



INSPECTOR GENERAL

California Department of Transportation

City of Claremont

Project Audit



Independent Office of Audits and Investigations

Bryan Beyer, Inspector General
Diana Antony, Chief Deputy

Final Report September 2022
P1575 0066



For questions concerning the contents of this report, please contact (916) 323-7111 or email ioai.admin@dot.ca.gov.



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

September 16, 2022

Tony Tavares
Director
California Department of Transportation

Final Report – City of Claremont, Project Audit

The Independent Office of Audits and Investigations (IOAI) has completed its audit of the City of Claremont (City). We audited the City's incurred costs related to two projects totaling \$5,218,696, which were reimbursed by the California Department of Transportation (Caltrans).

Enclosed is the final report, which includes the City's response to the draft report. The final audit report is a matter of public record and will be posted on IOAI's website.

A detailed Corrective Action Plan (CAP) addressing the findings and recommendations must be developed in accordance with the Local Assistance Procedures Manual, Chapter 20, Section 20.5. The CAP should be sent to IOAI.Admin@dot.ca.gov.

If you have any questions, please contact David Wong, Audit Chief, at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations

P.O. Box 942874, MS-2
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(916) 323-7111
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Tony Tavares
September 16, 2022

cc: Jeanie Ward-Waller, Deputy Director, Planning and Modal Programs, California Department of Transportation
Adam Pirrie, City Manager, City of Claremont
Brad Johnson, Community Development Director, City of Claremont
Maria Tipping, City Engineer, City of Claremont
Vincent Ramos, Associate Engineer, City of Claremont
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Summary

The purpose of this audit was to determine whether claimed and reimbursed project costs for SR2SL-5162(016) and LPPSB1L-5162(026) were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations. In addition, we determined whether project deliverables and outputs were consistent with the project scope.

We obtained reasonable assurance that the costs claimed by the City and reimbursed by Caltrans for these two projects were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations, except for \$725,849 in unsupported costs and \$13,559 in unallowable costs.

We also determined that the project deliverables and outputs were consistent with the project scopes and schedules as described in the executed agreements.

Introduction

Background

The California Department of Transportation (Caltrans) Local Assistance Program oversees more than \$1 billion 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.

For this audit, we selected two projects that Caltrans awarded to the City of Claremont (City). Caltrans reimbursed the City a total of \$5,218,696 for incurred costs.

Table 1: Audited Projects and Costs

Program	Project Number	Project Name/Description	Reimbursed Amount
Safe Routes to School Program	SR2SL-5162(016)	Towne Ave between Base Line Road and Thompson Creek Regional Trail – To install green bike lanes, ADA ramps, audible signals, count down devices, and ladder crosswalks and widen sidewalks.	\$ 641,893
Local Partnership Program (SB1funded)	LPPSB1L-5162(026)	Foothill Boulevard Master Plan Green Streets Improvements – To improve 2.5-mile corridor to include closures of sidewalk gap, 2.35 miles of bike lanes and cycle tracks, curb extensions, and bulb cuts.	\$4,576,803
Total Project Costs Reimbursed			\$5,218,696

Scope and Methodology

For this audit, we determined whether the project costs claimed and reimbursed were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations. In addition, we determined whether project deliverables and outputs were consistent with the project scope. Our audit included costs claimed and reimbursed during the period of July 1, 2016, through June 30, 2020.

We gained an understanding of the projects and program and identified relevant criteria by reviewing the executed project agreements, Caltrans guidelines, and applicable state and federal regulations and by interviewing the City's personnel. The Caltrans' Construction Manual applies to project SR2SL-5162(016), which is constructed on the state highway system, while the 2016 Caltrans Local Assistance Procedures Manual (Caltrans' Procedures Manual) applies to project LPPSB1L-5162(026), which is constructed off the state highway system.

We performed a risk assessment, including identifying and evaluating whether key internal controls relevant to our audit objectives were properly designed and implemented. Our evaluation of internal controls focused on the City's review and approval processes for expenditures and contract procurement. Our methodology included conducting interviews with key personnel, observing processes, analyzing relevant documentation, and testing transactions related to costs billed and reimbursed. Included in this report are any significant deficiencies in internal controls that we identified during the audit.

We assessed the reliability of data obtained from the City'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 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.

Audit Results

Based on our audit procedures, we obtained reasonable assurance that the costs claimed by the City and reimbursed by Caltrans for the two projects were allowable and adequately supported in accordance with Caltrans' agreement provisions and state and federal regulations, except as noted in findings 1 and 2.

We also determined that the project deliverables and outputs were consistent with the project scopes and schedules as described in the executed agreements. Specifically, for SR2SL-5162(016), the scope included, but was not limited to, installation of green bike lanes, ADA ramps, audible signals, and count down devices. For project LPPSB1L-5162(026), the scope included improvements of a 2.5-mile corridor to include closures of sidewalk gap, 2.35 miles of bike lanes and cycle tracks, and curb extensions.

Finding 1 - Unsupported Construction Costs

The City was unable to provide documentation to support \$725,849 in claimed and reimbursed construction costs for project numbers SR2SL-5162(016) and LPPSB1L-5162(026). Specifically, the City did not maintain required source documents, such as the Contract Item Quantity Calculation Sheets (Q Sheets) or weight tickets to support payment to contractors. In addition, while the City provided Q sheets for some bid items, the associated daily reports did not support the Q sheets as they did not clearly specify the corresponding work (i.e. bid item number). Table 2 details the missing or inadequate documents and the associated unsupported reimbursed costs.

Table 2 – Unsupported Reimbursed Costs

Project Number	Progress Payment #	Bid Item #	Missing / Inadequate Documents	Total Claimed Costs	Reimbursement Ratio*	Unsupported Reimbursed Costs
SR2SL-5162 (016)	1	8,12, 33	D	\$ 201,450	-	\$ 181,305
	1	11	D, W	86,631	-	77,968
	1	41	D, Q	15,000	-	13,500
	2	10	D	15,570	90%	14,013
	2	11	D, W	37,066	-	33,359
	2	21	D, Q	11,295	-	10,166
LPPSB1L-5162(026)	3, 4	24, 42	W	34,959	-	15,903
	1-11	10,17,28, 51,69,76, 82,107	D	834,546	45.49%	379,635
Total Unsupported Costs						\$ 725,849

* = Projects required to meet applicable funding match requirements as stated on Caltrans Finance Letter.

Q = Quantity Calculation Sheet

W = Weight Ticket

D = Daily Report

For project number LPPSB1L-5162(026), section 5.8 of Caltrans' Procedures Manual requires local agencies to maintain written source document records that account for agency costs and payments made to consultants, vendors, and contractors. According to Caltrans' Procedures Manual, contract records must be retained by the local agency for a minimum of three years from the date of the final payment by the state.

Section 16.13 of Caltrans' Procedures Manual also defines source documents as the original documents, data, and records containing the details to substantiate a transaction entered in an accounting system. Source documents are the permanent record sheets that create a clear and easily followed accounting trail from the total pay quantities in the proposed final estimate, back to the first measurement or calculation for each contract item. The most common source documents are:

- a. **Q Sheets.** A Q sheet supports and documents item payments made to the contractor each month. A separate Q sheet must be prepared for each contract item being paid for each progress payment.
- b. **Daily Reports.** These reports are required to support Q sheets. Section 16.8 of the Caltrans' Procedures Manual further states that the local agencies are required to maintain daily reports to document the work in progress and must document what work was performed, where and how it was performed, and who performed it. The daily reports should record the hours worked, broken down by contract item and/or contract change work and quantitate measurements of contract item (i.e., measurements, tonnage, waste).

For project number SR2SL-5162(016), section 3-902C of Caltrans' Construction Manual requires that measurements and calculations be entered for bid item quantities on permanent record sheets that are commonly referred to as "source documents." Each source document should include the appropriate bid item number, the location of installation (if applicable), the necessary measurements and calculations, and the name of the person who prepared the document.

The City stated that it relied on consultants to provide construction oversight and inspection services in addition to ensuring the project files had sufficient documentation to support the billings. However, the City also stated it did not review the project files to ensure the appropriate documentation was maintained. Noncompliance with documentation requirements and lack of consultant oversight hinders the City's ability to demonstrate that project costs are allowable.

Recommendations

1. Caltrans should coordinate with the City to develop a corrective action plan to resolve and close the findings identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$725,849, if applicable.
2. 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 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.

Finding 2 - Questioned Consultant Costs

For project number SR2SL- 5162(016) the City was reimbursed for \$13,163 that exceeded the contract amount and \$1,902 that was not specified in the contract. Specifically, the City entered into a contract with a consultant for \$45,900; however, the consultant billed the City for \$59,063, which was \$13,163 over the contract amount. Additionally, the City claimed a total of \$1,902 of subconsultant and consultant staff labor costs that were not included in the contract. The agreement between the City and Caltrans stipulates a 90 percent reimbursement ratio for this project. As a result, a total of \$13,559 $[(\$13,163 + \$1,902 = \$15,065) * 90\%]$ is questioned.

Section 10.2 of Caltrans' Procedures Manual requires contract administrators to review and approve the consultant's invoices and/or progress payments to ensure that billings comply with the contract's terms and conditions and match the work performed during the billing period.

The City stated that the responsible City staff was not aware of the oversight responsibility of ensuring the contractor to perform in accordance with the contract terms and conditions. Lack of adequate contract oversight increases the risk of claiming unallowable costs.

Recommendations

1. Caltrans should coordinate with the City to recover \$13,559.
2. The City should design and implement contract management procedures to ensure compliance with the contract terms. Additionally, the City should provide contract management and oversight training to staff.

Auditee's Response



CITY OF CLAREMONT

Community Development Department

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September 7, 2022

Mr. David Wong, Audit Chief
State of California, Inspector General
California Department of Transportation
P.O. Box 942874, MS-2
Sacramento, CA 94274-0001

Dear Mr. Wong,

The City appreciates the opportunity to provide feedback on the Confidential Draft Report-City of Claremont, Incurred Cost Audit.

While the City differs with the conclusion, we look forward to resolving this important matter. Staff will work with Caltrans at addressing the recommendations identified in the report to develop a plan to improve the process in the future.

Sincerely,

Brad Johnson
Community Development Director

c: Yung J. Ryoo
Adam Pirrie
Maria Tipping
Vince Ramos



Independent Office of Audits and Investigations

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