

**Independent Office of Audits And Investigations**

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December 17, 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 incurred cost audit of the County of Alameda (County) of five projects with costs totaling \$4,921,300 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 \$348,196 were not in compliance with Caltrans agreement provisions and state and federal regulations. In addition, we identified deficiencies with the County's construction management and contract procurements.

Please provide our office with a corrective action plan addressing the recommendations in the enclosed report, including timelines, by February 26, 2021.

Ms. Jeanie Ward-Waller  
December 17, 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  
Final Audit Report

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P1575-0063

# County of Alameda

## Incurred Cost Audit

Audit Report  
P1575-0063  
December, 2020



**PREPARED BY:**

Independent Office of Audits and Investigations – MS 2

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## **BACKGROUND, SUMMARY, OBJECTIVES, SCOPE, AND METHODOLOGY**

### **BACKGROUND**

The Caltrans Local Assistance Program oversees more than \$1 billion dollars annually available to over 600 cities, counties, and regional agencies for the purpose of improving their transportation infrastructure or providing transportation services. This funding comes from various federal and state programs specifically designed to assist the transportation needs of local agencies.

The County of Alameda was established in 1853 and operates under its charter and is governed by an elected five-member Board of Supervisors. The County of Alameda has many agencies and departments that provides and offers a full range of services to their community, including but not limited to, the construction and maintenance of highways, streets and other infrastructure, public protection, recreational activities, and cultural events. The Public Works Agency, Construction & Development Services Department, is responsible for ensuring compliance of construction of Capital Improvement Programs with plans and specifications and provides agency-wide contract compliance. The Engineering Department has traffic, transportation design, flood control design, environmental services, and flood control watershed planning functions. The Transportation Design Unit, designs and prepares contract plans and specifications for engineering and transportation Capital Improvement Projects.

### **SUMMARY**

IOAI performed an incurred cost audit of five County of Alameda, Public Works Agency's (County) projects with costs totaling \$4,921,300 reimbursed from Caltrans as of May 31, 2019.

We identified labor and indirect costs of \$322,196 and consultant contract costs of \$26,000 that were not supported and/or were not in compliance with Caltrans agreement provisions, and state and federal regulations. We also identified deficiencies with the County's construction management and contract procurements. See Attachment A for a summary of questioned and disallowed costs.

**OBJECTIVES**

We performed the audit to determine whether the project costs claimed and reimbursed were allowable and adequately supported in accordance with Caltrans agreement provisions, and state and federal regulations.

**SCOPE**

The audit scope included costs claimed and reimbursed during the period of March 1, 2015, through May 31, 2019, for the following projects:

Project Number	Project Name/Description	Amount
STPL-5933(125)	Rehabilitate Pavement of Various Roadways in the Unincorporated Areas of Alameda County	\$1,804,085
HSIPL-5933(129)	Safety Improvements at Various Locations in the Unincorporated Areas of Alameda County	\$1,045,879
ATPL-5933(132)	Ashland Improvement between Ano Avenue and East 14th Street Alameda County	\$708,000
ATPL-5933(133)	Sidewalk Improvements on 162nd Avenue between 14th and Liberty Street Alameda County	\$910,966
ATPLNI-933(134)	Alameda County Safe Routes to School Non-Infrastructure Project	\$452,370
Total Project Costs:	-	\$4,921,300

The audit was limited to financial and compliance activities. The audit was less in scope than an audit performed for the purpose of 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 Caltrans agreement provisions, and state and federal regulations. In addition, the County is responsible for the adequacy of their financial management system. Considering the inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected.

## **METHODOLOGY**

We gained an understanding of the projects and program and identified relevant criteria by reviewing the executed project agreements, Caltrans guidelines, applicable state and federal regulations, and by interviewing the County's personnel.

We performed a risk assessment, including identifying and evaluating whether key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Key internal controls evaluated focused on invoices reimbursed from Caltrans, review and approval processes of expenditures, and procurement processes. Our assessment included conducting interviews with key personnel, observing processes, analyzing relevant documentation, and testing transactions related to costs billed and reimbursed. No significant issues with internal controls were identified.

In addition, we assessed the reliability of data obtained from the County's financial management system used to identify and track project costs. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining if costs were supported by source documentation. We determined the data was sufficiently reliable to meet our audit objectives.

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

Our findings and recommendations take into account the County's response dated December 2, 2020 to our November 16, 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 full written response is included as Attachment B.

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 (916) 202-7626, or at [marsue.morrill@dot.ca.gov](mailto:marsue.morrill@dot.ca.gov).



## FINDINGS AND RECOMMENDATIONS

### CONCLUSION

The Independent Office of Audits and Investigations (IOAI) performed an incurred cost audit of five County of Alameda's, Public Works Agency (County), projects with costs totaling \$4,921,300, reimbursed from the California Department of Transportation (Caltrans), as of May 31, 2019.

We identified labor and indirect costs of \$322,196 and consultant contract costs of \$26,000 that were not supported and/or were not in compliance with Caltrans agreement provisions, and state and federal regulations. We also identified deficiencies with the County's construction management and contract procurements. See Attachment A for a summary of questioned and disallowed costs.

### FINDING 1 – Indirect Costs Recovered Through Labor Rates

The County claimed and was reimbursed \$322,196 for some ineligible indirect costs included in their labor rates billed to Caltrans on four of the five projects audited. Specifically, the County:

- Included indirect costs in their labor rates billed to Caltrans but did not have an approved indirect cost rate. The County included indirect costs such as training, taking exams, and sitting on exam boards in their annual hourly labor rates calculation.
- Did not segregate the billing components on the invoices they submitted to Caltrans and did not break down costs into eligible direct and/or indirect cost components.

Because of the deficiencies noted above, the total claimed labor costs of \$322,196 are questioned.

LAPM Chapter 5.3, Reimbursable Project Costs – Indirect Costs, states in part, "Should any department, division or other organization unit within the local agency seek reimbursement of their indirect costs, they must receive an Approval/Acceptance Letter of the local agency's Indirect Cost Rate Proposal (ICRP)/Indirect Cost Allocation Plan (ICAP) for the fiscal year(s) involved from the Caltrans Division of Audits and Investigations (A&I) prior to billing for any indirect costs...."

the federal and state master agreement fiscal provisions require ICAP/ICRP and related documentation to be prepared and submitted to the IOAI for review and approval prior to the County seeking reimbursement of indirect costs each fiscal year. Further, the ICAP/ICRP must be prepared in accordance with the requirements in 2 CFR Part 200.

The Caltrans Local Assistance Procedures Manual (LAPM) Chapter 5.3, Reimbursable Project Costs, states in part, "The costs of salaries, wages and related project costs may be reimbursable for the following activities. All costs must be broken down into eligible direct and/or indirect cost components."

The County stated their methodology to calculate the annual hourly labor rates is used because training, taking exams, and sitting on exam boards hours are employee (fringe) benefits. We do not consider these activities to be a benefit to employees, but rather a benefit to the County. In addition, the County chose not to have an approved ICAP/ICRP.

Without approved indirect cost rate, the County will continue to bill Caltrans for ineligible indirect costs through its labor rates.

## **RECOMMENDATIONS**

- A. Remit \$322,196 in questioned costs. Alternatively, work with Caltrans and the Federal Highway Administration to determine any allowable amounts that may be included in the \$322,196 questioned costs. This could include allowing the City to submit prior FY indirect cost rates for approval.
- B. Comply with the master agreements and the LAPM Chapter 5.3 and submit an ICRP for approval annually prior to billing Caltrans for indirect costs.
- C. Update the existing methodology for calculating annual hourly labor rates according to applicable state and federal regulations.
- D. Calculate the annual hourly labor rates utilizing the revised methodology going forward.
- E. Caltrans should also review billings on other projects to determine if indirect costs were reimbursed.

## **SUMMARY OF COUNTY'S RESPONSE**

The County acknowledged that the questioned costs included small amounts of ineligible costs and as a result they have updated their procedures for calculating labor rates. They further performed a reconciliation to determine the amount of ineligible costs in the questioned cost total. They calculated ineligible costs of \$4,837. The County indicated they have unbilled direct hours that exceed their calculated eligible costs and that any differences in labor rates would be immaterial.

The County indicated they do not plan on seeking reimbursement for indirect costs and, therefore, will not be submitting an Indirect Cost Rate Proposal (ICRP). The County agreed that the training and exam activity are not compensation fringe benefits under 2 CFR 200.431. They indicated they implemented corrections and such costs will not be included going forward.

## **ANALYSIS OF COUNTY'S RESPONSE**

We appreciate the County's acknowledgment and steps taken to address the issues identified. Any processes, and policies and procedures implemented subsequent to our fieldwork have not been audited or reviewed.

We did not audit or review the County's reconciliation where they identified \$4,837 as the amount of ineligible indirect costs. The County will need to work with Caltrans and the Federal Highway Administration to determine the allowable amount included in the \$322,196 questioned costs and other projects as referred to in the recommendations.

## **FINDING 2 - Unallowable Consultant Contract Costs**

The County billed Caltrans \$26,000 for costs not included as part of a contract. We reviewed the architectural and engineering (A&E) consultant contract between the County and Fehr & Peers for the safe routes to school non- infrastructure work plan. We found that the County paid for a consultant who was not listed on the contract. There was also no prior approval or amendment to add the consultant. Therefore, these costs are disallowed. In addition, we found that the contract did not contain a required cost proposal.

LAPM Chapter 10.1, Subcontracted Services states, "If the consultant wishes to use a subconsultant not specified in the proposal, prior written approval must be obtained from the local agency."

LAPM Chapter 10.5, Negotiate Contract with Top-Ranked Consultant states, "The local agency and the consultant will agree on the final cost proposal and incorporate into final contract."

The County stated they accepted the Exhibit 22-R, Non-Infrastructure Workplan, from the consultant as the cost proposal and included it as part of the executed contract. The Exhibit 22-R does not contain the same information and breakdown required in the cost proposal. We also noted that the County's Contracting Policies and Procedures Manual: Goods and Services (Contracting Manual), does not specifically state that a final cost proposal must be attached to, and be made a part of, the executed consultant contract. Without a final cost proposal included as part of the executed contract Caltrans cannot ensure the amount the County paid to the consultant is reasonable or allowable.

### **RECOMMENDATIONS**

- A. Remit \$26,000 to Caltrans for disallowed consultant costs.
- B. Update and implement the County's Contracting Manual to conform with state and federal requirements including, but not limited to:
  - Including a final cost proposal to the executed contract.
  - Reviewing all invoices completely and comparing costs billed to the final cost proposal prior to approving payment.

### **SUMMARY OF COUNTY'S RESPONSE**

The County does not concur with the recommendation. They indicated that the project was awarded to the consultant Fehr & Peers with Caltrans' guidance and approval. Further, Fehr & Peers informed the County that the \$26,000 disallowed costs were for reimbursable vendor costs not paid to a subconsultant.

The County believes their contracting procedures are generally in compliance with state and federal requirements. Nevertheless, they agreed to update its Contracting Manual and/or Internal Agency guidance document to conform with state and federal requirements.

### **ANALYSIS OF COUNTY'S RESPONSE**

The County relied on what Fehr & Peers told them but did not provide any support that the disallowed costs were paid to a vendor and not a subconsultant. The Fehr & Peers' invoices submitted to the County identified the costs as subconsultant costs. The County concurred with the classification of costs during our fieldwork.

**FINDING 3 - Construction Management Deficiencies**

We identified deficiencies with the County's management of four construction projects. We noted the required supporting documentation was missing from the project files, as outlined in Table 1 below.

**Table 1 - Construction Contract Deficiencies**

Deficiencies	STPL-5933(125)	HSIPL-5933(129)	ATPL-5933(132)	ATPL-5933(133)
Daily reports prepared each day and maintained in project file per Local Assistance Procedures Manual (LAPM) Chapter 16.7.	No	No	No	No
Source documents support progress payments per Title 2 Code of Federal Regulations (CFR) 200.302 (b) (3) and LAPM Chapter 16.9.	Yes	Yes	Yes	No
Line items with quantity increases or decreases of 25% or more supported with approved contract change order (CCO) per LAPM Chapter 16.13.	No	No	No	Yes
Cost analysis performed on CCO per Title 23 CFR 635.120 (e).	No for CCO #4	Yes	No for CCO #1	N/A
CCO has approval signature per LAPM Chapter 16.13.	Yes	No for CCO #5	Yes	N/A
Weekly reports completed and retained each week in project files per LAPM Chapter 16.5 & 16.8, respectively.	No	No	No	No

Subsequently, the County provided additional support documentation, so no costs are disallowed. The additional support documentation included project photos, material tags, and internal Source Document forms for each line item. Although these items ultimately supported the progress payments, the County is required to prepare, measure, and obtain the necessary source documents prior to approving payments. We could not ensure that the additional support documentation provided was prepared prior to approving payments.

The County stated the required source documentation was either originally missing, misplaced or not prepared. We also noted that the County's Project Management and Delivery Procedures do not specifically state the inspector is required to prepare the County's Source Document form or to maintain these forms, weight tags, or other necessary documentation in the project file to support a contractor's progress payment.

Without adequate support for costs billed by a contractor, the County cannot ensure that costs billed to Caltrans are allowable.

### **RECOMMENDATIONS**

- A. Update and implement the County's Project Management and Delivery Procedures to ensure the requirements conform with state and federal regulations and procedures.
- B. Require and verify that each inspector prepares daily and weekly reports, and source documents supporting each line item prior to approving payments to contractors.
- C. Verify all required project records are prepared, reviewed, and approved in advance of submitting to Caltrans for reimbursement, and retain in the project files.

### **SUMMARY OF COUNTY'S RESPONSE**

The County acknowledged that some supporting documentation was missing from the project files and believes that issues with the ATPL-5933(133) project are an isolated record retention issue. The County stated they have implemented an electronic record-keeping program to prevent a recurrence.

The County also indicated they will update the County's Project Management Manual to clearly reference the requirements in the LAPM and will develop a checklist for the resident engineers/inspectors to acknowledge that all required information is included in the project files. The County indicated they will ensure the daily and weekly reports, and source documents supporting each line item will be prepared prior to approving payments to contractors.

## ANALYSIS OF COUNTY'S RESPONSE

We appreciate the County's acknowledgment and steps taken to address the issues identified. Any processes, and policies and procedures implemented subsequent to our fieldwork have not been audited or reviewed.

### FINDING 4- Procurement Deficiencies

The County did not consistently follow state and federal requirements when procuring consultant and construction contracts. We tested the procurements of one A&E consultant and one construction contractor.

#### Deficiencies with the A&E Procurement

We tested the procurement of one A&E consultant to determine compliance with the LAPM as required by the County's Program Supplement Number O29. Deficiencies are identified in Table 2 below.

**Table 2 - A&E Procurement**

Deficiencies	Criteria
<p>Missing date and time stamped envelopes.</p> <p>Missing original score sheets.</p>	<p>LAPM Chapter 10.5, Receive and Evaluate Technical Proposals</p> <p>LAPM Chapter 10.8, Project Record</p>
<p>Selection committee evaluated all proposals on only four of the six criteria stipulated in the Request for Proposal (RFP).</p> <p>Final consultant ranking was not supported by score sheets.</p>	<p>LAPM Chapter 10.5, Receive and Evaluate Technical Proposals</p>
<p>Missing independent cost estimate.</p>	<p>LAPM Chapter 10.5, Negotiate Contract with Top-Ranked Consultant</p> <p>LAPM Chapter 10.8, Project Record</p>
<p>RFP did not include a method of payment.</p>	<p>LAPM Chapter 10.5, Prepare RFP</p>

The County's Contracting Manual does not address all the LAPM requirements. Additionally, the County did not follow their own Contracting Manual and RFP requirements.

Without following proper procurement procedures, the County may not be able to support that the most qualified consultant is selected and that a fair and reasonable price is obtained.

### **Deficiencies with the Construction Procurement**

We tested the procurement of one construction contractor to determine compliance with state and federal regulations. Deficiencies are identified in Table 3 below.

**Table 3 - Construction Procurement**

Missing Documents	Criteria
Proof of verifying contractor was not suspended or debarred.	23 Code of Regulations (CFR) 635.110 (e)
Proof of verifying contractor had a valid contractor license at time of award.	23 CFR 635.110 (c)

The County stated that they did not maintain proof of verifying the items but going forward they would maintain copies of the screen shots in the project files. The County's Contracting Manual, Debarment and Suspension, and Local Products, and Vendors Preference Sections do not include a requirement for the County to maintain proof of verification in the project file.

Without verifying the contractor is licensed and not suspended or debarred increases the risk of contracting with companies that are not qualified or prohibited from working on federally funded projects.

### **RECOMMENDATIONS**

- A. Update and implement the County's Contracting Manual to conform with state and federal procurement requirements.
- B. Require managers and staff involved with procurements to attend Caltrans Division of Local Assistance's consultant procurement training.



**SUMMARY OF COUNTY'S RESPONSE**

The County acknowledged the issues identified and will implement a process for recording information in a project file and will ensure documentation is maintained going forward. The County also stated they will take a screen shot or keep a record of work for the verifications in its project files. In addition, they also agree to review and update the Contracting Manual and/or Internal Agency guidance documents by including references to the LAPM and to offer appropriate training to its procurement staff.

**ATTACHMENT A - Summary of Questioned and Disallowed Costs**

<b>Finding</b>	<b>Project Number</b>	<b>Disallowed</b>	<b>Questioned</b>
1	ATPL-5933(132)	-	\$88,530
1	ATPL-5933(133)	-	\$44,966
1	HSIPL-5933(129)	-	\$83,700
1	STPL-5933(125)	-	\$105,000
2	ATPLNI-5933(134)	\$26,000	-
-	Total Costs:	\$26,000	\$322,196

**ATTACHMENT B - The County of Alameda's Response to the Draft Report**



December 2, 2020

MarSue Morrill, Audit Chief  
Independent Office of Audits and Investigations  
California Department of Transportation  
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**VIA US MAIL & EMAIL**

**SUBJECT: ALAMEDA COUNTY PUBLIC WORKS AGENCY RESPONSE TO THE DRAFT  
INCURRED COST AUDIT REPORT**

Dear Ms. Morrill,

The draft audit report presented the results of an incurred cost audit of five projects of the Alameda County Public Works Agency (Agency) with costs totaling \$4,921,300 reimbursed from Caltrans as of May 31, 2019. The objective of the audit was to determine if the Agency's claimed and reimbursed costs were adequately supported and in accordance with state and federal regulations. The Agency responds that it does not concur with all the findings in the draft report. The Agency acknowledges, however, certain findings and has already begun implementing processes to align with the draft report's recommendations. The audit report will be used as a guideline to continue making these ongoing procedural improvements. The recommendations include changes to the Agency's Project Management and Delivery Procedures and Construction Management protocols, and additional professional development for staff. The Agency has already implemented updates of its labor rates and will continue to implement recommended changes. Below are detailed responses to the Audit Report findings and recommendations.

**Report Finding:****FINDING 1 – Indirect Costs Recovered Through Labor Rates**

The County claimed and was reimbursed \$322,196 for some ineligible indirect costs included in their labor rates billed to Caltrans on four of the five projects audited.

Specifically, the County:

- Included indirect costs in their labor rates billed to Caltrans but did not have an approved indirect cost rate. The County included indirect costs such as training, taking exams, and sitting on exam boards in their annual hourly labor rates calculation.
- Did not segregate the billing components on the invoices they submitted to Caltrans and did not break down costs into eligible direct and/or indirect cost components.

**Agency Response:**

The Agency acknowledges that the questioned hourly labor rates included small amount of ineligible indirect costs on four of the five projects audited. As a result, the agency has already updated its procedure for calculating its annual hourly labor rates based on this finding and has trained staff on the updated procedure (Recommendation C). Additionally, the Agency has already calculated its current FY 2020-21 annual hourly labor rates in line with the report's recommendations, and will utilize the revised methodology going forward (Recommendation D).

Furthermore, the Agency performed a detailed reconciliation to determine the allowable amounts included in the questioned amount of \$322,196 discussed in Recommendation A. Using corrected hourly rates, the Agency has determined that the total amount billed should have been \$317,359. In other words, using the corrected rates results in a total difference of \$4,837.

Project Number	Billed Labor	Allowable Labor (Corrected Rates)	Difference
STPL-5933-125	\$105,000	\$103,358	\$1,642
ATPL-5933-133	\$44,966	\$44,346	\$620
HSIPL-5933-129	\$83,700	\$82,393	\$1,307
ATPL-5933-132	\$88,530	\$87,262	\$1,268
<b>Total</b>	<b>\$322,196</b>	<b>\$317,359</b>	<b>\$4,837</b>

Importantly, the Agency has unbilled direct hours on all four projects. The unbilled direct hours exceed the \$4,837 of ineligible costs. Consequently, the Agency has determined that the impact, if any, of the modest difference in the labor rates would be immaterial.

The Agency does not seek and does not plan to seek reimbursement from Caltrans for indirect costs. Therefore, an Indirect Cost Rate Proposal (ICRP) has not been submitted for review (Recommendation B) and would not be appropriate. This issue arose, because the training and exam costs were included in the Agency's hourly rate methodology procedure for direct costs. This was due to an incorrect, but good faith, interpretation of 2 CFR 200.431, Compensation – Fringe Benefits. The Agency agrees with the Audit finding that Training and Exam activities are not compensation fringe benefits under 2 CFR 200.431. The Agency has implemented recommended corrections and such costs will not be included going forward. The Agency has also concluded that the impact, if any, of this incorrect interpretation would be immaterial. The agency has already implemented changes in response to Finding 1. The Agency has updated its methodology and procedures, trained its staff on these updates, and is using annual hourly rates according to the recommended methodology.

**Report Finding:****FINDING 2 - Unallowable Consultant Contract Costs**

The County billed Caltrans \$26,000 for costs not included as part of a contract. We reviewed the architectural and engineering (A&E) consultant contract between the County and Fehr & Peers for the safe routes to school non infrastructure work plan. We found that the County paid for a consultant who was not listed on the contract. There was also no prior approval or amendment to add the consultant.

**Agency Response:**

The Safe Routes to School project was one of the first non-infrastructure contracts awarded under the Active Transportation Program. As a result, the County relied heavily on guidance from Caltrans Local Assistance staff. The project was awarded to a consultant with Caltrans's guidance and approval.

The amount the report identifies as disallowed is the cost of traffic counts. The contract was for a non-infrastructure Safe Routes to School study, which addressed how to reduce the number of pedestrian and bike injuries and fatalities at elementary, middle, and high schools located within the unincorporated areas of Alameda County. The consultant used traffic count data as part of data collection, which was part of the project scope of work and used for the existing conditions assessment in the study. The consultant, Fehr & Peers, has informed us that the \$26,000 that is identified as "disallowed" was reimbursement for the purchase of traffic count data from one of its vendors. According to Fehr & Peers, this cost is not attributable to a sub-consultant. Fehr & Peers explained that it has pre-negotiated pricing and quality assurance terms with several traffic count vendors, who use electronic counting instruments to supply traffic count data. According to Fehr & Peers, when it develops a cost proposal, it uses these previously negotiated costs, which are on a per location basis. Fehr & Peers explained that use of vendors to supply traffic counts allows for flexibility to keep the project moving while also ensuring a reasonable price. Fehr & Peers has explained that this is routine practice for obtaining traffic count data.

Fehr & Peers has represented that the \$26,000 charge was for reimbursable vendor costs for traffic count data; it was not for a subconsultant. Based on Fehr & Peers's representations and response, the Agency does not concur with Recommendation A for Finding 2.

The Agency believes that its contracting procedures are generally in compliance with state and federal requirements. The Fehr & Peers contract incorporated audited hourly rates for each consultant level and set a negotiated project budget. Nevertheless, the Agency agrees to review and update the County's Contracting Manual and/or internal Agency guidance documents to conform with state and federal requirements (Recommendation B).

**Report Finding:**

**FINDING 3 - Construction Management Deficiencies**

We identified deficiencies with the County's management of four construction projects. We noted the required supporting documentation was missing from project files . . . [TABLE in full report].

**Agency Response:**

The Agency acknowledges that some supporting documentation was missing from the project files. However, it is our opinion that the issues with ATPL-5933(133) were an isolated record retention incident. We agree that having this documentation prepared during the work to support all construction activity and payments is needed to ensure the projects are constructed according to plans and specifications, and to confirm that payments are made based on measured and calculated quantities. This is and has been our practice. The Agency has also already implemented an electronic record-keeping program that will prevent such isolated incidents from recurring.

To ensure compliance with the Caltrans Local Assistant Procedures Manual (LAPM), the Agency will update the Agency's Project Management Manual to reference the LAPM and clearly state the requirements for conformance with the LAPM (Recommendation A). Though it is our current practice, the Agency will ensure that each inspector prepares daily and weekly reports, and source documents supporting each line item prior to approving payments to contractors (Recommendation B). The Agency also intends to develop a checklist for the resident engineer/inspectors to acknowledge that all required information is included in the project files prior to acceptance of the improvements associated with the project (Recommendation C).

**Report Finding:**

**FINDING 4- Procurement Deficiencies**

The County did not consistently follow state and federal requirements when procuring consultant and construction contracts. [Tables 2 and 3]

**Agency Response:**

As to the consultant contract findings, the Agency responds that it stamps the date and time on all proposal containers. That said, it has occasionally discarded such containers, which can sometimes be large boxes, after the consultant contract is awarded. Moving forward, the

Agency will implement a process of recording such information, such as in a separate document for the project file.

The Agency worked closely with the Division of Local Assistance on the award of the non-infrastructure consultant contract. Where the audit identified gaps in documentation, the Agency will ensure documentation is maintained going forward.

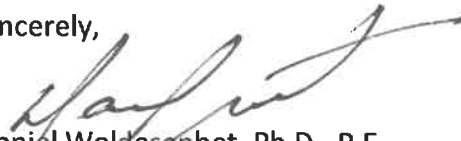
As to the construction contract findings, the Agency acknowledges that it did not print out proof of the construction contractors' license or debarment status prior to award of the contract. The Agency routinely independently verifies that contractors' licenses are valid prior to award and that contractors are not on the debarred/suspended list, however, in the future, the Agency will take screen shots or otherwise keep a record of the work it does in performing these verifications for the project files, as suggested in your findings.

Regarding the Contracting Manual, the Agency believes the County's Contracting Manual generally conforms to state and federal requirements. However, the Agency agrees to review and update the Contracting Manual and/or internal Agency guidance documents by including references to the LAPM and to offer appropriate training to its procurement staff (Recommendations A and B).

\* \* \*

Thank you for the opportunity to respond. We look forward to working with Caltrans to address these issues collaboratively and for the continued successful implementation of critical infrastructure projects.

Sincerely,



Daniel Woldesenbet, Ph.D., P.E.  
Director of Public Works

c: Linda Laubinger, Audit Manager, Independent Office of Audits and Investigations  
Keith Whitaker, Chief Financial Officer, ACPWA  
Christopher Hendrickson, Accounting and Finance Manager, ACPWA