



ANNUAL SUMMARY OF FINDINGS AND RECOMMENDATIONS

July 1, 2018 - June 30, 2019

Report of the Inspector General

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INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS

California Department of Transportation

In accordance with the Road Repair and Accountability Act, Chapter 5, Statutes of 2017 (SB1), I am pleased to present the 2019 Annual Summary of Findings and Recommendations summarizing the excellent work of the Independent Office of Audits and Investigations (IOAI). This report summarizes the IOAI's audit and investigative activities and recommendations made to the California Department of Transportation (Caltrans) for the reporting period of July 1, 2018, to June 30, 2019.

During this reporting period, the IOAI performed 70 audits and over 400 reviews, resulting in 208 recommendations. Our audit work also identified over \$13 million in disallowed costs and over \$27 million in avoided costs (unallowable costs prior to contract execution). To date, Caltrans has recovered over \$1.3 million in disallowed costs. The report also includes the number of complaints received through the Ethics Hotline and other sources as well as the cases of misconduct substantiated.

This report also demonstrates the exceptional work being done to develop a compliance framework for the Caltrans racial equity efforts in contracting and hiring. The vision for the Diversity Accountability Program is to institute a dynamic, sustainable compliance process that has lasting impacts on performance, values, collaboration, fairness, inclusion, and transparency.

This office is committed to protecting the integrity of California's state and federal transportation funds to ensure they are used for their intended purposes. Among the core values used by the IOAI that guide us in this mission: Public Accountability, Collaboration, Integrity, and Excellence. The IOAI team is committed to this mission and embodies these values every day. I am honored to be a part of this team.

Respectfully,

Rhonda L. Craft
Inspector General

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INVESTIGATIONS

 **104**

Complaints Of Misconduct

 **15**

Formal Investigations

 **11**

Misconduct Substantiated

ETHICS HOTLINE

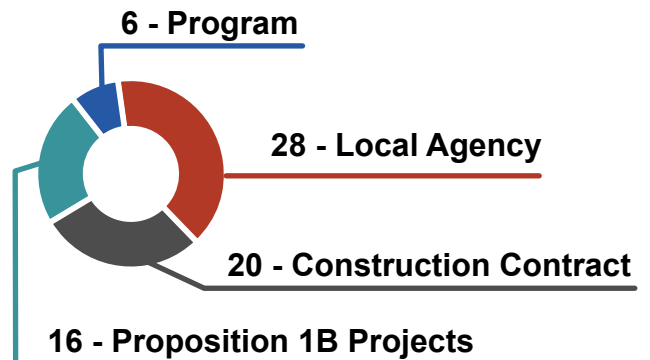
 **152**

New Complaints Reported

 **17**

Complaints Substantiated

AUDITS

 **70**
AUDITS **351**

Financial Document Reviews of
Architectural and Engineering
Contracts

 **97**

Local Agency Indirect
Cost Rate Reviews

 **17**

Reviews of Local Agency
Single Audit Findings'
Corrective Action



INVESTIGATIONS



104

Complaints of Misconduct



15

Formal Investigations



11

Misconduct Substantiated



**4 - Incompatible Activities/
Conflict of Interest**



3 - Misuse of Computer



2 - Falsification of Documents



1 - Neglect of Duty



1 - Misuse of Vehicle

The IOAI conducts independent administrative investigations of alleged employee misconduct. Investigations can result from complaints received from the Ethics Hotline, audit findings, Caltrans employees, and members of the public. Investigative staff work collaboratively with all levels of Caltrans management—in headquarters and districts—to investigate and report on allegations of employee misconduct.

The Investigations Unit also assists external entities, such as the California State Auditor and law enforcement agencies with their investigations.

Substantiated cases are referred to Caltrans management and Caltrans' Office of Discipline Services to determine the appropriate level of discipline. Disciplinary action can include progressive discipline and adverse action, including demotion, reduction in pay, or termination.



ETHICS HOTLINE



152

New Complaints Reported

17

Complaints Substantiated**5 - Incompatible Activities/
Conflict of Interest****4 - Harassment****2- Misuse of State Resources****2 - Disruptive Behavior****2 - Hiring****1 - False Documentation****1 - Health and Safety**

The Ethics Hotline is a phone and internet-based, multi-lingual service for Caltrans employees and the public to report allegations of fraud, waste, abuse, employee misconduct, and other ethics policy violations.

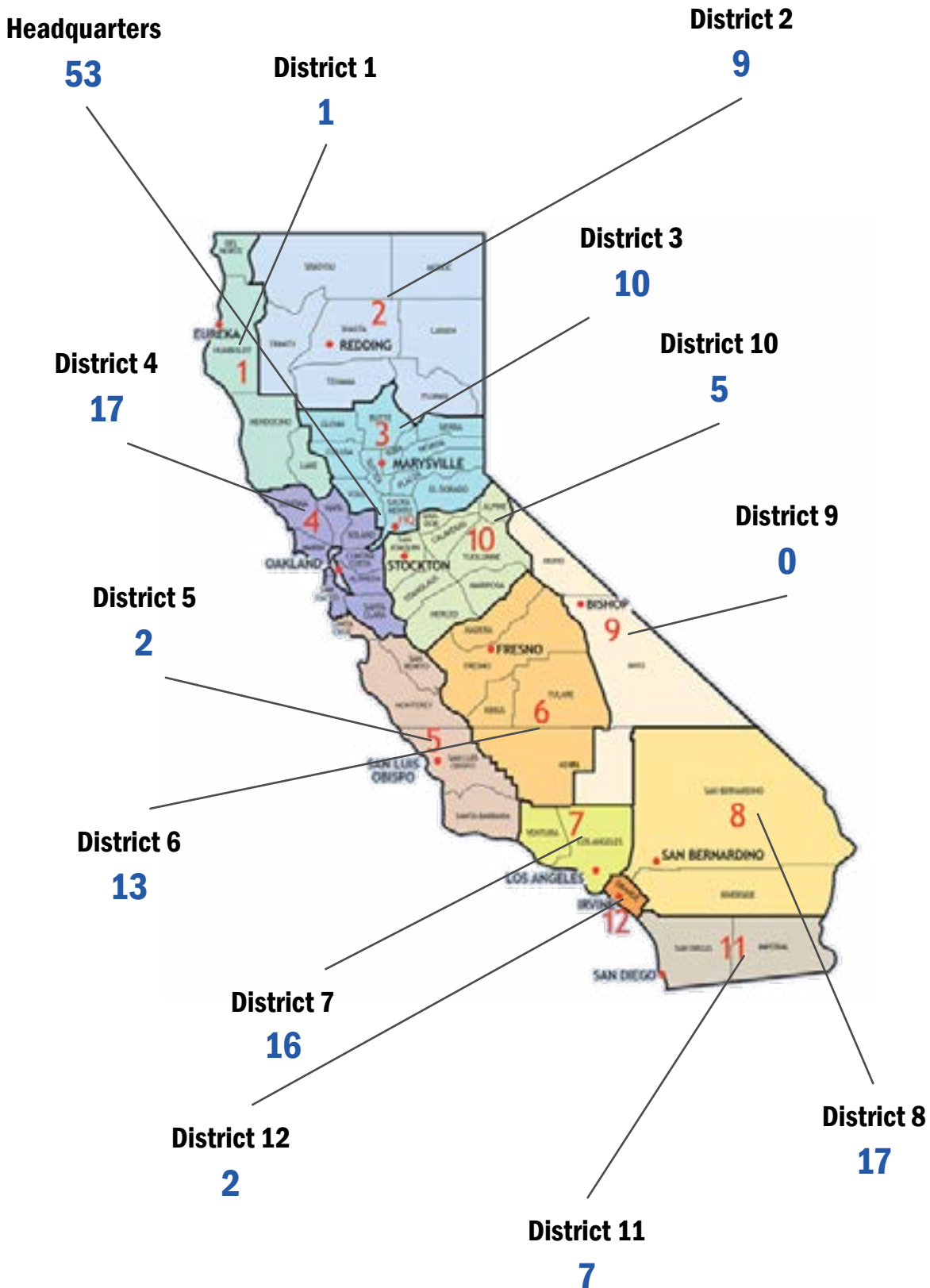
Additionally, the “Ask Ethics” phone number and email address are available for Caltrans employees to seek guidance and ask questions about situations and issues in the workplace that raise ethical concerns.

The Investigations Unit conducts preliminary reviews of complaints to determine the appropriate course of action, which may include follow-up from Caltrans management, formal investigations, and/or referral to law enforcement.



**Report a Concern:
www.caltransethics.com
1.844.CTEthic**

NEW HOTLINE COMPLAINTS BY DISTRICT





DIVERSITY AND SMALL BUSINESS DEVELOPMENT

Diversity Accountability Program Overview

The Diversity Accountability Program within the Independent Office of Audits and Investigations was established to develop a compliance framework for Caltrans' racial equity efforts in contracting and hiring.

Senate Bill 103, Chapter 95, Statutes of 2017 (SB 103) directs the Inspector General to provide oversight, audit, investigate, consult, advise and remove barriers to improve contracting performance, increase diversity, increase engagement with disadvantaged communities and prevent discrimination. The Deputy Inspector General of Diversity (DIG) manages the Diversity Accountability Program under the direction of the Inspector General.

The DIG's vision for the Diversity Accountability Program is to institute a dynamic, sustainable compliance process that has lasting impacts on performance and values collaboration, inclusion, fairness, and transparency. The DIG serves as a resource to Caltrans as it seeks to achieve equity strides in contracting and hiring.

Diversity Accountability Program Activities

- Conducted independent reviews; supported audit teams; consulted Caltrans as needed; researched and reviewed legislative concepts.
- Participated in the annual risk assessment process and recommended diversity priorities to be audited in the coming year.
 - Tracked and managed community concerns.
 - Tracked independent review findings and actions taken.
- Reported emerging issues to the California Transportation Agency (CalSTA) monthly; provided quarterly independent review findings and an annual summary to all parties designated in SB 1 and SB 103.
- Provided regular program updates and IOAI reports to key internal and external stakeholders.

Program Activities

- Participated in and facilitated racial equity panel discussions at AASHTO Conference, Caltrans events, and external events.
- Attended and participated in Caltrans Statewide council meetings, district business council meetings, and other Caltrans committees related to procurement and contracting.
- Resource planning for the Diversity and Small Business Development team.
- Reviewed Caltrans SB 103 required reports (Outreach plan and Discrimination Prevention plan).
- Conducted benchmarking within the public and private sector for best practices.
- Facilitated resolution to in-state and out-of-state supplier concerns.
- Consulted with Caltrans Executive Leadership on community concerns and Disadvantaged Business Enterprise program goal setting.
- Attended multiple external outreach events representing various ethnicities to engage with leaders and better understand the small and disadvantaged business concerns. In addition, met with the designated transportation liaison representing prime suppliers, unions, and construction organizations for input on barriers and challenges.
- Gathered external risk input for inclusion in the FY 2019-20 IOAI Audit Plan and established SB 103 priorities.
- Supported Strategic Growth Council and Caltrans racial equity planning effort.

Key Accomplishments

- ✓ Developed relationships with Caltrans management team, district small business liaison teams, key community resources/chambers, related state agencies, other transportation planning organizations, construction industry representatives, Caltrans large prime suppliers, small/disabled veteran/disadvantaged business enterprises and diverse caucus members.
- ✓ Synthesized SB 103 priorities to 6 key areas: outreach, partnerships, supplier development, disparity studies, program fraud, and discrimination prevention.
- ✓ Established an annual observation report focused on diversity in hiring, contracting, and small business development.
- ✓ Created a Diversity Accountability Program.



COMMUNICATION STRATEGIES

ESTABLISHED COMMUNICATIONS

ADDITIONAL FUTURE COMMUNICATIONS



In addition to an annual report, SB 1 requires the Inspector General to report all audit and confidential investigation findings to the Secretary of CalSTA and to the Director and Chief Deputy Director of Caltrans on a regular and ongoing basis. Several communication strategies are used to fulfill this requirement.

Further, the Inspector General continues to meet on an informal basis with staff of the Legislature, the CTC, the California Department of Finance, and local agency representatives. Looking ahead, more regular communication will be established with these representatives as well as those from federal agencies and other external entities as appropriate.



Independent Office of Audits and Investigations Website

To promote transparency and provide clear and concise information to the public, the IOAI launched a website in November 2018. In July of 2019, the website was updated to meet ADA compliancy. The website will provide access to reports issued, including final audit reports of Caltrans programs and external entities. The website includes resources for consulting firms, local agencies, and the Diversity and Small Business Development program.

Audits of Caltrans program and policies, including mandated audits required by federal and/or state regulations, operational audits based on risk assessments, and other internal audit services, or special request audits.



PROGRAM AUDITS

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Construction Contract Management [\(Click for Report\)](#)

P3010-0640

Issue Date: 07/11/2018

Results in Brief

Caltrans Division of Construction develops the construction program policies and procedures and the policies in the Caltrans Construction Manual. The actual construction contract management is performed at the district level where contract management is delegated to resident engineers.

The purpose of the audit was to evaluate the adequacy of internal controls over contract management for construction projects and to determine whether Caltrans complied with established construction policies, procedures, and guidelines. The audit determined construction contract management policies and internal controls are generally adequate. However, several areas for improvement were identified. Specifically, safety policies and procedures were not consistently followed including, but not limited to, completing weekly safety reports and documenting pre-construction and contractor's safety meetings. Additionally, contract management procedures were not consistently followed including instances where resident engineers did not ensure materials used complied with the contract specification requirements. The audit also identified contractor overpayments due to unsupported costs and duplicate payments.

Key Findings

- Contract management and safety policies and procedures were not consistently followed.
 - \$59,426 in overpayments to contractors due to unsupported costs.
 - No supporting documentation retained for work performed for a \$250,000 construction project.
- ✓ Caltrans has implemented all audit recommendations. See page 27 for recommendation details.

Efficiency Measures Audit [\(Click for Report\)](#)

P3010-0641

Issue Date: 07/23/2018

Results in Brief

SB1 requires Caltrans to implement efficiency measures with the goal of generating at least \$100 million annually in savings to invest in maintenance and rehabilitation of the state highway system. This audit was limited to evaluating the process, policies, procedures, and methodology used in identifying and measuring savings for efficiencies selected by Caltrans.

The audit determined that Caltrans programs are proactive in identifying areas of efficiencies and developing processes and procedures to comprehensively and effectively achieve the required SB 1 efficiency measures. The audit also identified general recommendations regarding assumptions, calculations, and tracking of costs and savings to assist Caltrans in meeting SB 1 efficiency requirements. The IOAI plans to perform additional audit engagements at various stages of SB1 implementation to ensure Caltrans is meeting the efficiency measures required by SB1.

Key Findings

The audit recommended Caltrans to ensure future efficiency reports identify:

- The definition of efficiency savings as adopted by Caltrans.
 - The methodology for calculating each efficiency.
 - Assumptions, costs, and methodology for calculating for each efficiency
 - Efficiency savings that will not be available for investment in maintenance and rehabilitation of the state highway system.
- ✓ Caltrans used recommendations from the audit report regarding assumptions, calculations, and tracking of cost and savings prior to submitting its Annual Efficiencies Report to the CTC.

Travel Expenditure Audit [\(Click for Report\)](#)

P3030-0663

Issue Date: 12/07/2018

Results in Brief

In fiscal years 2015-16 and 2016-17, Caltrans averaged \$17.4 million a year in employee travel cost reimbursements and \$3.9 million in transportation costs through the Business Travel Account (Concur). Reimbursement rates are dependent on various factors including the employees' travel status, physical location (home and workplace), and length of the assignment.

The purpose of the audit was to evaluate the adequacy of internal controls over the designation of travel status and related expenditures. The audit determined improvements were needed over Caltrans' established policies and guidelines for headquarters designation, travel status, and related expenditures. For example, the audit identified one employee was reimbursed over \$80,000 in travel expenses during a 20-month period, which included 106 round trips between their primary residence and Sacramento without the required cost benefit analysis. Additionally, the audit identified travel costs claimed by employees that were not in compliance with the established travel policies. In several cases, employees claimed travel costs to the same location for periods exceeding one year, yet travel reimbursements were not tracked for tax purposes.

Key Findings

- Lack of cost benefit analyses for employees on long-term assignments.
 - Short-term travel rates were incorrectly paid to employees on long-term assignments without documented approvals.
 - Long-term travel costs that exceeded one year were not tracked for possible tax withholding purposes.
-
- ✓ Caltrans has implemented 13 of 14 audit recommendations. See pages 28 - 29 for recommendation details.
 - ✓ Subsequent to the issuance of the report, the State Controller's Office revised its Payroll Procedures Manual to include procedures for taxing airfare and rental car expenses for employees on long-term assignment.

Commodity / Procurement: District 7 Maintenance

P3030-0660

Issue Date: 02/07/2019

Results in Brief

At the request of Caltrans District 7 management, the IOAI performed an audit of the district's Maintenance Program on commodities procurement practices. The purpose of the audit was to evaluate the effectiveness of internal controls over the procurement activities in the Division of Maintenance in District 7.

The audit found weaknesses in internal controls to safeguard assets, ensure efficient and effective program operations, and comply with applicable laws, regulations, policies and procedures. Specifically, maintenance staff accepted mulch that did not meet Caltrans' standard specifications. For example, 11 purchase orders tested contained 43,000 cubic yards of rejected mulch blended with wood chips, totaling \$1.2 million. Additionally, maintenance staff approved payments for mulch that was not received. Further, one region conducted procurement activities that did not promote open and fair competition. For example, we reviewed 33 purchase orders of mulch from various vendors totaling approximately \$8 million and found 18 of the 33 purchases were awarded to the same vendor, which represented approximately \$4.5 million or 56 percent of total amount reviewed. The audit also found two regions consistently made purchases without establishing fair and reasonable pricing. Maintenance staff made inappropriate purchases without adequate justifications. Examples include custom-made furnishing, an environmental speaker system, and seven 30" widescreen computer monitors. Lastly, the audit found several split purchases by different CAL-Card cardholders, which is specifically prohibited by California Public Contract Code 10329.

Key Findings

- District staff accepted mulch valued at \$2.5 million that did not meet Caltrans' standard specifications.
 - Payment was approved for 600 cubic yards of mulch that was not received.
 - Procurement activities did not promote open and fair competition or were not made on a fair and reasonable pricing basis.
- ✓ Prior to the issuance of the final report, District 7 management confirmed all audit recommendations have been implemented. See pages 30 - 31 for recommendation details.

Division of Rail and Mass Transportation Procurement (Click for Report)

P3010-0637

Issue Date: 03/21/2019

Results in Brief

Caltrans Division of Rail and Mass Transportation (DRMT) is responsible for administering and managing approximately 33 state and federal rail and transit programs that provide approximately \$2.7 billion in funding annually to California's local, transit, and public transportation agencies for operating assistance, capital improvements, and equipment.

At the request of the DRMT, the IOAI performed an audit of the division's procurement practices. The purpose of the audit was to evaluate whether DRMT has delegated authority to execute contracts and agreements and if internal controls over contracting and procurement practices are adequate.

The audit disclosed that the DRMT does not have the delegated authority necessary to execute contracts and grant agreements, has a weak system of internal controls, and has not established oversight and monitoring processes to ensure compliance with requirements. Specifically, contracts and grants are executed without proper delegated authority; organizational structure and program administration can be improved; internal control weaknesses exist over procurement practices; and the DRMT administers the Grade Crossing Program without full authority.

Key Findings

- Contracts and grants were executed without proper authority.
 - Lack of organizational structure affects the Division's ability to effectively administer state and federal transit rail programs.
-
- ✓ Caltrans has implemented 3 of the 13 audit recommendations. See pages 32 - 33 for recommendation details.

Audit of the Enterprise Risk Management Program (Click for Report)

P3010-0645

Issue Date: 5/15/2019

Results in Brief

SB 1 directed the IOAI to determine whether Caltrans is administering an effective Enterprise Risk Management (ERM) program. The goal of an effective ERM program is to help organizations identify, assess, and manage risk. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established an integrated framework to help organizations enhance their internal control systems. Caltrans ERM Program was created in 2013 and is currently under the Director's Office of Risk and Strategic Management. The ERM Program conducts risk assessments and develops a risk profile to ensure Caltrans' decisions are strategic, prudent, and successfully support its organizational objectives.

The audit determined Caltrans has made significant progress towards the implementation of an effective ERM Program. The audit also identified characteristics of an effective ERM that were not fully implemented including fully adopting and implementing the COSO ERM Integrated Framework. Additional areas for improvement included clearly defining the ERM Program's authority and responsibility and ensuring risks are managed within Caltrans risk appetite and assessed more frequently; ensuring risks assessed by the Caltrans Executive Board do not only contain a top-down view of critical risk exposures; the risk assessment process is monitored to ensure full participation from the Caltrans Executive Board; the ERM Program retains adequate risk assessment documentation; and ensuring the ERM Program risk response and treatment are within Caltrans' risk appetite.

Key Findings

- The ERM Program's authority and responsibility are not clearly defined.
- The ERM program can be improved by adopting the COSO ERM Integrated Framework.



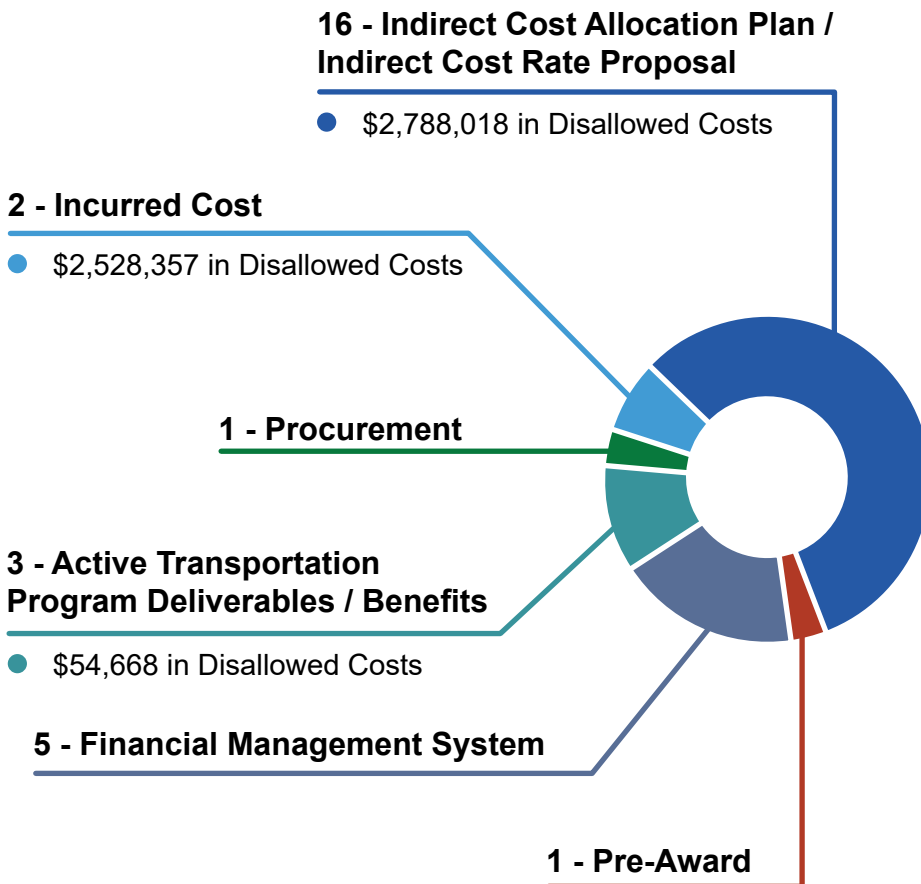
Caltrans has implemented 3 of 9 recommendations. See pages 33 - 34 for recommendation details.

The Stewardship and Oversight Agreement between the Federal Highway Administration (FHWA) and Caltrans requires Caltrans to assess accounting controls of local agencies through various monitoring activities and some described in Caltrans' Local Assistance Procedures Manual. The IOAI monitored these activities through Indirect Cost Allocation Plan (ICAP)/Indirect Cost Rate Proposals (ICRP) reviews and audits, Incurred Cost Audits, Pre-Award Audits, Active Transportation Program (ATP) Audits, Financial Management System Audits, Procurement Audits, and reviews of local agencies implementation of Single Audit Report findings' corrective action.



LOCAL AGENCY AUDITS

28



Disallowed Costs

Disallowed costs are costs that are unallowable per state or federal statute, terms of a contract, or agreement.

Dollars shown are amounts reported to management. Actual amounts may change during final resolution by Caltrans.

The IOAI audits incurred costs on Highway Construction Projects resulting from emergency projects and project change orders where costs are reimbursed on a “time and materials” basis. In addition, audits are performed per special request for Caltrans Division of Construction on claimed contractor costs to ensure costs are allowable, allocable, reasonable, and in compliance with contract provisions and federal and state laws and regulations.

**CONSTRUCTION PROJECTS****20****12****Audits of Extra Work
Change Orders and
Emergency Contracts****\$18,067,578****Total Billed Project Costs****\$208,022****Disallowed Costs****=1.15%****Disallowed Costs
as % of Total****8****Special Request Audits****\$7,562,673****Total Claimed Project Costs****\$3,222,677****Avoided Costs****=42.61%****Avoided Costs
as % of Total**

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the CTC upon appropriation by the Legislature, CTC allocates these funds to Caltrans to implement various programs.



PROPOSITION 1B PROJECTS 16

Total Project Value
\$415,080,154

\$7,563,395
TOTAL DISALLOWED COSTS

Out of Scope Expenditures
\$7,405,013

Outside Contract Term
\$158,382

1.8%
Disallowed Costs as
% of Total

Proposition 1B Non-Monetary Findings

Proposition 1B guidelines state that within 6 months of the project becoming operable, the implementing agency will provide a Final Delivery Report to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the Project Agreement.

- 2 of the 7 entities audited did not adequately report project benefits or could not support that project benefits were achieved.
- 3 of the 7 entities audited did not submit their required Final Delivery Reports timely.

These findings are consistent with trends we have seen in the past.

Financial documents from Architectural and Engineering (A&E) consultants are reviewed to determine if the Indirect Cost Rate and direct costs proposed are supported, reasonable, and in compliance with the cost principles and administrative requirements set forth by the FHWA in 48 CFR Part 31 and 23 CFR Part 172.



FINANCIAL DOCUMENT REVIEWS OF ARCHITECTURAL AND ENGINEERING CONTRACTS **351**

VALUED AT **\$888,050,058**

≈ AVOIDED COSTS **\$23,829,227**

Between Caltrans and A&E Consultants:

64 Contracts

Valued at **\$423,210,784**

≈ AVOIDED COSTS **\$15,643,503**

Between Local Agencies
and A&E Consultants:

287 Contracts

Valued at **\$464,839,274**

≈ AVOIDED COSTS **\$8,185,724**

Avoided Costs

Avoided costs are estimates of unallowable costs identified by auditors prior to contract execution. Unallowable costs can include, among other things, overstated indirect cost rates and incorrect vehicle and equipment rates.



2018/2019 STATUS OF AUDIT RECOMMENDATIONS

208

Total Recommendations



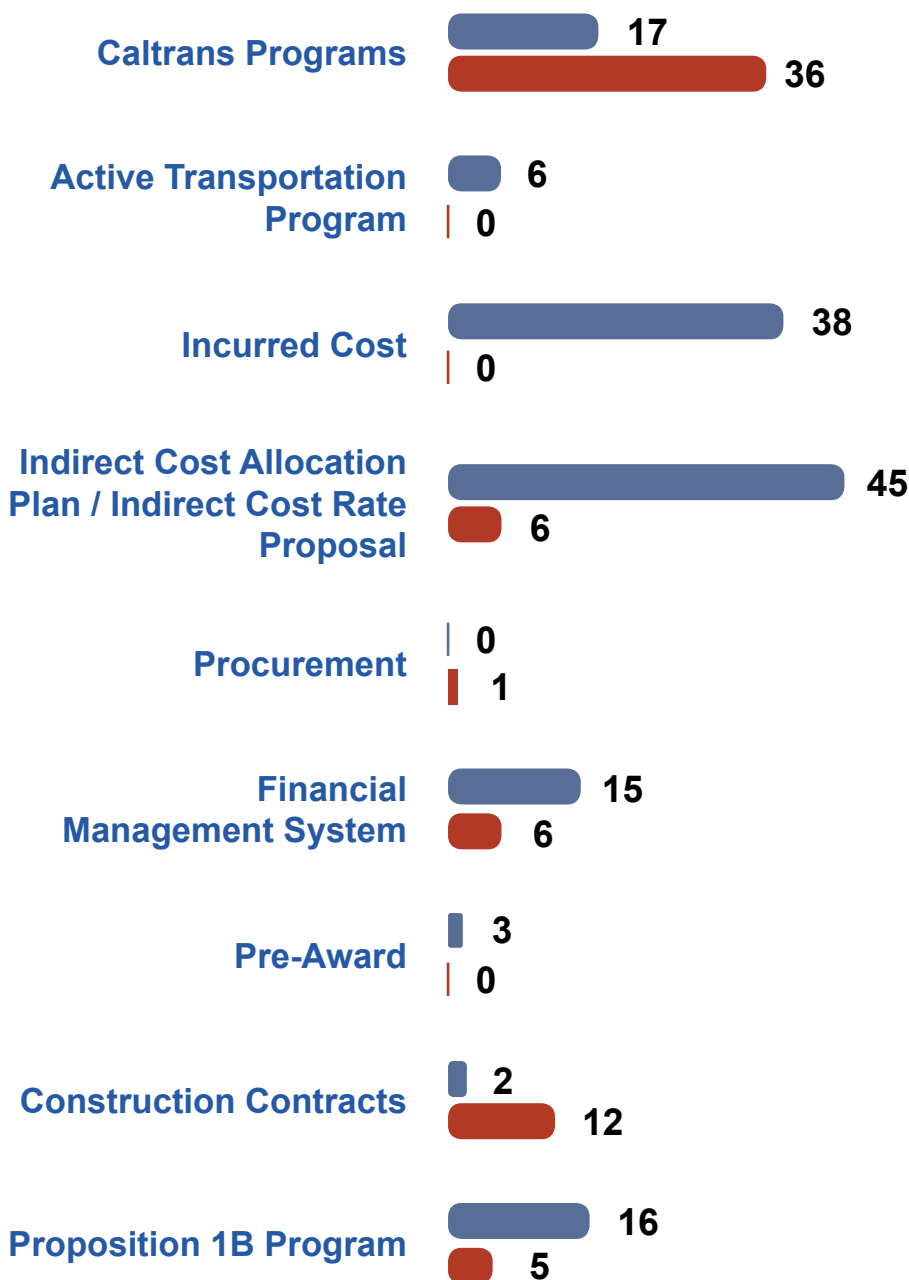
142

Open Recommendations



66

Closed Recommendations



Open Recommendation

A recommendation is open when an audit report is issued and a 60-day Corrective Action Plan (CAP) is pending (i.e. not yet due or has not been received) or a CAP has been received but the entity has reported recommendation as not yet fully implemented

Closed Recommendation

A recommendation is closed when the entity submits a CAP and reports the recommendation has been implemented and provides description of corrective action(s) taken.

Note:

The "Entity Responsible" noted on the following pages refers to Caltrans divisions and/or programs.

CALTRANS PROGRAMS

Construction Contract Management

P3010-0640
Issue Date: 07/11/2018

Entity Responsible:
Division of Construction
North Region Construction and District 7
Construction Management

Recommendation	Status
The Division of Construction should work with the districts to clarify safety requirements for emergency contracts.	Closed
Monitor construction personnel to ensure that construction safety procedures are performed and documented.	Closed
Ensure that field office engineers organize project files in accordance with filing requirements of section 5-102(A) of the Construction Manual.	
Monitor construction personnel to ensure that contract management procedures are performed and documented.	Closed
Ensure that field office engineers organize project files in accordance with filing requirements of section 5-102(A) of the Construction Manual.	
Ensure Registered Engineers are reviewing Extra Work Billings to confirm that they are supported and properly calculated to avoid overpayments.	Closed
Take necessary steps to recover the overpayments from the contractors.	
Ensure construction contracts are properly managed by trained and experienced Registered Engineers and payments are only made in accordance with contract terms.	Closed

Travel Expenditure Audit

P3030-0663

Issue Date: 12/07/2018

Entity Responsible:

Division of Accounting

Recommendation	Status
Update the Travel Guide to comply with the CalHR requirement that all new Long Term Assignments (LTA) be supported by cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.	Closed
Provide continuous training to staff and management approving Travel Expense Claims (TEC) and FA-1350s to ensure compliance with travel policies and procedures.	Closed
Update Travel Guide and all required documents (including FA-1350 and TEC form FA-0302) to ensure terminology and instructions are clear and consistent.	Closed
Revise the LTA form FA-1350 to include the following:	
<ul style="list-style-type: none"> Employee's HQ address. Mileage information between HQ and LTA jobsite. Mileage information between primary residence and LTA jobsite. 	Closed
Work with the Division of Human Resources to revise the TEC form to include the identification of jobsite address on the form.	Closed
Update the Travel Guide receipt requirements for TECs to include airline itinerary documents and rental car receipts for in state transportation.	Closed
Provide clear definitions and instructions in the Travel Guide to address assignments to field offices and proper designation of HQ.	Closed
Provide guidelines on when, how often, and who will pay for an employee to return home during their LTA and how this agreement should be documented.	Open

Travel Expenditure Audit (Continued)

P3030-0663

Issue Date: 12/07/2018

Entity Responsible:

Division of Accounting

Recommendation	Status
Require all current LTAs to be updated to include cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.	Closed
Provide training to the travel unit staff responsible for auditing TECs to emphasize the following:	
<ul style="list-style-type: none"> Recognize travel patterns and enforce the Travel Guide policies related to discontinuing short term subsistence after the 30th day and reimburse costs in accordance with applicable long-term rates. Recognize indefinite assignments and track for tax purposes. 	Closed
Remind staff of their responsibility to properly prepare TECs in accordance with the Travel Guide and TEC instructions. Specifically:	
<ul style="list-style-type: none"> Only claim allowable LTA lodging and meals. Submit extension requests for all travel that will exceed the 30 days requirement and include copies of the approved extensions with their claims. Submit claims at least once a month and no more than twice a month. List actual start and end time and dates of their trips on the TEC. 	Closed
Remind managers and supervisors of their responsibility to properly review TECs for compliance with Travel Guide requirements.	Closed
Request clarification from CalHR, State Controller's Office, California Franchise Tax Board, and/or IRS on the taxability of airfare and rental car costs paid directly by the state for employees on indefinite assignments.	Closed
If it is determined that tax withholding and reporting is required, develop procedures to report and withhold taxes on indefinite assignment transportation costs incurred through the Business Travel Account (Concur).	Closed

Commodity / Procurement

P3030-0660

Issue Date: 02/07/2019

Entity Responsible:

District 7 Maintenance Management

Recommendation	Status
To ensure all purchases in their respective region meet Caltrans' requirements; to follow proper procurement practices and instruct their staff to reject materials that do not meet standard specifications; and if the regional manager decides to accept materials that do not meet the specifications, the decision and reason should be documented.	Closed
Remind all regional managers of their responsibility to ensure proper payment and procurement procedures are followed at their respective regions; remind all maintenance employees that is never acceptable to request a vendor pay another vendor on Caltrans' behalf; require all maintenance employees performing purchasing duties to take the online Buyer Responsibilities training; and remind all maintenance employees and approving officials that a payment should not be approved if the ordered goods were not received or did not meet standard specifications.	Closed
Remind the regional managers of their responsibilities to ensure proper procurement procedures are followed and that employees determine if the vendor's price is fair and reasonable; require employees to include documentation in the procurement file that shows fair and reasonable pricing was taken into consideration; and remind purchasing employees to refer to Chapter 5.7.1 of the State Contracting Manual for techniques on determining fair and reasonable pricing.	Closed
Remind CAL-Card cardholders and approving officials to comply with the requirements of the Division of Procurement and Contracts' (DPAC) Acquisitions Manual, specifically: obtaining and documenting approvals prior to making purchases; completing the CAL-Card Purchase Orders properly by including accurate and detailed descriptions of the goods and services and signing and dating the Received By and Date Received when goods and/or services are received and accepted; approving Cal-Card Purchase Orders timely; and submitting a justification documentation to IT Certification unit for review and approval for IT-related items.	Closed
Require all regional managers to review expenditures to prevent inappropriate spending and protect the efficient use of public funds in their regions; provide all regional managers, superintendents, supervisors, and staff the necessary training over procurement practices; and ensure all purchases receive the proper review and approval.	Closed

Commodity / Procurement (Continued)

P3030-0660

Issue Date: 02/07/2019

Entity Responsible:

District 7 Maintenance Management

Recommendation	Status
Strengthen the property inventory process by: requiring all maintenance employees to follow proper property inventory process; reminding each region to complete and submit the New Equipment Identification and Accountability Record (ADM-2029) form for all major and/or sensitive property and submit the form to the property controller to ensure the equipment is tagged and inventoried; and monitoring and maintaining adequate record for the acquisition, maintenance, control, and disposition of state property in the inventory system.	Closed
Remind CAL-Card cardholders to review their monthly Statement of Accounts for accuracy and completeness and reconcile the transactions, both in hard copy and in the Advantage system.	Closed
Require regional managers enforce the requirements in Chapter 8 of DPAC's Acquisitions Manual with respect to maintaining adequate documentation in the procurement files; and ensure all approving officials review support documentation prior to approving the purchase requests, and ensure the procurement package includes relevant and complete documentation.	Closed
Ensure proper procurement practices are followed in all the maintenance regions and when violations occur take prompt and immediate action.	Closed
Remind purchasing personnel to determine that all requirements of a commercially useful function are met prior to contract award; and ensure that purchasing personnel verify all support documentation, including the certification list and bidder declaration form, prior to awarding purchase orders.	Closed
Require that purchasing personnel, including the regional managers, attend the Buyer Responsibilities training course; remind employees that changing the purpose of a purchase order is not allowed. If the purpose needs to change, a new purchase order has to be issued; ensure purchasing personnel and approving officials approve payments only after receiving the goods or services and do not allow advance payments.	Closed
Emphasize to cardholders and approving officials that split-purchase transactions are not allowable.	Closed

Division of Rail and Mass Transportation - Procurement Process

P3010-0637
Issue Date: 03/21/2019

Entity Responsible:
**Division of Rail and Mass
Transportation**

Recommendation	Status
Work with Caltrans Legal to establish the Division's source of authority to execute federal and state contracts and grant agreements for all programs administered.	Open
Work with the Director's Office to update the delegation memo to include appropriate signatory authority.	Closed
Work with DPAC to obtain required delegation agreements.	Open
Establish processes and procedures for maintaining delegated authority and delegation agreements.	Open
Continue integration efforts to manage projects by local and transit agency rather than manage each funding component of the project.	Closed
Combine processes and procedures for programs with similar requirements, and consider consolidating requirements with the Division of Local Assistance (DLA) to leverage similar processes, such as using master agreements and program supplements for the same local, transit, and public agency projects.	Open
Assess the feasibility for a centralized contract management system for the Division.	Open
DRMT should evaluate resources for properly distributing the workload.	Closed
Develop a single source policy and procedures manual to include uniform processes and procedures to ensure compliance with state and federal requirements.	Open
Establish clear roles and responsibilities by:	
<ul style="list-style-type: none"> Meeting with CalSTA to define and clarify the scope and limits of authority of the formal delegations for Transit and Intercity Rail Capital Program and Rail Capital Projects. Establishing agreements with district planning offices for assisting local agencies with state-funded transit programs. 	Open

Division of Rail and Mass Transportation - Procurement Process (Continued)

P3010-0637
Issue Date: 03/21/2019

Entity Responsible:
**Division of Rail and Mass
Transportation**

Recommendation	Status
Ensure staff adhere to the requirements of mandatory training and the conflict of interest policy.	Open
Establish oversight and monitoring processes and procedures to ensure contracts and grants are complete, accurate, and timely; and that procurement requirements are followed.	Open
Work with DLA to determine whether to complete the transfer of the Grade Crossing Safety Program 130, including budget authority and all program responsibilities, or transfer the program back to DLA.	Open

Audit of Enterprise Risk Management Program

P3010-0645
Issue Date: 05/15/2019

Entity Responsible:
**Director's Office of Risk and
Strategic Management**

Recommendation	Status
Develop and implement a Director's Policy to define the authority, role, and responsibility of the ERM Program.	Open
Establish a Delegation of Authority for the Chief Risk Officer.	Open
Facilitate the development of risk appetite statements and obtain approval from the Caltrans Executive Board.	Open
Adopt and implement the COSO ERM Integrated Framework to improve consistency between ERM and internal control frameworks.	Closed
Coordinate efforts with the strategic planning and management function to identify internal and external factors on an ongoing basis that impact strategy implementation and achievement of Caltrans' mission, goals, and objectives.	Open

Audit of Enterprise Risk Management Program (Continued)

P3010-0645

Issue Date: 05/15/2019

Entity Responsible:

Director's Office of Risk and Strategic Management

Recommendation	Status
Facilitate the establishment of an ERM Committee to submit a Caltrans-wide risk report to the Board to enhance the strategic and risk management decision-making process.	Open
Develop and implement a mechanism to track and monitor risk assessment participation to ensure complete and timely responses are obtained from management.	Closed
Develop procedures for the inventory, tracking, storage, and destruction of records in accordance with Caltrans Deputy Directive No. DD-101-R1.	Closed
Ensure the Board provides oversight of the development and implementation of Caltrans' risk response and that it aligns with Caltrans' vision and mission and is within its risk appetite.	Open

ACTIVE TRANSPORTATION PROGRAM

City of Santa Cruz

P1576-0001

Issue Date: 12/20/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Establish policies and procedures to properly administer ATP projects and train staff accordingly to correctly follow methodologies used to estimate and evaluate project Users.	Open
Submit future Project Progress Reports timely.	Open

Marin County Transit District

P1576-0002

Issue Date: 12/20/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Provide and maintain substantiated data to support outcomes projected for future ATP projects.	Open
Establish policies and procedures to properly administer ATP projects and train staff accordingly.	Open
Install the security camera as outlined in the ATP Application or reimburse Caltrans the \$54,668 disallowed costs identified above.	Open
Ensure PPRs are submitted semi-annually once ATP project funds are allocated.	Open

INCURRED COST

Southern California Association of Governments

P1580-0022

Issue Date: 9/21/2018

Entity Responsible:

Division of Transportation
Planning

Recommendation	Status
Ensure proper management decisions are made when preparing RFPs that include tasks or sub-tasks that require an A&E consultant to perform the work for compliance with state and federal procurement regulations.	Open
Ensure staff that are involved in the consultant procurement process perform all required actions and comply with Southern California Association of Governments (SCAG) policies and procedures, Caltrans requirements, and state and federal procurement regulations.	Open
Ensure all documentation is maintained to support that proper procurement procedures are followed in accordance with state and federal regulations.	Open
Take Caltrans, DLA, A&E consultant procurement training either in person or online.	Open

Southern California Association of Governments (Continued)

P1580-0022

Issue Date: 09/21/2018

Entity Responsible:

**Division of Transportation
Planning**

Recommendation	Status
Revise the Procurement Policies and Procedures Manual to ensure it is current and complies with all applicable Caltrans requirements and state and federal procurement regulations; include revising section 6.6.2 to describe the different competitive procurement processes available and when each should be used in compliance with state and federal regulations.	Open
Ensure management and staff receive proper training in procurement procedures.	Open
Caltrans Division of Transportation Planning and DLA provide enhanced oversight over SCAG's future procurements.	Open
Ensure consultant contracts identify the funding sources and/or work elements of each task/activity when there are multiple funding sources and/or work elements.	Open
Ensure compliance with all state and federal regulations over the administration of consultant contracts and that the contracts contain language as required in the Caltrans' agreements.	Open
Ensure compliance with all state and federal regulations over the administration of sub-recipient agreements, that agreements contain language as required in Caltrans' agreements, and include specific contract end dates.	Open
Reimburse Caltrans a total of \$951,963 for the unallowable costs (\$590,538 of consultant costs + \$361,426 on expired contract).	Open
Ensure consultants provide adequate invoice detail to support costs claimed in compliance with consultant contract terms and 2 CFR Part 200 (which superseded 49 CFR Part 18, and 2 CFR Part 225). Additionally, ensure consultants are required to submit invoices that identify the work performed by task/activity and work element so proper documentation is maintained to support consultant billings and local match.	Open
Establish procedures that identify and define roles and responsibilities of staff regarding consultant invoice reviews.	Open
Revise the Grants Management Policies and Procedures and develop a Project Management Policies and Procedures Manual to ensure compliance with all applicable state and federal regulations, and provide staff with detailed processes to follow.	Open

Southern California Association of Governments (Continued)

P1580-0022

Issue Date: 09/21/2018

Entity Responsible:

**Division of Transportation
Planning**

Recommendation	Status
Ensure staff is properly trained on the administration and management of consultant and sub-recipient pass-through funds.	Open
Ensure billings to Caltrans are based on actual labor costs incurred.	Open
Ensure the accounting methodology for retroactive pay and merit increases provides for an audit trail for changes made to the employee time sheets and costs are allocated to the appropriate pay periods.	Open
Develop separate fringe benefit allocation methodologies for regular staff, interns, and student assistants.	Open
Reimburse Caltrans \$1,558,051 for the disallowed costs identified above.	Open
Develop and implement written policies and procedures for proper and consistent labor charging practices. Ensure procedures define appropriate charging practices for staff meetings and other non-project or work element activities.	Open
Update the Accounting Manual to include procedures for time sheet corrections and retroactive pay and merit increases, and train staff accordingly.	Open
Ensure all billings to Caltrans include all applicable information and supporting documentation that trace to the billed costs and SCAG's financial management system. This includes ensuring the Consolidated Planning Grant Interregional Transportation Reports (or equivalent information) are provided and totaled by task associated to the respective work elements.	Open
Ensure supporting schedules provided with the billings include appropriate descriptions detailing where costs are being charged.	Open
Establish procedures over the Sponsorship Program to ensure there is no real or appearance of a conflict of interest with consultants that provided donations to the Sponsorship Program and are awarded consultant contracts.	Open
Develop policies and procedures over the administration and management of the Sponsorship Program to ensure compliance with all state and federal regulations.	Open

City of Tracy

P1575-0056

Issue Date: 02/06/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Refund Caltrans \$18,343 for the disallowed costs identified above.	Open
Ensure project managers review and track all invoices received to avoid future problems with double-billed invoices.	Open
Ensure billings to Caltrans occur at least once every six months.	Open
Update their Federal Grant Reimbursements, Claims and Drawdowns policy and procedure manual to include a requirement that at a minimum the Request for Referrals be submitted to Caltrans every six months.	Open
Project managers should be trained to apply consistent methodology when accounting for labor costs.	Open
Ensure all consultants justify and request written approval for any substitution of subconsultants.	Open
Update their purchasing policy and procedure manual to ensure the contract provisions are in accordance with the LAPM, including the clear identification of the start and end dates on all contracts and amendments.	Open
Identify all key personnel and/or classifications and the respective billing rates in all contracts.	Open
Require project managers overseeing contract management ensure contract requirements are met.	Open
Maintain documentation in the project files to allow for accountability and an audit trail.	Open

City of Tracy(Continued)

P1575-0056
Issue Date: 02/06/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Develop policies and procedures to address utility relocations and construction contract administration in accordance to the LAPM guidance.	Open
Update the current procurement policy and manual by adopting the Consultant Procurement Manual or the elements of the Consultant Procurement Manual.	Open
Revise the travel expense policy to be in conformance with the current Master Agreement and State Department of Personnel Administration rules.	Open

INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL

County of Sonoma

P1594-0049, P1594-0051
Issue Date: 01/09/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Review the details of indirect salaries in its ICRP prior to submitting it to Caltrans.	Open
Resubmit the ICRP to Caltrans for the affected fiscal year.	Open

City of Santa Ana

P1594-0088

Issue Date: 10/05/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Ensure only costs in compliance with the state and federal regulations are included in the indirect cost pool.	Open
Establish written policies and procedures that comply with Appendix V to Part 200 State/Local Government-wide Central Service Allocation Plan (formerly Appendix C to 2 CFR 225) in identifying and allocating central service costs.	Open
Ensure labor distribution is based on actual activities, not on the employee's pre-determined funding percentage (budget estimates).	Open
Review all invoices that contained Fiscal Year (FY) 2014/15 costs and recalculate indirect costs using the audited rate. The City must reimburse any amounts overbilled to Caltrans.	Open
Obtain approval from Caltrans for FY indirect cost rates prior to FY 2014/15 where indirect costs were billed. Once the rates are approved by Caltrans, the City must review all invoices, recalculate indirect costs using the approved rates, and reimburse any amounts overbilled to Caltrans.	Open
Follow the LAPM, Chapter 5 Invoicing, and segregate the direct and indirect costs on the invoices to Caltrans	Open

Southern California Association of Governments

P1580-0023

Issue Date: 01/09/2019

Entity Responsible:

**Division of Transportation
Planning**

Recommendation	Status
Adjust the FY 2014/15 actual indirect cost pool by \$164,628 (\$57,596 + \$107,032) for the unallowable IT consultant costs.	Closed
Determine the amount incurred and included in the FY 2016/17 indirect cost pool for the seven unallowable IT consultant contracts and adjust the FY 2016/17 indirect cost pool accordingly.	Closed
Ensure costs that are not in compliance with the state and federal procurement regulations are excluded from the indirect cost pool.	Open
Ensure all documentation is maintained to support proper procurement procedures are followed in accordance with state and federal regulations.	Open
Take Caltrans, DLA, A&E consultant procurement training either in person or online.	Open
Reimburse Caltrans \$627,179 for the disallowed IT consultant contract costs.	Open
Revise SCAG's Procurement Policy & Procedures Manual to ensure it is current and complies with all applicable state and federal regulations.	Open
Ensure management and staff receive proper training in procurement procedures.	Open
Adjust the FY 2014/15 actual indirect cost pool by \$196,617 (\$82,494 + \$49,875 + \$19,356 + \$44,892) for the unallowable costs.	Closed
Remove \$11,986 from the indirect cost pool for FY 2016/17 for the unallowable travel costs.	Closed
Adjust the FY 2016/17 indirect cost pool by all unallowable costs.	Closed
Review all indirect accounts to ensure costs are in compliance with state and federal regulations; are properly segregated between direct, indirect and unallowable; and are supported by original source documentation.	Open

Southern California Association of Governments (Continued)

P1580-0023
Issue Date: 01/09/2019

Entity Responsible:
**Division of Transportation
Planning**

Recommendation	Status
Establish written policies and procedures for segregating direct and indirect legal costs in compliance with state and federal regulations.	Open
Establish written policies and procedures that prevent the Internal Auditor from reviewing and approving travel expense.	Open
Ensure staff provide adequate documentation supporting all travel expenses and comply with SCAG travel policies and procedures and Caltrans Agreement provisions related to travel. Also, report to the board monthly all travel related expenses incurred by the Executive Director.	Open
Reimburse Caltrans \$1,625,797 in unallowable labor costs.	Open
Ensure billings to Caltrans are based on actual labor costs incurred.	Open
Develop and implement written policies and procedures for proper and consistent labor charging practices. Ensure procedures define appropriate charging practices for staff meetings and other non-project or work element activities.	Open

Nevada County

P1594-0046
Issue Date: 02/06/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Comply with 2 CFR 225 by ensuring that it follows its own allocation methodology and maintains adequate documentation to support the costs allocated and reported in the ICRP.	Open
Resubmit the ICRP to Caltrans for the affected fiscal year.	Open

Butte County

P1594-0061

Issue Date: 02/06/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Review the details of indirect expenses in its ICRP prior to submitting it to Caltrans.	Open
Resubmit the ICRP to Caltrans for the affected fiscal year.	Open

San Joaquin Council of Governments

P1580-0028

Issue Date: 05/14/2019

Entity Responsible:

**Division of Transportation
Planning**

Recommendation	Status
Develop procedures that define appropriate charging practices for direct and indirect activities.	Open
Develop review procedures to ensure direct billings to Caltrans are based on actual labor costs incurred.	Open
Obtain Board approval for internal policies, and ensure those policies are consistently adhered to and applied	Open
Adjust the FY 2015-16 actual indirect cost pool by \$146,512 for the unallowable costs and ensure these costs are not included in future indirect cost pools. In addition, San Joaquin Council of Governments (SJCOG) must reconcile their FY 2017-18 billings using the audited rate of 160.69 percent and reimburse Caltrans any overpayments.	Closed
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200; properly segregated between direct, indirect, and unallowable costs and supported by original source documentation.	Open
Ensure SJCOG's travel Policies & Procedure's & Master Fund Transit Agreement provisions related to travel are adhered.	Open
Reimburse Caltrans for overpayment of \$305,519 in unallowable costs for FY 2015/16 and \$229,523 for FY 2017/18.	Open
Ensure personnel responsible for preparing and reviewing billings are familiar with each work element's eligible tasks and report accurate Quarterly Progress Reports accordingly.	Open

County of Santa Barbara

P1594-0052, P1594-0053, P1594-0054
Issue Date: 05/17/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Establish sufficient controls over timesheet approval process to ensure salaries and fringe benefits are verified as actual work performed.	Open

Tulare County

P1594-0039
Issue Date: 05/17/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Implement procurement policies and procedures for federal-funded projects in accordance with 2 CFR 200 and the Caltrans LAPM Chapter 10 by ensuring that all Consultant Selection Committee members sign a conflict-of-interest form prior to initiating the selection process and ensure supporting documentation is retained for the period of time required by 2 CFR 200.	Open

City of Santa Barbara

P1594-0097
Issue Date: 06/06/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Adjust the FY 2015-16 actual indirect costs pool by \$426,375 for the unallowable costs and ensure these costs are not included in future indirect costs pools.	Open
Adjust the FY 2015-16 actual direct cost base by \$408,955 and ensure these costs are included in future direct cost bases.	Open

City of Santa Barbara (Continued)

P1594-0097

Issue Date: 06/06/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Adjust the FY 2015-16 carry-forward by \$687,125.	Open
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200 and properly segregated between direct, indirect, and unallowable costs.	Open
Reconcile the FY 2017-18 billings using the audited rate of 55.56 percent and reimburse Caltrans any over payments.	Open

Alameda Corridor East - Construction Authority

P1594-0089

Issue Date: 06/24/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Adjust the FY 2018-19 carry forward adjustment by \$704,403 and submit a revised ICRP for FY 2018-19.	Open
Develop review procedures to ensure the ICRP rate calculation is accurate.	Open
Implement a reconciliation process to calculate the difference between the estimated direct fringe benefit and actual direct fringe benefit costs. The difference between the actual and the estimated costs should be included in the calculation of subsequent fringe benefit rates.	Open
Adjust the FY 2017-18 indirect costs pool by \$817,579 and the FY 2018-19 indirect costs pool by \$815,106 for the unallowable employee retirement payments in excess of the CalPERS amortization schedule and ensure these costs are not included in future indirect costs pools.	Open
Adjust the FY 2015-16 carry forward amount by \$261,702 and the FY 2016-17 carry forward amount by \$819,979, as a result of the identified unallowable indirect costs.	Open
Reconcile the FY 2017-18 and FY 2018-19 billings using the audited rate of 132.2 percent and 151.4 percent, respectively, and reimburse Caltrans any over payments.	Open

PROCUREMENT

City of Chico

P1500-0003

Issue Date: 07/09/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Prepare a detailed cost estimate showing the breakdown of costs.	Closed

FINANCIAL MANAGEMENT SYSTEM

City of Citrus Heights

P1560-0019

Issue Date: 11/05/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Update their accounting system to ensure project costs are properly accumulated to comply with the federal and state laws and regulations.	Closed
Develop written accounting system policies and procedures and train staff accordingly.	Closed
Revise their procurement policies and procedures to conform with stipulations in agreements with Caltrans and with state and federal procurement requirements, and train staff accordingly.	Closed
Include the LAPM Exhibit 10-H format as the final cost proposals for prime and all subconsultants.	Closed
Amend the Electric Greenway and Mariposa contracts to include the LAPM Exhibit 10-H as the final contract cost proposals and remove any current Fee Estimate and other Cost Proposals schedules.	Closed
Have staff working on procurements take the Caltrans, DLA, A&E Procurement training.	Closed

City of National City

P1560-0020

Issue Date: 12/18/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Update the accounting system to ensure it has the capability of accumulating and segregating reasonable, allocable, and allowable project costs and match funds. NOTE: If the City plans to bill Caltrans for direct labor costs in the future, the revisions to the Financial Management System must include an adequate timekeeping system	Open
Update procurement policies and procedures to ensure the City's process conforms with the procurement requirements stipulated in the Agreement between the City and Caltrans and train staff accordingly.	Open
Have staff working on procurements take the Caltrans, DLA, A&E Procurement training.	Open

Coachella Valley Association of Governments

P1560-0022

Issue Date: 12/18/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Update procurement policies and procedures to ensure Coachella Valley Association of Governments process conforms with the procurement requirements stipulated in the Agreement between Coachella Valley Association of Governments and Caltrans and train staff accordingly.	Open
Have staff working on procurements take the Caltrans, DLA, A&E Procurement training.	Open
Costs billed are properly identified and in accordance with the contract cost proposal.	Open
Payments are made on a reimbursement basis and not in advance of work being performed.	Open
Request for Reimbursements are submitted to Caltrans at least every 6 months.	Open

Napa Valley Transportation Authority

P1560-0024

Issue Date: 01/16/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Only bill for costs after they are incurred.	Open
Track State Transportation Improvement Program funded project costs by activity.	Open
Train staff on proper billing requirements and State Transportation Improvement Program project management requirements.	Open
Include weighted values in their RFP evaluation criteria.	Open
Ensure all evaluation factors are considered or justify and document any deviations.	Open
Notify all consultants of final consultant rankings.	Open
Ensure procedures are in place to comply with state and federal procurement requirements and train staff accordingly.	Open

PRE-AWARD

Chemehuevi Indian Tribe

P1560-0029

Issue Date: 04/08/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
If the Tribe intends to claim staff labor costs for work on the project, the Tribe must implement a time reporting process to the project level and charge labor costs on timesheets based on staff's actual activities.	Open
Adopt the Caltrans LAPM Chapter 10. In addition, we recommend the Tribe take the Caltrans, DLA, A&E Procurement training.	Open
Ensure procurement procedures are in place to comply with Caltrans, state, and federal procurement requirements and train staff accordingly for Caltrans funded projects.	Open

CONSTRUCTION CONTRACTS

Clean Cut Landscape

Overhead (Home) Audit

P2200-0473

Issue Date: 10/30/2018

Entity Responsible:

Division of Construction

Recommendation	Status
Determine the total amount of extended overhead costs based on a total number of delay days and a home office overhead rate of \$388 per day instead of \$621 per day.	Closed
The Contractor should implement a process to properly segregate allowable and unallowable costs.	Closed

OHL USA Inc.

Overhead (Home and Field) Audit

P2200-0474

Issue Date: 11/07/2018

Entity Responsible:

Division of Construction

Recommendation	Status
Based on the audited Time Related Overhead rate per day of \$2,810 (\$698 + \$2,112), we recommend the Contractor remit to Caltrans \$9,990 for the overpayment of extended overhead costs.	Closed

Granite Construction

Overhead (Home and Field) Audit

P2200-0472

Issue Date: 12/21/2018

Entity Responsible:

Division of Construction

Recommendation	Status
Determine the number of delay days and the compensation due to the Subcontractor for extended overhead costs based on an overhead rate of \$6,835 per day instead of \$10,927 per day.	Closed

MCM Construction, Inc.

Overhead (Home) Audit
P2200-0476
Issue Date: 12/13/2018

Entity Responsible:
Division of Construction

Recommendation	Status
Determine the number of delay days and the compensation due to the Contractor for extended overhead costs based on the audited daily overhead rate of \$588 instead of a daily rate of \$852.	Closed

Papich Construction Company, Inc

Extra Work at Force Audit
P2200-0471A, P2200-0471B
Issue Date: 12/18/2018

Entity Responsible:
Division of Construction

Recommendation	Status
We determined \$69,945 in Contractor billed costs were unsupported and therefore unallowable.	Closed

Highland Construction Inc

Termination Audit
P2200-0477
Issue Date: 01/16/2019

Entity Responsible:
Division of Construction

Recommendation	Status
Reimburse the Contractor \$15,629 out of \$274,663 in claimed termination costs, which include the allowance for profit up to 4 percent per Caltrans Standard Specifications Section 8-1.14E.	Open

Security Paving Company, Inc.

Overhead (Home and Field) Audit
P2200-0475
Issue Date: 04/12/2019

Entity Responsible:
Division of Construction

Recommendation	Status
Determine compensation due to the Contractor for extended overhead costs based on an audited daily overhead rate of \$2,087 (\$1376 + \$711) instead of a daily rate of \$3,599.	Closed
The Contractor should strengthen and maintain controls to properly safeguard source documents and to provide for the accurate recording of costs in the general ledger. In addition, we recommend the Contractor continue to explore all possibilities of their current electronic financial system to best utilize its various features for improving internal controls.	Closed

Teichert Construction

Extra Work at Force Audit
P1200-2644, P1200-2645, P1200-2646, P1200-2647
Issue Date: 04/30/2019

Entity Responsible:
Division of Construction

Recommendation	Status
Seek Reimbursement of \$91,932 in unallowable costs from the Contractor.	Closed
The Contractor should provide additional training to accounting staff responsible for the review, approval and recording of extra work at force account costs to ensure its accounting policies and procedures are followed so that invoices are coded and billed properly.	Closed

Hazard Construction Company

Overhead (Home) Audit
P2200-0478
Issue Date: 5/20/2019

Entity Responsible:
Division of Construction

Recommendation	Status
Determine the number of delay days allowed and calculate the amount of compensation due to the Contractor for overhead costs based on the audited home office overhead rate of \$624 per day instead of \$1,028 per day.	Closed

Ghilotti Construction Company

Extra Work at Force Audit
P1200-2661, P1200-2662, P1200-2663
Issue Date: 6/12/2019

Entity Responsible:
Division of Construction

Recommendation	Status
Seek reimbursement from the Contractor for \$46,145 in questioned costs.	Closed

Highland Construction Inc

Overhead (Home) / Direct Costs (Standby
Equipment) Audit
P2200-0479
Issue Date: 6/13/2019

Entity Responsible:
Division of Construction

Recommendation	Status
Reimburse the Contractor \$1,959 for claimed direct project costs and calculate the amount of compensation due to the Contractor for home office overhead costs based on a rate of \$814 per day. Caltrans Division of Construction will determine the number of delay days allowed.	Open

PROPOSITION 1B PROGRAM

Port Of Oakland

P1594-0088

Issue Date: 8/02/2018

Entity Responsible:

**Division of Rail and Mass
Transportation**

Recommendation	Status
Remit \$7,405,013 to Caltrans.	Closed
Develop, implement, and maintain an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.	Closed
Work with Caltrans to determine the savings that were realized from not constructing the administrative building. Remit those savings to Caltrans.	Closed
Develop and implement procedures to ensure project deliverables/outputs comply with project agreements.	Closed
Receive prior written approval from Caltrans prior to revising project deliverables/outputs listed in project agreements.	Closed

City of Highland

P2535-0118

Issue Date: 11/06/2018

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Read and review program guidelines to ensure a clear understanding of the requirements.	Open
Submit Final Delivery Reports for completed projects to Caltrans within the specified timeframes as required.	Open

Caltrans District 5

P2505-0094, P2505-0095, P2505-0096, P2505-0097, P2505-0099,
P2520-0039, P2520-0040, P2520-0042
Issue Date: 11/30/2018

Entity Responsible:
District 5

Recommendation	Status
Read and review program guidelines to ensure a clear understanding of the requirements.	Open
Submit Supplemental Final Delivery Reports that address all project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future Final Delivery Reports address all project benefits/outcomes, including comparable pre and post metrics.	Open
Submit Final Delivery Reports for future state funded projects as required.	Open

City of Fontana

P2505-0110
Issue Date: 05/17/2019

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Review the project agreements and program guidelines to ensure a clear understanding of the requirements.	Open
Obtain required benefits/outcomes information from the San Bernardino County Transportation Authority and submit a Supplemental Final Delivery Report listing the pre and post comparable benefits/outcomes.	Open
Maintain documentation to support project benefits/outcomes reported in the Final Delivery Reports.	Open

City of Modesto

P2510-0013

Issue Date: 05/22/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Remit \$13,167 to Caltrans.	Open
Ensure all contract term of agreement dates are adhered to or contract amendments are obtained, if applicable.	Open

City of Riverside

P2525-0069, P2525-0070, P2525-0071

Issue Date: 06/24/2019

Entity Responsible:

Division of Local Assistance

Recommendation	Status
Remit \$145,215 to Caltrans.	Open
Develop and implement an adequate review process to ensure claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.	Open
Monitor contracts to ensure contract amendments are executed prior to the end date of the contract.	Open
Review program guidelines to ensure a clear understanding of the requirements.	Open
Submit Final Delivery Reports for completed projects to Caltrans within the specified timeframes as required.	Open

Active Transportation Program Audits

Audits performed on ATP-funded projects to determine the allowability of costs and assess whether deliverables and outcomes were met.

Avoided Costs

Costs that Caltrans avoided paying as a result of an audit or review that determined the costs to be unallowable or ineligible per statute or agreement. Examples include, but are not limited to, indirect cost rates reduced as a result of a financial management review or ICAP/ICRP submission review.

Closed Recommendation

A recommendation is closed when the entity submits a CAP and reports the recommendation has been implemented and provides description of corrective action(s) taken.

Disallowed Costs

Disallowed costs are costs that are unallowable per state or federal statute, terms of a contract, or agreement.

Dollars shown are amounts reported to management. Actual amounts may change during final resolution by Caltrans.

Financial Document Reviews

Non-audit services performed under Generally Accepted Government Auditing Standards provided by the IOAI to DPAC to review prime consultant's and sub-consultant's financial documents on proposed A&E contracts with Caltrans to determine if documents support the contract cost proposal and indirect cost rate(s) sufficient for the IOAI to recommend contract execution.

Financial Management System Audits

Audits performed to determine the adequacy of the financial management system which includes the accounting, procurement, and contract management systems.

Indirect Cost Rate Proposal Audits

Audits performed to determine whether the Indirect Cost Rate Proposal is prepared in accordance with federal requirements.

Indirect Cost Allocation Plan Audits

Audits performed to determine whether the Indirect Cost Allocation Plan is prepared in accordance with federal requirements.

Incurred Cost Audits

Audits performed to determine if costs billed to Caltrans on completed and on-going projects are in compliance with agreement provisions, state and federal requirements, and are supported by source documentation.

Open Recommendation

A recommendation is open when an audit report is issued and a 60-day CAP is pending (i.e. not yet due or has not been received) OR a CAP has been received but the entity has reported recommendation as not yet fully implemented

Performance Audits

Audits of Caltrans program and policies, including mandated audits required by federal and/or state regulations, operational audits based on risk assessments, and other internal audit services, or special request audits

Pre-Award Audits

Audits performed to assess financial management systems before agreements are signed with Caltrans.

Procurement Audits

Audits performed to determine if procurements were conducted in compliance with state and federal requirements.

Proposition 1B Program Audits

Audits performed on Proposition 1B-funded projects to determine the allowability of costs and to assess whether deliverables and outcomes were met.

Questioned Costs

Costs incurred on projects where procedures were not followed in accordance with statute or agreement or where deliverables were not met as agreed upon. When costs are questioned it is typically up to the administering program to work with the federal government, as applicable, and the auditee to determine and quantify value, if any, received, and if any costs are to be repaid to Caltrans.

Single Audit

Requirement that organizations and government agencies that expend federal funds in excess of \$ 750,000 are required to undergo a Single Audit. The purpose is to ensure a recipient of federal funds is in compliance with the federal program's requirement for how the money can be used.

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A&E	Architecture and Engineering
ATP	Active Transportation Program
CalSTA	California Transportation Agency
Caltrans	California Department of Transportation
CAP	Corrective Action Plan
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
CTC	California Transportation Commission
DIG	Deputy Inspector General
DRMT	Division of Rail and Mass Transportation

ERM Program	Enterprise Risk Management Program
FHWA	Federal Highway Administration
FY	Fiscal Year
IOAI	Independent Office of Audits and Investigations
ICAP	Indirect Cost Allocation Plan
ICRP	Indirect Cost Rate Proposal
Proposition 1B	The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006
SB 1	Senate Bill 1, the Road Repair and Accountability Act of 2017
SB 103	Senate Bill 103, Chapter 95, Statutes of 2017

