff with the assistance of the resident engineer overseeing the project do have the ability to track construction quantities and expenditures.

Inadequate documentation to support claimed construction costs

We disagree with the auditors' comment that the County is unable to support construction costs. The County reviewed the auditor's contended line items from ATPL-5916(113) and STPL-5916(121) and found supporting documentation for the referenced line items. Please see the attached copies of these supporting documents.

For STPL-5916(121), we are providing backup documents including daily diaries that support our Progress Pay Estimate No. 2 for Woodruff Lane, Schedule E, Line Item 6. As highlighted in green on the attached PDF, the inspector noted the following:

- October 22, 2018 Daily report: Paving crew plans on starting on SCH E tomorrow at Hwy 70 and paving the South lane through SCH F and stopping at Jack Slough. (Note: Schedule E is Woodruff Lane).
- October 23, 2018 Daily report: Crew was paving the South side of Woodruff Lane. Northwest Oil company was laying down the GeoSynthetic pavement interlayer 12' wide by 500 foot rolls was being used. Fabric as laid on top of existing road with emulsion tack oil from Northwest oil company... Crew was going about 11' wide by 2" thick. Sch E measures @ 6,060 linear ft. Photos of work included in diary along with location maps.
- October 24, 2018 Daily report: Crew was paving the North side of Woodruff lane. Northwest Oil company was laying down the GeoSynthetic pavement interlayer 10' wide by 500' rolls was being used. Fabric was laid on top of existing road with emulsion tack oil from Northwest oil company. Paving crew lead by Brian Kepple started paving from Hwy 70 and was working toward the East in the North lane. Crew was going about 11' wide by 2" thick. Sch E measures @ 6,060 linear feet. Photos of work included in diary along with location maps. (Note: 2 lanes x 11' wide x 6,060' long = 133,320 square feet = 14,813 square yards, which is exactly equal to what is shown on the pay estimate for Schedule E, Item #6).

For ATPL-5916(113), we are providing backup documents including quantity calculations that support Progress Pay Estimate No. 5 for Ella Elementary. As highlighted in green on the attached PDF, the inspector noted the following on the quantity calculations:

Item 23, Concrete Retaining Wall: Item complete as of July 31, 2017.

Item 24, Drain Inlet: Constructed nine (9) each on south side from Powerline to Slough. Pay for nine each.

Item 25, 24x24 DI: Placed last two (2) each. One at SE corner of Fleming and one at SW corner of Okmulgee. Pay for 2 each.

Item 26, Precast Yard Drain: Contractor request 46 each. Request is reasonable, pay for 46 each. Final count next pay App to be confirmed.

Item 38, Rolled Curb & Gutter:

- Powerline to Fleming: Requested: 834.5+878.5 County's Measurement: 1,714
- Slough to Fleming: Requested: 408+395 County's Measurement: 804
- Okmulgee to Slough Requested: 207(s) + 208 (n) County's Measurement: 417
- Gas Station to Okmulgee: Requested: 339(n) County's Measurement: 339
- Diner to Okmulgee: Requested: 285(s) County's Measurement: 285
- Smog Shop: Requested: 33 (s) County's Measurement: 33
- Totals: Requested: 3,588 County's Measurement: 3,592

Pay as requested – 3,588

Item 39, Sidewalk: 3,588 (length from Item 38) x 5 (width of sidewalk) = 17,940 sf

Item 40, Concrete Driveways: States 9.5 driveways complete. Remaining ½ at Smog Shop and 1 at gas station. The ½ at smog shop to be demolished and replaced per FI No. 7.

The County has updated its written procedures requiring independent verification of the quantity calculation

sheets prior to payments being made to the contractor.

Missing various construction contract provisions

The County's contracts and contract provisions are substantially in accordance with State and Federal administering agencies. The four provisions that the auditors found missing in the various contracts have been inserted into the County's template.

State assuming control over the project

This contract provision has been removed from the County's construction contract template

Finding 2 Financial Management Deficiencies

Accounting System Does Not Segregate Project Cost

We agree with the auditors' comment that the County's accounting system (GMBA, AS400) lacks the ability to accumulate and segregate costs by phases of the work performed. However, the financial staff with the assistance of the engineer overseeing the project do have the ability to track expenditures by phase through CAMS and excel. The non-eligible project cost that was refunded to Caltrans was human error.

The County is currently in the process of developing an RFP for replacement of our current financial system, which will allow the fiscal staff to more easily track by phase within the overall County financial system and allow for easier, less cumbersome steps for tracking by phase. Until the new system is implemented, the County will develop and implement desk procedures for monitoring and segregating non-eligible project costs.

Outdated equipment rates were used

We agree with the auditors' comments regarding the use of 2015 equipment rates, and the following action will remedy this error:

The County is currently developing and implementing desk procedures for calculating equipment rates on an annual basis as required in Government Code 4005(D).

Unapproved overhead (indirect) costs were billed

We agree with the auditors' comments regarding the charge of an equipment rate that included an unapproved overhead rate on three pieces of equipment. The indirect cost on these vehicles was charged due to a flagging error within the project. The county does not wish to charge an indirect cost rate and will not be seeking approval to do so.

The County will develop and implement desk procedures and guidelines for project setup to ensure this error is not repeated. These guidelines will be available through the department's intranet and available to staff for review.

Finding 3 Consultant Contract Management Needs Improvement

Overbilling for mileage expense

We agree with the auditors' comments regarding payment in excess of the state allowable reimbursement rate.

The County will develop and implement desk procedures to comply with State Master Agreement 00143S Article IV, 16 and Federal Master Agreement 03-5916F15 Article IV, 17.

Desk procedures for all respective business processes will be completed by the end of the 2nd Quarter of 2020/2021. The processes will be consolidated under the divisions Policy and Procedure (P&P) via the County intranet and will be available to all staff. Revisions will be made as needed to ensure the P&P's are current at all times. Staff will be advised of revisions as they are implemented.

Deficiencies identified on cost proposals

We agree with the auditors' comment that the County should update their written purchasing policy and procedures to require the names of key personnel and specify no contingencies are allowed on cost proposals. The County is in the process of developing and approving this update.

Missing various consultant contract provisions

We agree with the auditors' comment that the County include the missing contract provisions in future agreements. The County is adding these provisions to our contract template.

Finding 4 Consultant Procurement Transactions Deficiencies

We agree with the auditors' comment that the County should adhere to our procurement policies and procedures that align with state and federal procurement requirements. The County will document and maintain procurement records for every project procurement.

Finding 5 Grant Management Needs Improvement

We agree with the auditors' comment that the County should submit reports timely and should implement right-of-way procedures and document real property negotiations.

The first semi-annual report was submitted late

We agree with the auditors' comment that the County should submit reports timely. The late reporting was due to a disruption in staffing; the staff who were managing the two ATP projects for which the reports were submitted late both retired at about the same time. Current staff are well aware of the reporting requirements and have been submitting all reports timely since 2018. Multiple staff now track due dates for submittals to avoid late reporting.

No Proof of negotiation of right-of-way acquisitions

We agree with the auditors' comment that the County should implement right-of-way procedures and document real property negotiations. Current staff are well aware of the requirement for documentation and are maintaining records as required.

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Attachments (2)