



# INSPECTOR GENERAL

California Department of Transportation

## California Department of Transportation, District 10 Project Compliance Audit



**Independent Office of Audits and Investigations**

**Bryan Beyer**, Inspector General  
**Matt Espenshade**, Chief Deputy

June 2025  
22A.PROJ01



For questions or assistance concerning the contents of this report, please contact (916) 323-7111 or email [ioai.reports@dot.ca.gov](mailto: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

June 26, 2025

Michael Keever  
Acting Director  
California Department of Transportation  
1120 N Street  
Sacramento, CA 95814

### **Final Report — California Department of Transportation, District 10, Project Compliance Audit**

Dear Acting Director Keever:

The Independent Office of Audits and Investigations (IOAI) has completed its project compliance audit of the California Department of Transportation, District 10 (District). We audited the costs the District incurred related to the State Route 99 Stanislaus Capital Preventive Maintenance Ramps project totaling \$29,344,063. We also audited the project deliverables and benefits.

Enclosed is our final report, which includes the California Department of Transportation's response to the draft report. Our evaluation of the response is incorporated into this final report. The final report is a matter of public record and will be posted on our website.

In accordance with Government Code section 14460(d)(2), IOAI reports the status of audit findings and recommendations on an annual basis to the Governor, the Legislature, and the California Transportation Commission. Therefore, IOAI will collaborate with Caltrans to assess the corrective actions taken on audit recommendations.

If you have any questions regarding this report, please contact our office at (916) 323-7111.

Sincerely,

Fabiola Torres, CIGA  
Deputy Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations  
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Michael Keever  
June 26, 2025  
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cc: Grace Magsayo, Acting District Director, District 10, California Department of Transportation  
Mimi Huie, District Project Manager, District 10, California Department of Transportation  
Ben Shelton, Audit Chief, Internal Audits Office, California Department of Transportation

22A.PROJ01

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## Selected Terms and Acronyms Used in Report

Terms/Acronyms	Definition
A&E	Architectural and engineering
Benefits	Also known as outcomes, benefits are non-physical improvements, such as congestion reduction, air quality improvement, improved safety, or economic development.
Caltrans	California Department of Transportation
Commission	California Transportation Commission
CRS	Caltrans' Central Region Services
Deliverables	Also known as outputs, deliverables are the actual infrastructure, such as buses, bike lanes, transit lanes, and high-occupancy vehicle lanes or required documents as stipulated in the executed agreement or applicable guidelines.
DES	Caltrans' Division of Engineering Services
District	Caltrans' District 10
DPAC	Caltrans' Division of Procurement and Contracts
IOAI	Independent Office of Audits and Investigations
Stanislaus Ramps Project	State Route 99 Stanislaus Capital Preventive Maintenance Ramps project
SB 1	Senate Bill 1
SHOPP	State Highway Operation and Protection Program

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## Summary

The purpose of our audit was to determine whether the California Department of Transportation (Caltrans), District 10 (District) incurred costs for the State Route 99 Stanislaus Capital Preventive Maintenance Ramps project (Stanislaus Ramps Project) that were allowable and adequately supported in accordance with Caltrans' agreement provisions, federal regulations, and state requirements. In addition, we determined whether project deliverables were consistent with the project scope and schedule as described in the executed project agreements. We did not evaluate project benefits because the funding program did not require the delivery of project benefits.

For this audit, we obtained reasonable assurance that the District incurred costs that were allowable and adequately supported under Caltrans' agreement provisions, federal regulations, and state requirements, except for \$1,770,238. Specifically, for two on-call contracts, Caltrans' Division of Procurement and Contracts (DPAC) did not comply with federal requirements when it procured these contracts. In addition, Caltrans' Central Region Services (CRS), located in District 6, and Caltrans' Division of Engineering Services (DES) did not comply with federal requirements, contract provisions, and its internal policies and guidelines when it issued four task orders under the two on-call contracts, causing us to question the amounts incurred by CRS and DES under the issued task orders for the Stanislaus Ramps Project.

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## Introduction

### Background

Senate Bill 1 (Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, provided the first significant, stable, and on-going increase in state transportation funding in more than two decades. Caltrans administers various programs that receive federal and state funds. Included among these programs is the State Highway Operation and Protection Program (SHOPP). SHOPP is a four-year program managed by Caltrans and adopted by the California Transportation Commission (Commission) after public hearings.

Senate Bill 1 (SB 1) augmented the funding for the SHOPP and increased the Commission's responsibility and accountability with regard to the SHOPP. The additional SB 1 SHOPP investment, estimated at approximately \$1.5 billion annually, is earmarked to improve the condition of the State Highway System, and an additional \$400 million annually is identified for maintenance and rehabilitation of bridges and culverts along the State Highway System. Funding for SHOPP projects is a mixture of federal and state funds, including the Road Maintenance and Rehabilitation Account created by SB 1. Projects included in the program are limited to capital improvements relative to the maintenance, safety, operation, and rehabilitation of the state highway system that do not add new capacity to the system.

For this audit, we selected the Stanislaus Ramps Project. The purpose of the Stanislaus Ramps Project is to preserve and extend the life of the existing pavement and improve ride quality. The Stanislaus Ramps Project included replacing deteriorated bridge approach slabs and joint seals for 35 bridges, cold planning and replacing failed pavement with hot mix asphalt on 65 on- and off-ramps along nearly 25 miles of the heavily traveled State Route 99 freeway from Turlock to Modesto and repairing the mainline pavement with 5,100 cubic yards of jointed plain concrete pavement.

The District implemented this project and spent \$29,344,063 as of October 12, 2023. See Table 1 on the following page for further details on the project we audited.

**Table 1. Details on the Stanislaus Ramps Project as of October 12, 2023**

Project Number	Project Status	Funding Program	Funding Source	Allocated <sup>1</sup> Amount	Incurred Amount
1014000108	Completed	SHOPP	Federal and State funds	\$32,488,104	\$29,344,063

Source: Analysis by IOAI of Caltrans project and accounting records.

During our audit, we worked with multiple Caltrans entities, specifically, the District, CRS, DES, and DPAC. We define the role of each entity below:

- The District is the lead agency that implemented the Stanislaus Ramps Project.
- CRS' Consultant Services Unit, located in District 6, is responsible for initiating, securing, and managing architectural and engineering (A&E) consultant contracts across Districts 5, 6, and 10. For the Stanislaus Ramps Project, CRS managed the A&E consultant contract between Caltrans and Consultant A for roadway construction services.
- DES is the lead project delivery organization for the design, construction, and oversight of bridges and other transportation structures. For the Stanislaus Ramps Project, DES managed the A&E consultant contract between Caltrans and Consultant B for construction inspection services.
- DPAC is responsible for assisting Caltrans' districts with the procurement of information technology (IT) and non-IT commodities, service contracts, and A&E contracts, among other types of contracts. For the Stanislaus Ramps Project, DPAC was responsible for the procurement of the A&E consultant contracts between Caltrans and Consultants A and B.

<sup>1</sup>Allocation is the authorization from the Commission to begin incurring expenditures on a project.

**Figure 1. The Image Shows Northbound 99 Hammett Road Exit Off-Ramp Prior to Construction**



Source: Map data: © March 2019 Google.

**Figure 2. The Image Shows Northbound 99 Hammett Road Exit Off-Ramp After Construction**



Source: Map data: © December 2023 Google.

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## Audit Results

### Finding 1. For Two On-Call Contracts, DPAC, CRS, and DES Did Not Comply with Several Federal Requirements, and Their Contract Management and Invoicing Processes Need Improvement

#### Condition

DPAC awarded two on-call contracts for A&E services, which involved two different consultants. DPAC defines on-call contracts as contracts that provide services for several projects or for a defined area/region through issuance of task orders that are issued on an as-needed basis. As described by DPAC, task orders are mini contracts that define the project's scope, cost, and schedule; they explain exactly how the money is to be spent. As a component of a contract, the task order's scope, cost, and schedule must conform to the terms of the master contract. CRS and DES issue and administer the task orders. See Table 2 for further details on the on-call contracts.

**Table 2. Details on On-Call Contracts and Task Orders**

Consultant	Description of On-Call Contract Services	Contract Managed By	Contract Award Amount Between Caltrans and Consultants	Task Order No.	Amount of Executed Task Orders	Task Order Amount Budgeted to the Stanislaus Ramps Project	Incurred Costs Under Issued Task Orders
A	Roadway construction services.	CRS	\$31,462,721	3	\$5,231,390	Unknown*	\$35,056
				5	\$5,626,020		\$1,117,227
				7	\$6,556,440		\$261,254
B	Construction inspection services.	DES	\$16,025,000	D10-93810	\$1,238,000		\$356,704*
<b>Total</b>							<b>\$1,770,238</b>

Source: Analysis by IOAI based on contracts and invoices provided by Caltrans, as of October 12, 2023.

\*Caltrans' CRS and DES did not identify the cost estimate specific to this project when it prepared and issued the task order.

\*Total amount incurred under task order supplement numbers 1, 2, 3 and 4. DPAC defines a task order supplement as an approved amendment and revision to the scope of work, schedule, cost or deliverables in a task order.

For these two on-call contracts, Caltrans' DPAC did not take all the steps necessary when it procured these contracts. Title 23 Code of Federal Regulations (23 CFR) includes requirements that Caltrans must follow for federally funded contracts to ensure it obtains services appropriately. Among these requirements, DPAC should have verified suspension and debarment actions and eligibility status of consultants prior to entering into an agreement or contract and retained supporting documentation for when it received consultants' statement of qualifications. We found that DPAC did not check federal suspension and debarment through the System for Award Management (SAM.gov) to verify if Consultants A and B were suspended or debarred before awarding the contracts and could not provide documentation supporting that the consultants submitted their statement of qualifications within the set due date.

Further, CRS and DES did not comply with federal requirements, contract provisions, and their internal policies and guidelines when they issued four task orders to authorize specific work under the two on-call contracts. Specifically, CRS and DES did not maintain evidence of costs negotiated, obtain a task order cost proposal from consultants with an appropriate breakdown of costs per project, or follow Caltrans' guidelines for developing a task order.

Moreover, we found additional deficiencies that also compromised the validity of the task orders issued under the two on-call contracts. CRS and DES did not prepare a detailed independent cost estimate as required, which would have served as the basis for negotiations and would have helped ensure that it obtained consultant services at a fair and reasonable cost. Instead, CRS prepared a general cost estimate per task order for several projects, using historical data that consists of estimated hours and a cost rate that included an hourly rate, overhead, and a fixed fee. Our review found that CRS and DES reimbursed Consultants A and B for labor, overtime, mileage, and/or travel costs. However, without a detailed independent cost estimate or an approved budget for the specific tasks, which would include a breakdown of labor and overtime, and other direct costs (e.g., travel and mileage), CRS and DES are unable to support whether the costs incurred were fair and reasonable.

Additionally, CRS and DES did not properly manage the contracts they entered into with these consultants. We found multiple instances where CRS and/or DES did not comply with the executed contract provisions, such as:

- Describing in detail the services to be performed in the task order issued to the consultant by the Caltrans contract manager.
- Including in the task order the consultant employee's headquarters and/or primary residence as defined in the Caltrans Travel Guide for travel purposes or for the purpose of determining appropriate travel reimbursement.



- Preparing a draft task order and a separate cost estimate after a project to be performed is identified by Caltrans.
- Pre-approval of required overtime. Overtime must be worked only when directed by Caltrans or specifically required by the task order.

We found that CRS and DES did not follow any of these contract provisions. Specifically, CRS and DES did not prepare a task order cost proposal by the level of effort per project, could not provide evidence of preapproved overtime worked on this project, and did not establish an approved budget for travel costs. In addition, CRS did not ensure claimed mileage costs were valid and eligible for reimbursement.

Due to these significant deficiencies, we question the entire amount of \$1,770,238, which the District incurred for consultants' costs related to the two on-call contracts and four task orders. See Table 2 on page 7 for a breakdown of the amounts awarded and incurred.

### Criteria

Caltrans' procurement practices for these on-call contracts and contract management and invoicing processes are subject to 2 CFR, 23 CFR, and contract provisions in the executed contract between Caltrans and the consultants. The following criteria outline the requirements Caltrans' DPAC, District, CRS, and DES did not meet.

DPAC could not provide documentation supporting that the consultants submitted their statement of qualifications within the set due date. The retention requirements noted in 23 CFR 172.7(a)(1)(iv)(F) and 2 CFR 200.334, states respectively, in pertinent part:

The contracting agency shall retain supporting documentation of the solicitation, proposal, evaluation, and selection of the consultant.

The recipient and subrecipient **must retain all Federal award records for three years from the date of submission of their final financial report.** For awards that are renewed quarterly or annually, the recipient and subrecipient must retain records for three years from the date of submission of their quarterly or annual financial report, respectively. Records to be retained include but are not limited to, financial records, supporting documentation, and statistical records. **Federal agencies or pass-through entities may not impose any other record retention requirements.** *[Emphasis added.]*

Despite clear guidelines and procedures that Caltrans is required to follow to receive federal aid, Caltrans' practices failed to demonstrate familiarity with the requirements.

23 CFR 172.7 (a)(1)(v), states, in pertinent part:

(A) The process for negotiation of the contract shall comply with the requirements codified in [Title 40 of the United States Code (40 USC), Chapter 11, Section 1104(b)] for the order of negotiation.

(B) Independent estimate. Prior to receipt or review of the most highly qualified consultant's cost proposal, **the contracting agency shall prepare a detailed independent estimate with an appropriate breakdown of the work or labor hours, types or classifications of labor required, other direct costs, and consultant's fixed fee for the defined scope of work.** The independent estimate shall serve as the basis for negotiation.  
*[Emphasis added.]*

(C) **The contracting agency shall establish elements of contract costs (e.g., indirect cost rates, direct salary or wage rates, fixed fee, and other direct costs) separately** in accordance with § 172.11. **The use of the independent estimate and determination of cost allowance in accordance with § 172.11 shall ensure contracts for the consultant services are obtained at a fair and reasonable cost,** as specified in 40 USC. 1104(a).  
*[Emphasis added.]*

(E) **The contracting agency shall retain documentation of negotiation activities and resources used in the analysis of costs to establish elements of the contract** in accordance with the provisions of 2 CFR 200.333.  
*[Emphasis added.]*

In addition, Caltrans did not adhere to suspension and debarment requirements. 23 CFR 172.7(b)(3) states, in pertinent part:

**A contracting agency shall verify suspension and debarment actions and eligibility status of consultants and subconsultants prior to entering into an agreement or contract** in accordance with 2 CFR part 1200 and 2 CFR part 180. *[Emphasis added.]*

Caltrans also did not adhere to qualification-based competitive proposal requirements set forth in Title 40 of the United States Code (USC), Chapter 11, Section 1104 (Brooks Act). This law mandates negotiation of a contract

for A&E services at a fair and reasonable cost, which requires the consideration of an estimated value of the services to be rendered. The Brooks Act, states, in pertinent part:

**In General. —The agency head shall negotiate a contract for architectural and engineering services at compensation which the agency head determines is fair and reasonable to the Federal Government.** In determining fair and reasonable compensation, the agency head shall consider the scope, complexity, professional nature, and **estimated value of the services to be rendered.** *[Emphasis added.]*

The two executed on-call contracts between Caltrans and Consultants A and B that we reviewed included a section describing the terms and conditions the parties agree to comply with related to task orders, in pertinent language reads:

Specific projects will be assigned by the Caltrans Contract Manager to the Consultant through **issuance of Task Order describing in detail the services to be performed.** *[Emphasis added.]*

After a project to be performed under this Agreement is identified by Caltrans, Caltrans will prepare a draft Task Order and a **separate cost estimate.** *[Emphasis added.]*

The Consultant employee's headquarters and/or primary residence as defined in the Caltrans Travel Guide shall be identified in the Task Order for travel purposes or for the purpose of determining appropriate travel reimbursement.

Regarding overtime, as stated in the executed contract between Caltrans and Consultant A, "All overtime shall be pre-approved by the Caltrans Contract Manager or designee." The contract between Caltrans and Consultant B includes a similar provision, "Overtime may be required. However, overtime shall be worked only when directed in writing by the Caltrans Contract Manager, Caltrans Resident Engineer, or specifically required by the Task Order."

### **Cause**

Caltrans' DPAC stated it was not aware of the federal requirement to verify suspension and debarment actions and eligibility status of Consultants A and B before entering into the on-call contract. Instead, DPAC relied on the consultant's signature on the executed contract, which included a clause on Debarment and Suspension Certification, as a self-certification that it was not debarred, suspended, or ineligible to participate in the contract.

As for the source documents that DPAC could not provide, DPAC staff admitted they did not retain evidence of the date stamp as support that the consultants submitted hard copies of the statement of qualifications by the due date. DPAC maintained evidence of receipt for only three months before discarding it.

According to CRS and DES contract managers, they were unaware of the requirement to prepare a detailed independent cost estimate by project with a breakdown of the work or labor hours, types or classifications of labor required, other direct costs, and consultant's fixed fee to serve as the basis for negotiation. The contract managers stated that the independent cost estimate for the project under review was not developed because of the work involved. The contract managers stated they would not have known which consultant would be available to provide services for the project, or what other direct costs, like travel, would be when preparing the draft task orders. Without a detailed independent cost estimate with a breakdown of specific tasks, CRS and DES cannot support whether the costs incurred were fair and reasonable.

Regarding cost negotiations at the task order level, CRS and DES contract managers stated they did not perform negotiations before issuance of the task order because they understood that negotiations had already occurred at the on-call contract procurement level and that rates of compensation were stipulated in the contract's final cost proposal. Caltrans' decision to not follow required negotiation steps, which requires the preparation of a detailed independent cost estimate to serve as the basis for negotiations, did not help ensure that it obtained consultant services at a fair and reasonable cost.

Related to the travel related costs, the CRS contract manager stated that she did not ensure the consultants' mileage costs requested for reimbursement were eligible because she relied on others to determine appropriate travel cost reimbursement. Specifically, the contract manager stated she relied on the District's construction unit staff to verify mileage costs as part of the review of the consultants' timesheets and it relied on the consultants to maintain supporting documentation, such as records of miles driven and maps. While the District provided mileage logs that identified start and stop odometer readings and total mileage, the log did not provide detailed record of business-related travel, such as the headquarter or residence address, purpose of the trip, and odometer readings at each point of travel, to justify the consultant's reimbursement claims.

With respect to overtime, according to the CRS and DES contract managers, the resident engineer verbally approved overtime in the field, as this is a practical way to conduct business, rather than obtaining written pre-approval.

## Effect

By not adhering to federal requirements, DPAC could not demonstrate that it awarded its on-call contracts to a consultant that was not debarred, suspended, or ineligible to participate in the contract and that it selected the most qualified consultant at a fair and reasonable price. Also, by not adequately performing its contract management responsibilities, CRS and DES cannot demonstrate that they complied with the terms of the executed contracts. These practices also increase the risk that Caltrans may have paid the consultants for ineligible travel costs. Consequently, we are questioning the entire amount the District incurred for consultant costs related to the two on-call contracts and four task orders (\$1,770,238).

## Recommendations

- 1.1 The District should coordinate with the Federal Highway Administration to develop a corrective action plan to appropriately resolve this finding. This includes any necessary reimbursement by the District of the \$1,770,238 in questioned costs identified in this audit and a plan that prevents future reimbursements to the consultants related to these two on-call contracts.
- 1.2 CRS and DES should design and implement a process to ensure compliance with federal requirements and Caltrans' agreement provisions and provide training to their staff. This process should ensure that CRS and DES maintain a clear audit trail to support the negotiation activities, preparation of a detailed independent cost estimate, and analysis of costs to be performed at the task order level.
- 1.3 CRS should develop, implement, and maintain an adequate review process to ensure consultant expenditures are actual costs incurred and are eligible based on executed agreements and program guidelines.
- 1.4 DPAC should verify and document that the consultant is not suspended, debarred, or ineligible to participate in the contract before contract award.
- 1.5 DPAC should provide training to staff on all applicable federal procurement requirements, including record retention requirements and ensure it maintains a clear audit trail to support the evaluation and selection of consultants.

## Appendix A. Scope and Methodology

### **Audit Objective**

We conducted this audit to determine whether the District incurred costs for the Stanislaus Ramps Project that were allowable and adequately supported in accordance with Caltrans' agreement provisions, federal regulations, and state requirements. Additionally, we conducted this audit to determine whether project deliverables and benefits were consistent with the project scope and schedule as described in the executed project agreements and approved amendments, and to determine if project benefits were achieved and reported in accordance with applicable requirements.

### **Audit Period**

Our audit period was from March 9, 2014, through April 10, 2024.

### **Criteria**

We gained an understanding of the Stanislaus Ramps Project and identified relevant criteria by reviewing applicable federal regulations, the Commission's and Caltrans' guidelines, Caltrans' policies and procedures, executed project agreements, and project records.

### **Risk Assessment and Internal Controls**

We performed a risk assessment, including identifying and evaluating whether the District properly designed and implemented internal controls significant to our audit objectives. Our evaluation of internal controls focused on the District's review and approval process of costs, contract change orders, contract procurement, and deliverables' completion.

### **Assessment of Data Reliability**

Generally accepted government auditing standards require we assess the sufficiency and appropriateness of the computer-processed information if it will be used to materially support our findings, conclusions, and recommendations. In performing this audit, we identified expenditure reports from Caltrans' financial system, InfoAdvantage, used to identify and track project costs. We also identified project schedule and budget data in Caltrans' project management system, Project Resource and Schedule Management (PRSM), used to verify that the project was completed on time and within budget. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining if selected costs were supported by source documentation. We determined that the data were sufficiently reliable to meet our audit objectives.

### **Compliance Statement**

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, 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 based on our audit objectives.

**Methodology**

Based on our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives, as detailed in Table 3 on the following page.

**Table 3. Objectives and Methods in the Audit Process**

Audit Objective	Methods
<p><b>Objective 1</b></p> <p>To determine whether project costs incurred were allowable and adequately supported in accordance with Caltrans' agreement provisions and federal regulations.</p>	<p>Selected significant and high-risk areas to verify compliance with the project agreements and federal regulations, SHOPP guidelines, and the SB 1 Accountability and Transparency Guidelines. Those selected areas were:</p> <ul style="list-style-type: none"> <li>• Project Construction Costs</li> <li>• Contract Change Orders</li> <li>• Consultant Costs</li> <li>• Procurement</li> <li>• Direct Labor</li> </ul> <p><b>Project Construction Costs</b></p> <p>Determined whether construction costs were reviewed and approved by testing 5 bid line items out of 105 total bid line items from five progress pay estimates (5 out of 20 progress pay estimates). Determined whether selected costs were allowable, supported, authorized, project-related, and incurred within the allowable time frame by reviewing progress payments, bid item pay estimates, daily reports, quantity calculation sheets, and comparing to relevant criteria.</p> <p>Determined whether non-bid construction cost items were reviewed and approved by testing five non-bid items from 5 invoices (5 out of 20 invoices). Determined whether selected costs were allowable, supported, authorized, project-related, and incurred within the allowable time frame by reviewing claim schedule, invoices, remittance advice, and interagency agreement, and comparing to relevant criteria.</p> <p><b>Contract Change Orders</b></p> <p>Selected 6 contract change orders based on dollar amount and description (6 out of 19 contract change orders). Determined if contract change orders were within the scope of work, approved, completed, and supported by reviewing change order memorandums, contract change order descriptions, project's scope of work, construction contract, and progress payments.</p> <p><b>Consultant Costs</b></p> <p>Determined whether consultant costs were reviewed and approved by testing 11 out of 52 invoices from two A&amp;E consultant contracts (two out of five consultants) with significant costs. Determined whether selected costs, including overtime, were allowable, supported, authorized, project-related, and incurred within the allowable time frame by reviewing consultant contracts, the task orders, and comparing to relevant criteria. In addition, determined if travel costs were supported and consistent with travel guidelines. We also determined if the consultants' indirect cost rates were accepted by IOAI and applied for reimbursement.</p> <p><b>Procurement</b></p> <p>Selected three out of five A&amp;E contracts and reviewed DPAC's procurement to determine compliance with federal regulations by reviewing requests for qualifications, advertisements, statement of qualifications, independent cost estimates, scoring sheets, negotiation documentation, contract agreements, and comparing to relevant criteria.</p> <p>Selected one construction contract and reviewed DES' procurement to determine compliance with federal regulations by reviewing the invitation for bid, advertisement records, engineer's estimate, bids received, contract agreements, and compared to relevant criteria.</p> <p><b>Direct Labor</b></p> <p>Reviewed Caltrans timesheet entries in InfoAdvantage and performed analytical procedures. Determined direct labor costs were project related, supported, and incurred within the allowable time frame by reviewing accounting records, Caltrans Payroll Reserve Assessment Rate approval letters, time reporting codes, and comparing to relevant criteria.</p>



Audit Objective	Methods
<p><b>Objective 2</b></p> <p>To determine whether project deliverables were consistent with the project scope and schedule as described in the executed project agreements or approved amendments.</p>	<p>Determined whether the project deliverables were consistent with the project scope and schedule by reviewing the Project Scope Summary Report, SHOPP Request form, and workplan status from PRSM, and comparing to the Construction Contract Acceptance document, and by comparing before and after photos.</p>
<p><b>Objective 3</b></p> <p>To determine whether project benefits were consistent with the project scope as described in the executed project agreements or approved amendments.</p>	<p>We did not evaluate the project's benefits because the funding program guidelines do not require the delivery of project benefits.</p>

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## Auditee's Response

CALIFORNIA STATE TRANSPORTATION AGENCY

GAVIN NEWSOM, GOVERNOR

### California Department of Transportation

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June 9, 2025

Bryan Beyer  
Inspector General  
Independent Office of Audits and Investigations  
P.O. Box 942874, MS-2  
Sacramento, CA 94274-0001

Dear Mr. Beyer:

The California Department of Transportation (Caltrans) is providing the response to Independent Office of Audits and Investigations (IOAI) District 10, Project Compliance Draft Audit Report (22A.PROJ01) dated May 23, 2025.

In an email dated June 3, 2025, IOAI agreed to change the below wording to recommendation 1.1 in the draft report.

Caltrans suggests the following changes in green:

"Recommendation 1.1. The District should coordinate with the Federal Highway Administration to develop a corrective action plan to appropriately resolve this finding. This includes recuperating **any necessary reimbursement by the District of the** \$1,770,238 in questioned costs identified in this audit and a plan that prevents future reimbursements to the consultants related to these two on-call contracts."

①

With this change to the final report, Caltrans agrees with all findings and recommendations. Caltrans has already initiated many corrective actions in advance of the audit report and would like to thank IOAI for their work and dedication.

If you have any questions, please contact Ben Shelton at (916) 858-9694 or by email at [ben.shelton@dot.ca.gov](mailto:ben.shelton@dot.ca.gov).

Sincerely,

*Michael D. Keever*

MICHAEL D. KEEVER  
Acting Director

c: Grace Magsayo, District Director, District 10  
Mimi Huie, District Project Manager, District 10  
Ben Shelton, Audit Chief, Internal Audits Office

"Improving lives and communities through transportation."

## Comments Concerning the Response Received from the District

To provide clarity and perspective, we are commenting on the District's response to our report. The number below corresponds to the number we have placed in the margins of the response.

1. As is our standard practice, to afford the District with an opportunity to provide feedback to us on the results of our audit, we held an exit conference with District staff and provided District staff with a two-week period to review our draft report. Based on feedback the District provided upon its review of our draft report, we edited the text of recommendation 1.1 to clarify the intent of that recommendation. We informed District staff via email of those planned edits to our final report. Our communication with District staff included the recommendation's updated text. Although the District's response to our draft report incorrectly quotes the updated recommendation, we believe the revised recommendation on page 13 of this report sufficiently addresses the District's concerns.





## Independent Office of Audits and Investigations

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