



Division of Local Assistance Quarterly Report on Construction Oversight of Local Agency ARRA Projects

**2010 Federal Fiscal Year
3rd Quarter**



Office of Policy Development & Quality Assurance

August 2010

Federal Fiscal Year 2010 3rd Quarter Information

Background:

As a result of a budget change proposal, seven construction oversight engineer positions were created within the division of local assistance to perform construction oversight of local agencies' contract administration of ARRA funded transportation projects. These positions were filled in early 2010 and consist of six senior engineers located across the state performing project reviews and one senior engineer located in Sacramento serving as program coordinator. Currently, construction oversight engineers are performing both Caltrans reviews and joint reviews with FHWA on local agency ARRA projects. The joint review projects are selected by FHWA and utilize a checklist developed by FHWA that covers a wide range of items from project development through construction contract closeout. Caltrans reviews and the related checklists are focused on contract administration and are performed at three milestones (preconstruction, mid-project and after-acceptance) during the life of the selected projects. At preconstruction reviews, expectations for contract administration are discussed with the local agency's contract administration personnel. During the mid-project reviews, feedback is provided to the local agency on how contract administration is being performed thereby allowing corrections in procedures to be made in a more timely manner. After acceptance reviews provide a detailed view of the project's contract administration and may allow local agencies a final opportunity to address noted shortcomings. At the completion of joint reviews and each Caltrans review, results are shared with the local agency and transmitted to the program coordinator for compilation in a quarterly report to FHWA. Common problem areas will be noted in the report and a recommendation section will propose how to address areas of significant concern through issuance of Construction oversight information notices (COINs) for direction to existing policy or procedures, development of office bulletins for new policy or procedures, modification of training modules, or performance of process reviews to further analyze areas of concern. The quarterly reports will be issued to FHWA and posted on division of local assistance's website for local agencies use. COINs and office bulletins will be issued directly to those members of the subscription service. Any significant project issues or deficiencies will be discussed and resolved with the project's district local assistance engineer (DLAE).

Performance/Narrative:

- As of the end of the third quarter, the following ARRA project reviews have been performed:
 - 138 joint reviews with 89 different local agencies involving \$171.8 million in ARRA dollars
 - 181 Caltrans reviews with 120 different local agencies involving \$199.4 million in ARRA dollars
 - Caltrans reviews were comprised of 115 preconstruction reviews, 50 mid-project reviews and 16 after-acceptance reviews
- As of July 15, 2010 a total of approximately 840 local agency ARRA projects have been authorized. Sixteen percent of authorized ARRA projects have received joint reviews and eighteen percent of authorized ARRA projects have received Caltrans reviews.
- The top ten frequently observed problems noted from the joint reviews have been tabulated and are included within this report.
- Fifty-seven percent of the Caltrans reviews performed this quarter were preconstruction type reviews. The preconstruction reviews are proactive reviews that are aimed at minimizing contract administration issues as construction progresses. Given limited resources, Caltrans has elected to focus on these reviews as they offer the most benefit to local agencies. A migration by percentage of preconstruction reviews to mid-project reviews to after-acceptance reviews will occur as projects proceed through their construction lives provided there are no additional ARRA projects authorized. A comparison of this quarters review makeup to last quarters suggests this migration is underway.
- An analysis of the 47 mid-project reviews performed this quarter has been included in this report. Significant items from this analysis are as follows:
 - Generally project records appear to be kept in an organized category system (91% conformance)
 - While daily diaries appear up-to-date (94% conformance) significant deficiencies on diaries were noted (79% conformance)
 - Quality Assurance Programs (QAPs) showed 89% conformance, however certifications for acceptance testers and laboratories received only a 59% conformance
 - Most of the material testing, contract change order, and payment areas reported below a 90% conformance level
 - Within labor compliance arena, areas of concern include spot-checks of certified payroll (73% conformance), required posting of posters (74% conformance) and good faith effort analysis (79% conformance)
 - Adherence to environmental mitigation measures showed a 96% compliance

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Trends:

- A review of the most frequently observed deficiencies on joint project reviews from the second and third quarters shows a recurrence of eight of the same deficiencies, indicating these are continued problem areas and not isolated anomalies.
- The third quarter analysis of the 47 mid project reviews will be used as a baseline to monitor performance in contract administration areas. Each of these contract administration areas will receive a combined performance rating that will ultimately allow a comparison of programmatic performance over time.

Improvements and Actions:

- A Construction Office Information Notice (COIN) was issued in May concerning the most frequently observed deficiencies in contract administration in response to a recommendation in the last quarterly report. COIN 10-4 and its attachment "A" may be viewed at <http://www.dot.ca.gov/hq/LocalPrograms/COIN/index.htm>
- In May, a filemaker pro database was initiated to capture significant deficiencies noted during joint and Caltrans reviews. The database will better allow tracking, monitoring and reporting of noted deficiencies. The database was implemented in response to last quarter report's recommendation.
- The Caltrans three-part checklist was revised to address common problems in data collection. The revised checklist was used on Caltrans reviews beginning May 1, 2010.
- The Local Assistance Resident Engineer Academy is presently being revised to update materials and include a portion regarding construction oversight and frequently observed problem areas in contract administration. In addition, the construction oversight engineers and DLAEs will be compiling a list of agencies which will be recommended for the next academy offerings.
- At the last CCSFCC meeting, it was agreed that COINs and training opportunities would be broadcast to the county and city coordinators for better distribution.

Recommendations:

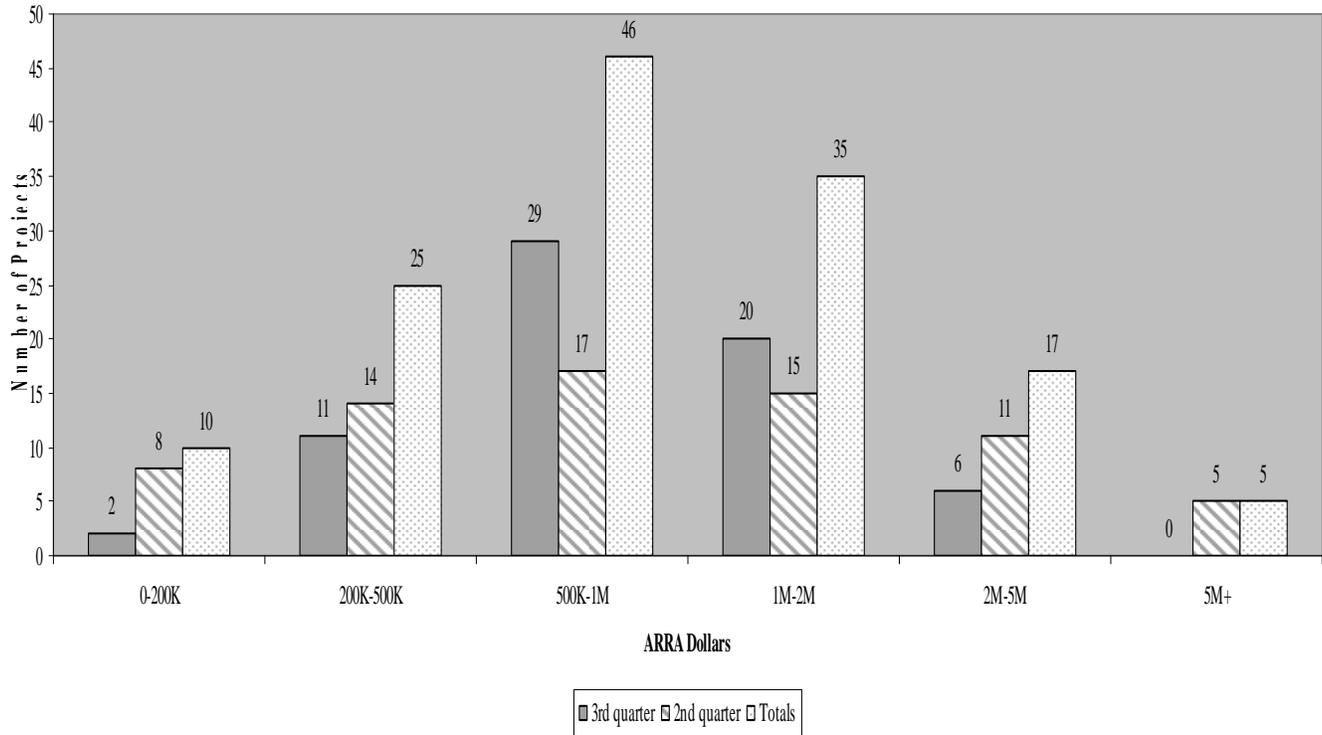
- It is recommended that Caltrans reviews continue to focus primarily on those projects that are early in their construction life where significant opportunities exist to avoid problems prior to their formation by providing contract administration expectations and guidance.
- It is also suggested, that where practical, Caltrans preconstruction project reviews include other local agency personnel to broaden the effectiveness of project performance and future projects administered by the local agencies involving federal funds.
- COINs and training will continue to be used to address noted programmatic deficiencies.
- The Office of Policy Development and Quality Assurance intends to utilize the Caltrans checklist to perform a process review on non-ARRA federal-aid projects. Any potential shortcomings in the checklist that are identified as a result of the process review will be considered for correction at the next opportunity.
- It is recommended that revisions to the Caltrans checklist be made to address diary deficiencies, environmental mitigation commitments, prompt payment and eliminate certain items that are not widely applicable to ARRA contracts.

Most Frequently Observed Deficiencies on Joint Project Reviews

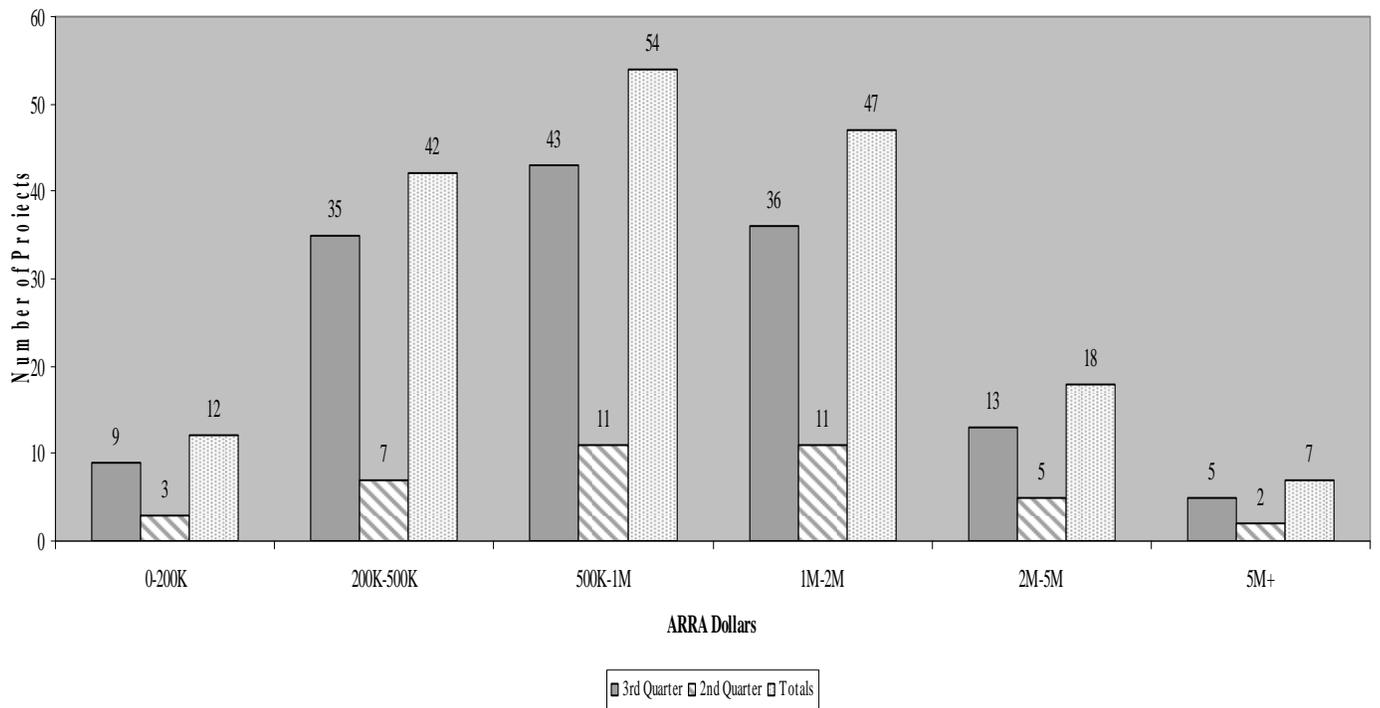
Description	Observed Frequency	Ranking
Documentation of posting job posters is deficient	35%	1
Diaries are deficient	34%	2
Checking of certified payroll is deficient	31%	3
Monitoring of sampling and testing frequency is deficient	25%	4
Support for progress payments is deficient	25%	4
Contract time administration/WSWDs is deficient	24%	6
Employee interview frequency is deficient	19%	7
Lump sum/unit price CCOs lack supporting documentation	18%	8
UDBE/DBE checks on CUF deficient or missing	18%	8
Consultant selection documentation is deficient	16%	10

Distribution of Reviews by Dollars

Distribution of Joint Reviews Based on ARRA Dollars

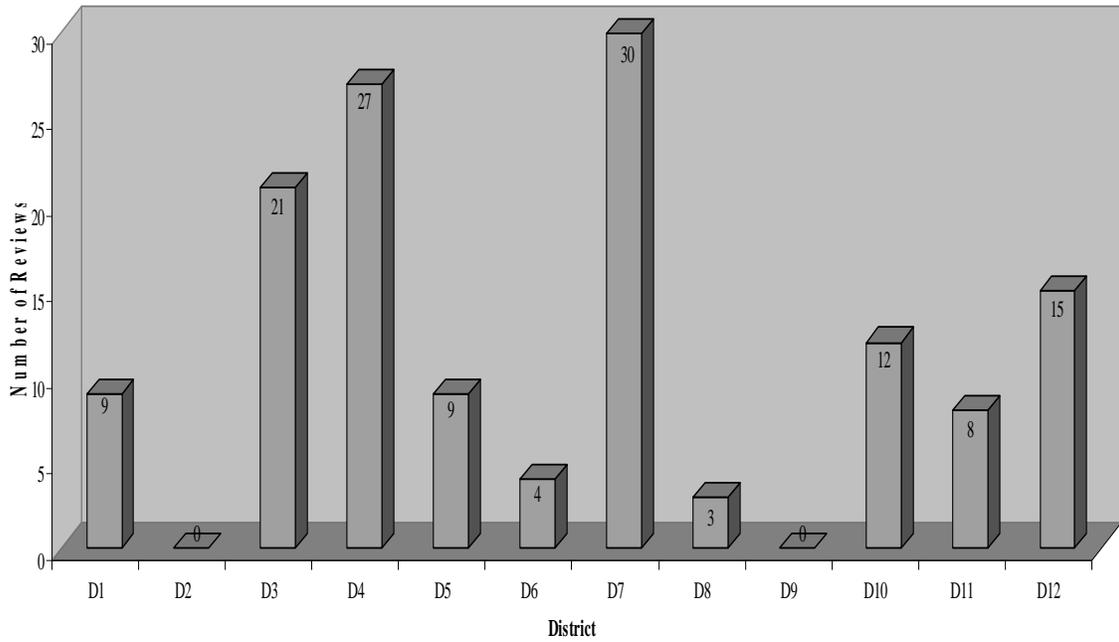


Distribution of Caltrans Reviews Based on ARRA Dollars

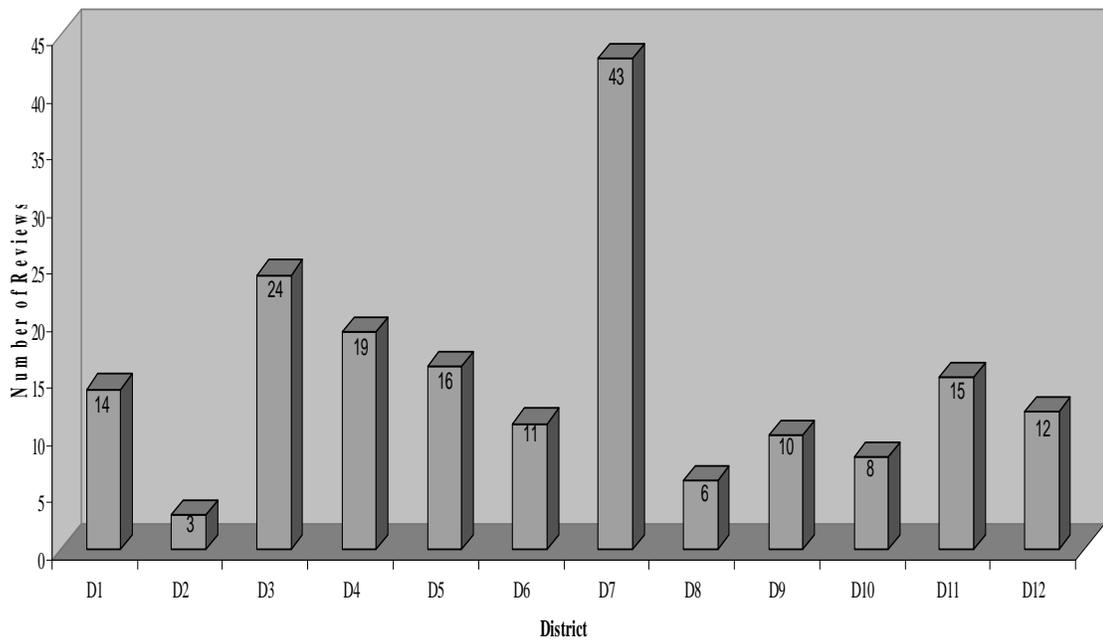


Distribution of Reviews by Districts

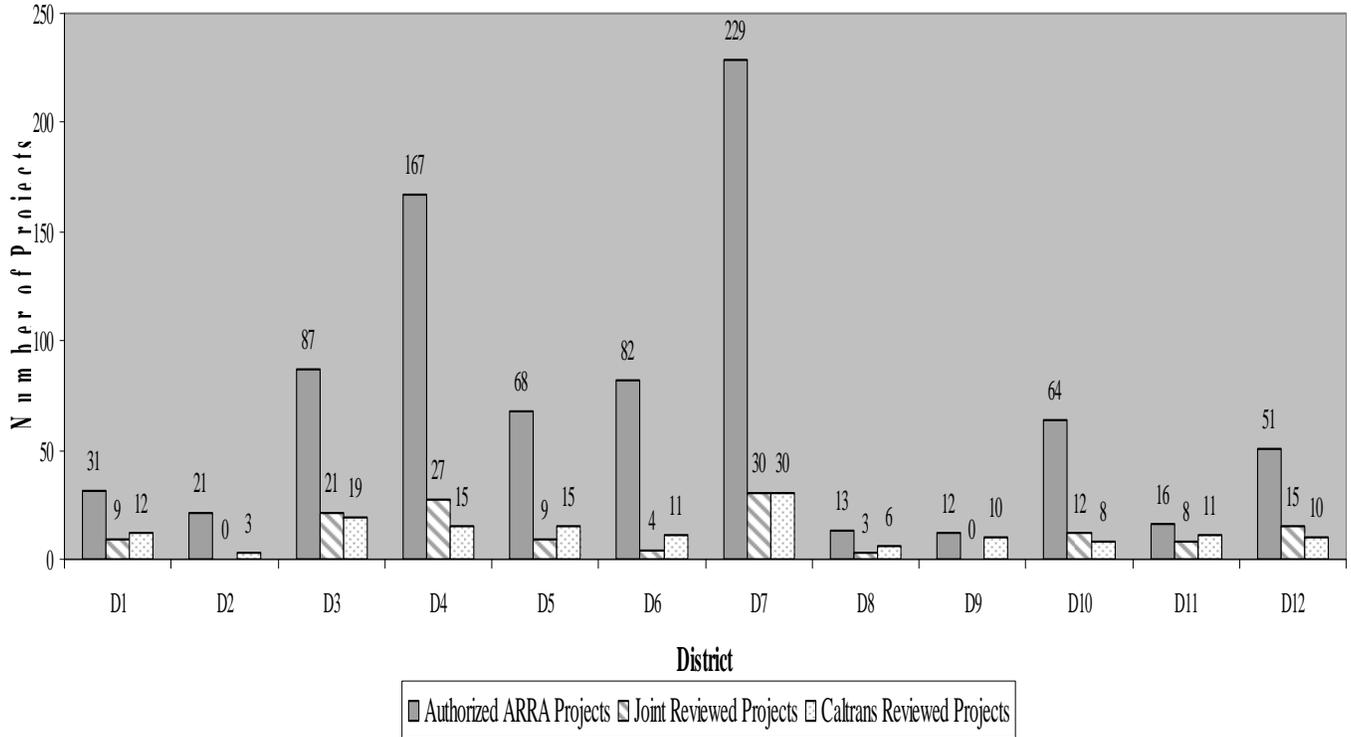
Joint Reviews by District



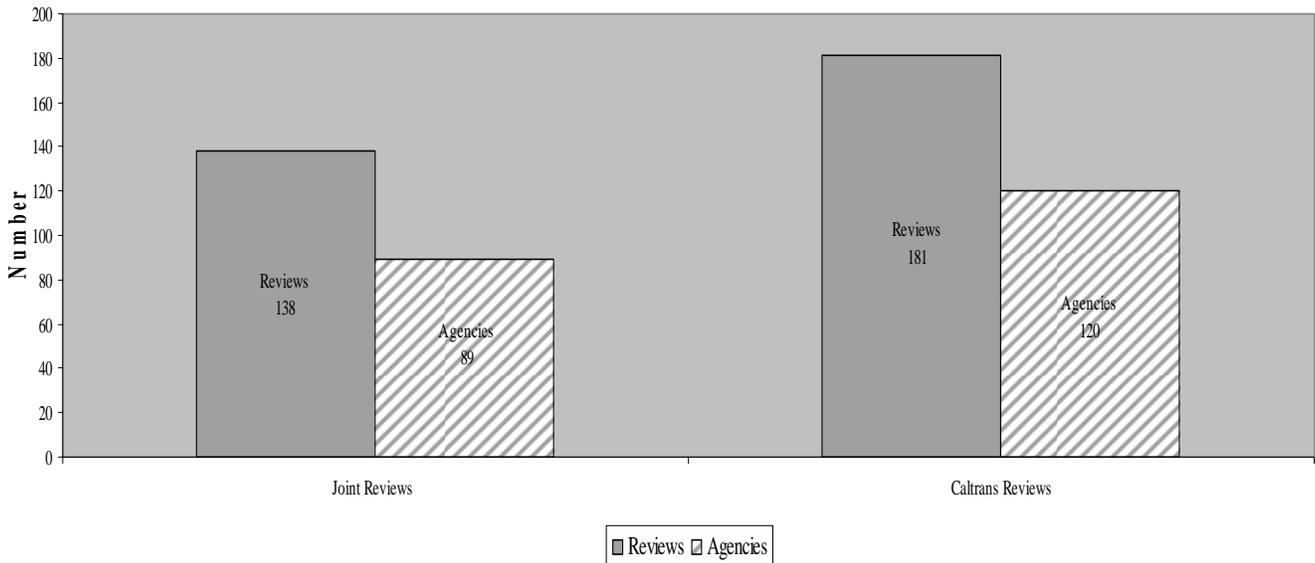
Caltrans Reviews by District



Authorized ARRA Projects and Reviewed ARRA Projects

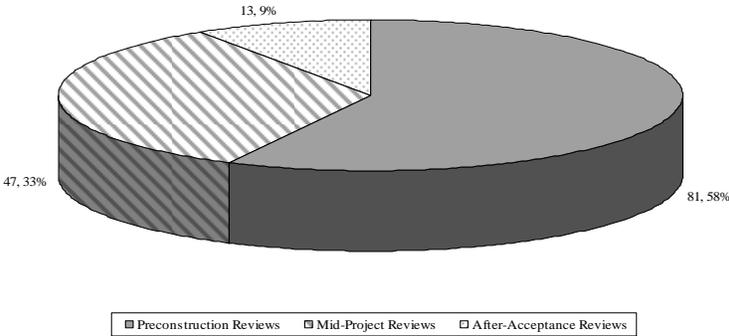


Joint Reviews and Caltrans Reviews - Reviews and Agencies

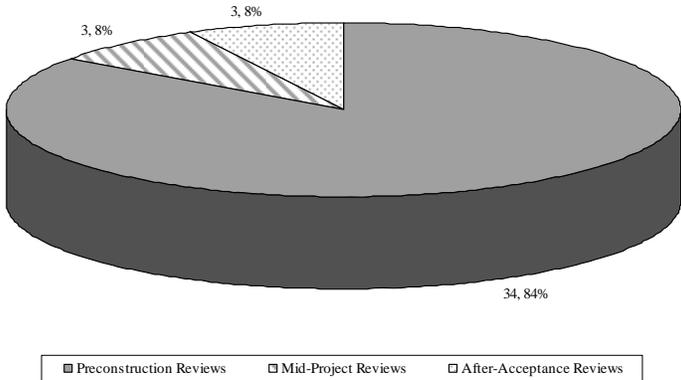


Review Metrics

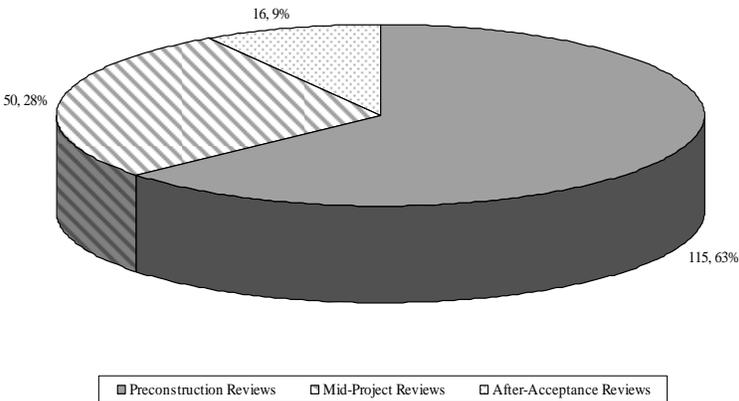
3rd Quarter Internal Review Types



2nd Quarter Internal Review Types



Internal Review Types To Date



2010 3rd Quarter Mid Project Reviews

	Responses	Y	N	%age Y	%age N	Cat. Rating
Safety Information:						
1. Is the emergency contact information sheet on file containing names and contact information for local agency/consultants/contractor? (Y/N)	47	36	11	77%	23%	62%
2. Is there a map showing the location of a neighborhood medical facility with their address, telephone and office hours? (Y/N)	47	22	25	47%	53%	
General Project Records:						
1. Are project records being kept in an organized manner with an index that describes each file category? (Y/N)	46	42	4	91%	9%	95%
2. Does the local agency use a single method of project record keeping (e.g. index of categories) for both contracts with federal funds and those without? (Y/N)	47	29	18	62%	38%	
3. Is there a copy of the detailed estimate in the project records? (Y/N)	46	45	1	98%	2%	
4. Is there a copy of the finance letter in the project records? (Y/N)	46	44	2	96%	4%	
5. Can the resident engineer point to the amount of federal-aid funds encumbered for this project (Y/N)	45	43	2	96%	4%	
Resident Engineer and Inspector Daily Diaries:						
1. Are diaries up-to-date? (Y/N) [i.e. no more than a week gap]	47	44	3	94%	6%	86%
2. Do diaries appear to contain sufficient information for documentation purposes (i.e. location, operations, labor, equipment, material, hours, field conditions, discussions, down-time, inefficiencies, etc.)? (Y/N)	47	37	10	79%	21%	
Quality Assurance Program (QAP):						
1. Does the local agency have a copy of their QAP in the project records? (Y/N)	46	41	5	89%	11%	80%
2. Is the approval date on the QAP less than 5 years old? (Y/N)	45	40	5	89%	11%	
3. What entity is performing acceptance testing for this project?						
4. Are copies of the acceptance testers' and laboratory certifications up-to-date and appropriate for the acceptance testing for this contract? (Y/N)	44	26	18	59%	41%	
5. What entity is performing independent assurance on this contract?						
6. Has the independent assurance entity/personnel been certified by Caltrans? (Y/N)	28	17	11	61%	39%	
7. If no, explain why?						
8. Are copies of independent assurance certifications up-to-date and appropriate for this contract? (Y/N)	29	22	7	76%	24%	
9. Does the QAP for this contract contain acceptance testing frequency tables? (Y/N)	39	33	6	85%	15%	
Material Testing Review:						
1. Are there acceptance sampling and acceptance tests in the project files? (Y/N)	34	26	8	76%	24%	73%
2. Are acceptance sampling and acceptance testing conforming to the frequency requirements in the QAP? (Y/N) [Randomly check sampling and test results of at least two significant items containing materials identified in the frequency tables and compare against quantities placed to date.]	27	22	5	81%	19%	
3. Is the frequency of acceptance sampling and acceptance testing being monitored? (Y/N)	33	27	6	82%	18%	

4. Are the sampling and testing being performed by individuals certified for those items (i.e. spot-check persons performing sampling and testing vs. certifications on file)? (Y/N)	30	21	9	70%	30%
5. Does the resident engineer see copies of the test results in a timely manner? (Y/N)	30	24	6	80%	20%
6. Are records of testing equipment calibrations being maintained? (Y/N)	32	18	14	56%	44%
7. Are there records of corroboration testing between the acceptance tester and independent assurance personnel? (Y/N)					
8. Is there a summary log of acceptance testing results? (Y/N)	31	11	20	35%	65%
9. If there is a record of a failing material acceptance test, is there a corresponding passing material test or resolution explanation tied to the failing test? (Y/N)	20	13	7	65%	35%
10. Do project records contain copies of approved mix designs and approval letters? (Y/N)	38	35	3	92%	8%
11. Do delivery tickets/load slips contain a product identification number that corresponds to an approved mix design on file in the project records? (Y/N)	37	32	5	86%	14%
12. Do material certificates of compliance contain the necessary information? (Y/N)	34	21	13	62%	38%
13. Are required "Buy America" statements included on invoices and certifications for iron and steel products? (Y/N)	9	8	1	89%	11%
Contract Change Order Review:					
1. If any of the change orders contain lump sum or unit prices outside of the original bid items, are there records on file supporting the establishment of those lump sum or unit prices (e.g. force account analysis)? (Y/N)	17	10	7	59%	41%
2. If any of the change orders provide a contract time adjustment, are there records on file supporting the time adjustment (e.g. time impact analysis)? (Y/N)	14	10	4	71%	29%
3. If any of the change orders were written with deferred time, has the time adjustment been made in a timely manner (e.g. within 30 days of completion of the affected work)? (Y/N)	4	3	1	75%	25%
4. If any of the change orders contain revised or new engineering drawings or specifications, have the change order drawings or specifications been stamped by a professional engineer with a valid California PE license? (Y/N)	9	7	2	78%	22%
5. Were contract change orders approved or proper prior authorization obtained prior to beginning work on the contract change orders? (Y/N)	19	15	4	79%	21%
6. If a prior authorization process was used, is there documentation in the project records supporting the prior authorization approval and notice to proceed with the work? (Y/N)	14	10	4	71%	29%
7. If a prior authorization process was utilized, was a timely contract change order approved? (e.g. less than one month) (Y/N)	12	8	4	67%	33%
8. If any of the change orders contain a time and material method of payment (e.g. force account), do daily diaries provide sufficient support for payment of time and materials on the related change order work? (Y/N)	13	10	3	77%	23%
9. Is the local agency monitoring authorized contract change order amounts versus reserve balances (e.g. contingency amounts)? (Y/N)	22	20	2	91%	9%
10. Is the local agency monitoring individual contract change order amounts versus amounts expended on the change to date? (Y/N)	21	19	2	90%	10%
11. Are all approved contract change orders within the project limits and the project's environmental document? (Y/N)	23	23	0	100%	0%

78%

Payment Review:						
1. Has the local agency processed a progress payment to the Contractor on this contract? (Y/N)	40	33	7	83%	18%	71%
2. If yes, does the progress payment provide a suitable accounting trail to support documentation for contract work (e.g. items, CCOs, etc.)? [Spot check only]	35	27	8	77%	23%	
3. Are weighmaster certificates being validated by the administering agency at point of delivery? (Y/N)	30	26	4	87%	13%	
4. Are there separate quantity pay sheets for each item being paid on each progress payment? (Y/N)	33	17	16	52%	48%	
5. Are quantity pay sheets signed and dated? (Y/N)	33	20	13	61%	39%	
6. Are quantity pay sheet calculations being checked by a separate individual? (Y/N)	32	14	18	44%	56%	
7. Are quantities paid to date being monitored and checked against estimated quantities? (Y/N)	34	32	2	94%	6%	
Labor Compliance & Equal Employment Opportunity:						
1. Are wage rates determined by the US Department of Labor included in the contract? (Y/N)	46	43	3	93%	7%	82%
2. Are payrolls certified by the contractor? (Y/N)	39	36	3	92%	8%	
3. Are payrolls checked and initialed by the local agency? (Y/N)	38	28	10	74%	26%	
4. Are diaries and payrolls being spot-checked and compared by the local agency? (Y/N)	37	27	10	73%	27%	
5. Are required federal posters (http://www.fhwa.dot.ca.gov/programadmin/contracts/poster.cfm) in good shape and posted in plain view of workers? (Y/N)	39	29	10	74%	26%	
6. Are interviews being conducted at a regular acceptable frequency? (Y/N)	44	37	7	84%	16%	
7. Do the interviews include the appropriate signatures and dates? (Y/N)	42	36	6	86%	14%	
DBE/UDBE:						
1. What is the UDBE goal for this contract? (%)						87%
2. What is the UDBE commitment for this contract? (%)						
3. If the contractor did not meet the goal for this contract, was a Good Faith Effort (GFE) Analysis performed and is a copy filed in the project records? (Y/N)	19	15	4	79%	21%	
4. Is UDBE goal compliance being checked by the local agency? (Y/N)	40	33	7	83%	18%	
5. Is UDBE performance of a commercially useful function being checked? (Y/N)	30	26	4	87%	13%	
6. Have any contract change orders affected the UDBE's work? (Y/N)	33	3	30	9%	91%	
7. If the contract's UDBE goals have changed, have the changes been approved by Caltrans HQ and local agency? (Y/N)	4	0	4	0%	100%	
Training Requirements:						
1. Are on-the job training provisions a part of this contract? (Y/N)	44	8	36	18%	82%	
2. If yes, what is the goal for this contract?						
3. Do project records contain documentation to account for apprentices on the project? (Y/N)	12	7	5	58%	42%	
Environmental:						
1. Is the environmental document for this project on file? (Y/N)	47	45	2	96%	4%	96%
2. Is the construction project adhering to mitigation requirements in the environmental documents? (Y/N)	28	27	1	96%	4%	
Other:						
1. Does the agency have a means to track, monitor and report on contract time? (Y/N)	47	40	7	85%	15%	82%

2. Is the agency tracking, monitoring and reporting contract time in accordance with their procedure? (Y/N)	44	39	5	89%	11%
3. Does the project have a procedure for submitting and filing a "Notice of Materials to be Used" type document? (Y/N)	43	26	17	60%	40%
4. Has this procedure been followed? (Y/N)	25	21	4	84%	16%
5. Does the project have a procedure for submitting and filing certificates of compliance for materials? (Y/N)	45	38	7	84%	16%
6. Has this procedure been followed? (Y/N)	35	27	8	77%	23%
7. Does the project have traffic control plan requirements? (Y/N)	45	38	7	84%	16%
8. Are the traffic control plan requirements being followed? (Y/N)	40	38	2	95%	5%