

# ANNUAL SUMMARY OF FINDINGS AND RECOMMENDATIONS



July 1, 2019 - June 30, 2020

Report of the Inspector General

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## INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS

### California Department of Transportation

In accordance with Senate Bill 1 (SB 1) (Beall, Chapter 5, Statutes of 2017), also known as the Road Repair and Accountability Act of 2017, I am pleased to present the 2019-20 Annual Summary of Findings and Recommendations summarizing the excellent work of the Independent Office of Audits and Investigations (IOAI). This report summarizes IOAI's audit and investigative activities and recommendations made to the California Department of Transportation (Caltrans) for the reporting period of July 1, 2019 to June 30, 2020.

We also want to take this opportunity to let you know that we're still here working for the people of California. We have moved our entire office to remote work, including accessing mandatory training online. Additionally, our Ethics Hotline is still operating, and the staff are working just as hard to review and resolve these cases. In fact, we are continuing all the work we do to support a culture of integrity, accountability and transparency by issuing results-oriented reports to Caltrans. During this reporting period, the IOAI performed 50 audits and over 400 reviews, resulting in 213 recommendations that will result in performance improvements once implemented.

Additionally, the report illustrates the progress made to implement IOAI's Diversity Accountability Program to ensure Caltrans compliance with Senate Bill 103 (SB 103). The SB 103 accountability status reporting framework has been established to increase transparency. Also, the IOAI Equity Taskforce continues to meet quarterly to identify equality and equity barriers to share with transportation agencies to support their improvement efforts.

This office is committed to protecting the integrity of California's state and federal transportation funds to ensure they are spent efficiently, effectively, and economically and used for their intended purposes. Among the core values used by the IOAI that guide us in this mission, including public accountability, transparency and independence are at the forefront of everything we do. The IOAI team is committed to this mission and embodies these values every day. I am honored and privileged to be a part of this team and to serve this great state.

Respectfully,

A handwritten signature in black ink, appearing to read 'Rhonda L. Craft', written in a cursive style.

**Rhonda L. Craft**  
Inspector General

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MESSAGE FROM THE INSPECTOR GENERAL..... 3

TABLE OF CONTENTS ..... 5

HIGHLIGHTS..... 7

INVESTIGATIONS ..... 8

ETHICS HOTLINE..... 9

DIVERSITY..... 13

COMMUNICATION STRATEGIES ..... 14

PROGRAM AUDITS KEY FINDINGS / HIGHLIGHTS ..... 16

LOCAL AGENCY AUDITS HIGHLIGHTS ..... 24

PROPOSITION 1B KEY FINDINGS / HIGHLIGHTS ..... 25

CONSTRUCTION CONTRACTS HIGHLIGHTS..... 26

ARCHITECTURAL AND ENGINEERING REVIEWS HIGHLIGHTS ..... 27

2019-20 STATUS OF AUDIT RECOMMENDATIONS ..... 28

2018-19 STATUS OF AUDIT RECOMMENDATIONS ..... 62

GLOSSARY OF TERMS ..... 72

LIST OF ACRONYMS ..... 74

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## INVESTIGATIONS

 **85**

New Complaints of Misconduct

 **24**

Closed Formal Investigations

 **18**

Misconduct Substantiated

## ETHICS HOTLINE

 **237**

New Complaints

 **246**

Complaints Closed

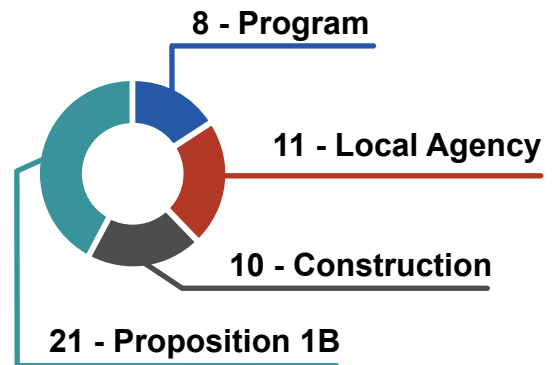
 **39**

Complaints Substantiated

## AUDITS

 **50**

AUDITS



 **301**

Financial Document Reviews of Architectural and Engineering Contracts

 **74**

Local Agency Indirect Cost Rate Reviews

 **54**

Reviews of Local Agency Single Audit Findings' Corrective Action



## INVESTIGATIONS



**85**

**New Complaints of Misconduct**



**24**

**Closed Formal Investigations**



**18**

**Misconduct Substantiated**



**9 - Misuse of Vehicle**



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



**2 - Misuse of Time**



**2 - Neglect of Duty**

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.

New Complaints of Misconduct represents complaints received during 2019-20. Formal investigations closed and substantiated during 2019-20 includes complaints received from previous fiscal years.





ETHICS HOTLINE



**237**

**New Complaints**



**246**

**Complaints Closed**



**39**

**Complaints Substantiated**



**5 - Discourteous / Unfair Treatment**



**5 - Harassment**



**4 - Misuse of Time**



**4 - Misuse of Vehicle**



**3 - Fraud/Falsification**



**3 - Hostile Work Environment**



**3 - Health and Safety**



**3 - Discrimination**



**2 - Disruptive Behavior**



**2 - Misuse of Computer**



**1 - Hiring**



**1 - Neglect of Duty**



**1 - Retaliation**



**1 - Misuse of State Funds**



**1 - Employee Benefit Violation**

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.

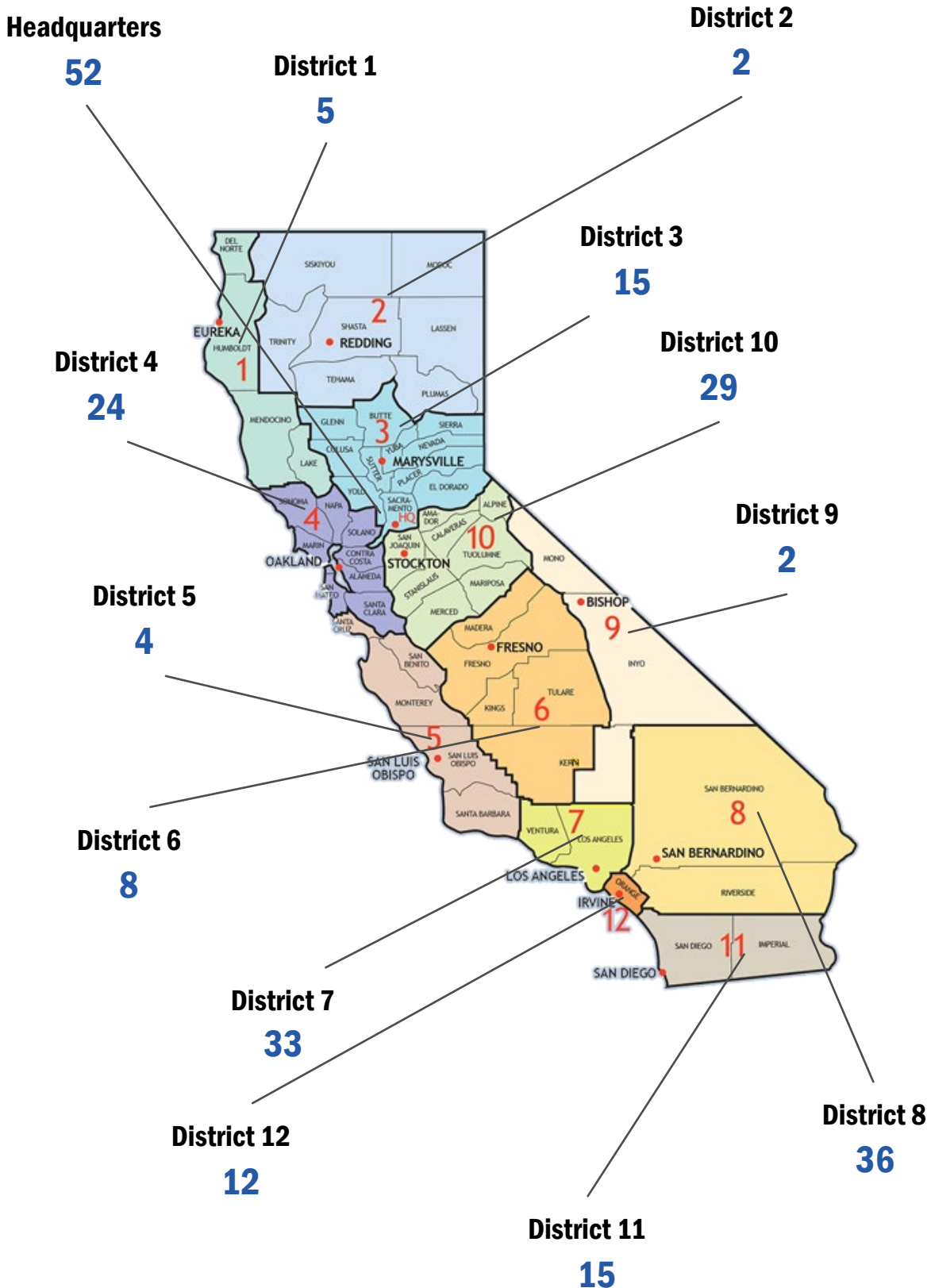
The Investigations Unit conducts preliminary reviews of complaints to determine the appropriate course of action, which may include follow-up from Caltrans management, formal investigations, and/or referral to law enforcement.

New Complaints represents complaints received during 2019-20. The Ethics Hotline complaints closed and substantiated in 2019-20 includes complaints received from previous fiscal years.



**Report a Concern:  
[www.caltransethics.com](http://www.caltransethics.com)  
1.844.CTEthic**

## NEW HOTLINE COMPLAINTS BY DISTRICT



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## DIVERSITY AND SMALL BUSINESS DEVELOPMENT

SB 103 requires the Inspector General to review, audit and report on the department's diversity outreach efforts. This includes, providing oversight to the awarding of public contracts and public hiring; as well as discrimination prevention or preferences in public contracting and hiring. It also provides the Inspector General with the ability to audit businesses as appropriate.

### Diversity Accountability Program

#### Diversity Accountability Program (DAP) is Centered Around 3 Principles:

- **Community Engagement**
  - Led by the IOAI Equity Taskforce
  - Attending outreach engagements
  - Listening to community concerns
- **Compliance**
  - Independent Reviews
  - Audits
  - Transparent Reporting
- **Consulting**
  - Caltrans leadership team
  - Caltrans Office of Civil Rights (OCR)
  - Caltrans Human Resources Department

#### DAP Values:

- **Collaboration**
- **Inclusion**
- **Fairness**
- **Transparency**

#### 2019-20 Key Accomplishments

- ✓ Launched and held quarterly IOAI Equity Taskforce Meetings aimed at identifying barriers for small, disabled veteran, and disadvantaged business enterprises (DBEs).
- ✓ Established a SB 103 status reporting framework focused on showing progress towards SB 103 requirements.
- ✓ Joined statewide and local diversity groups to establish a regular benchmarking practice.



## COMMUNICATION STRATEGIES



### ESTABLISHED COMMUNICATIONS

- Meet monthly with Director and Chief Deputy Director of Caltrans regarding new and ongoing investigations and audits.
- Meet quarterly with Secretary of CalSTA.
- Weekly and monthly reports provided to CalSTA regarding new and ongoing audits and investigations.
- Federal Agency Representatives.
- Members and Staff of the Legislature.
- Local Agency Representatives (Ex. Counties, cities, planning agencies).
- CTC Commissioners and Staff.
- Other external entities.

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 California Transportation Commission (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 website launched in November 2018, continues to 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 8

### Disadvantaged Business Enterprises Certification Audit [\(click for report\)](#)

P3010-0650

Issue Date: 7/18/2019

#### Results in Brief

The United States Department of Transportation (DOT) distributes funds each year to finance projects initiated by state and local governments, public transit, and airport agencies. DOT has the responsibility of ensuring that firms competing for federally assisted projects have a level playing field of equal opportunity for socially and economically disadvantaged firms. The DOT's most important tool for meeting this responsibility has been its DBE program. The integrity of the DBE program depends upon systematic procedures to ensure that only bona fide small firms, owned and controlled by a socially and economically disadvantaged individual(s), are certified to participate as DBEs in federally assisted programs. To meet the objectives of the DBE program, DOT requires recipients and pass through agencies of its funds to comply with 49 Code of Federal Regulations (CFR) Part 26.

The purpose of the audit was to assess whether the Caltrans DBE certification program overseen by the OCR (formerly known as Office of Business and Economic Opportunity) complies with applicable federal and state requirements.

#### Key Findings

- Certification decisions exceed 90-Day CFR Requirement for In-State Applications.
- On-site Interview of Disadvantaged Owners Instead of Principal Officers.
- Inconsistent evaluations of eligibility evidence.
- Proprietary information not safeguarded.
- Unauthorized staff have access and rights to confidential information.
- Segregation of duties not implemented.
- Policy to record events and actions performed on application files not enforced.
- ✓ Caltrans has implemented all audit recommendations. See page 29 for recommendation details.



## Efficiency Measures Verification Audit [\(click for report\)](#)

P3010-0648

Issue Date: 7/30/2019

### Results in Brief

SB 1 requires that Caltrans 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. SB 1 also requires that Caltrans report the savings to the CTC.

The purpose of this audit was to determine if the savings reported in the 2017-18 Annual Efficiencies Report are supported and available for investment in the maintenance and rehabilitation of the state highway system, as required by SB 1. The focus was on the efficiency areas of the National Environmental Policy Act (NEPA) Assignment, Value Analysis process and Construction Manager/General Contractor (CM/GC) process, which totaled approximately \$119.5 million (90%) of the reported \$133 million of savings reported to the CTC.

The audit determined the reported savings was supported and available for investment in the maintenance and rehabilitation of the state highway system, with the exception of \$8.7 million out of \$117.6 million tested.

### Key Findings

- NEPA - Overreporting of cost avoidance in the amount of \$849,688 for our sample of 30 projects.
  - Value Analysis - Overreporting of cost avoidance in the amount of \$11,064,236 for six of the nine value analysis projects reviewed.
  - CM/GC - Underreporting of cost avoidance in the amount of \$3,229,683 for both projects that counted toward the \$100 million efficiency savings goal.
  - Road Maintenance & Rehabilitation Account - one project with savings in the amount of \$1,016,314 was from funding that was not available for investment in maintenance and rehabilitation of the state highway system
- ✓ Caltrans has implemented all audit recommendations. See pages 30 - 31 for recommendation details.

## **SB 1 - Performance Outcomes for Pavement** [\(click for report\)](#)

P3010-0649

Issue Date: 12/06/2019

### **Results in Brief**

In March 2018, Caltrans presented to the California Transportation Commission a baseline of 50,346 lane miles to measure progress toward achieving the SB 1 performance targets for pavement by 2027. Caltrans categorizes pavement into three separate pavement classes to track, monitor, and assess pavement condition. To assess the pavement condition, the Pavement Program contracts with a consultant to provide an Automated Pavement Condition Survey on the highway system annually. The pavement condition data is uploaded and stored in the pavement management system managed by the Pavement Program. To monitor the progress of achieving SB 1 targets, Caltrans developed the Ten-Year Project Book to track projects.

This audit was a follow-up to IOAI's "Baseline for SB 1 Performance Outcomes" that was issued in April 2018. The audit determined that Caltrans has:

- Established a baseline to measure progress in achieving the pavement condition performance outcomes.
- Implemented processes and systems to track, assess, monitor and report on pavement conditions and progress toward achieving the SB 1 performance targets.

The audit also found areas for improvements as noted in the Key Findings.

### **Key Findings**

- Inefficient practice by a district in tracking estimated project costs.
  - Final project cost estimates increased by 48 percent from the initial project cost estimate.
  - Lack of process to compare estimated project costs/ targets with actual project costs/achievements.
  - The data quality management plan was not fully implemented.
  - The pavement condition ranking for continuously reinforced concrete pavement may not be accurate.
- ✓ Caltrans has implemented 8 of 15 audit recommendations. See pages 32 - 33 for recommendation details.



## District Director's Order Audit [\(click for report\)](#)

P3010-0651

Issue Date: 6/22/2020

### Results in Brief

The State Contract Act grants special authority to state agencies to set aside normal advertising, bidding, and awarding procedures for certain contracts when an emergency exists or when it is in the “best interest of the State.” A Director’s Order is a formal document used by the Director of Caltrans to approve this authority within the department. Approval authority has been delegated to district directors for District Directors Orders (DDOs) for projects costing \$314,000 or less for the 2018 and 2019 calendar years. A DDO typically authorizes needed work to mitigate or repair damages on the highway system caused by a catastrophic event. Types of damaging events include storms, landslides, floods, fires, and earthquakes. DDOs can also be used to forestall an imminent threat of catastrophic damage.

The purpose of the audit was to determine if Caltrans has adequate and consistent DDO policies and guidelines including determining if DDOs; 1) comply with the State Contract Act, 2) are properly monitored and administered to ensure they are supported by proper justification and documentation, 3) project cost and scope agree with contract agreements, contractor invoices, and engineers documentation, and 4) small businesses are considered for opportunities to participate in emergency work.

The audit determined Caltrans has policies, procedures, and guidelines over the DDO process, and the guidelines are communicated to the districts; however, improvements are needed to provide clear and consistent guidance over the process and to ensure adequate monitoring.

### Key Findings

- Caltrans has policies, procedures, and guidelines over the DDO’s process, and the guidelines are communicated to the districts; however, improvements are needed to provide clear and consistent guidance over the process and to ensure adequate monitoring.
- DDOs did not fully comply with the State Contract Act and Caltrans’ established timeframes for emergency work that require immediate action.
- Caltrans did consider small businesses for opportunities to participate in emergency work.
- ✓ Caltrans is in the process of implementing audit recommendations. See page 35 for recommendation details.

## [Good Faith Efforts Audit](#) (click for report)

P3010-0652

Issue Date: 6/29/2020

### Results in Brief

The purpose of the audit was to determine if Caltrans' DBE policy and procedures comply with federal regulations for determining good faith efforts (GFE) and whether Caltrans is following its GFE policy and procedures.

We determined Caltrans GFE policies and procedures generally comply with federal regulations and Caltrans generally complies with GFE requirements through its policies and procedures such as the Caltrans DBE Program Plan, and the OCR's Operational Procedure and Administrative Reconsideration Guidelines. We found that Caltrans' procedures generally assessed GFE properly for bidders that met DBE participation goals as well as for bidders that did not meet participation goals. Additionally, when bidders did not show GFE, we found adequate documentation to reasonably support OCR's determination. We also determined Caltrans appropriately offered reconsideration when the bidder did not document adequate GFE.

### Key Finding

- DBEs are not consistently certified for the specific North American Industry Classification System (NAICS) code required to count towards DBE participation goals. We found 12 of 65 (18 percent) DBEs tested were not certified for the correct NAICS code to count toward DBE contract participation goals.
- ✓ Caltrans is in the process of implementing audit recommendations. See page 36 for recommendation details.

## [Disadvantaged Business Enterprise Denials Audit](#) (click for report)

P3010-0653

Issue Date: 6/29/2020

### Results in Brief

The purpose of the audit was to assess DBE denials by Caltrans and to determine if Caltrans policies, procedures, and practices for DBE certification denials, additional work code denials, and de-certifications comply with federal DBE regulations and determine if Caltrans is administering DBE certification denials, additional work code denials, and de-certifications consistently.

Caltrans has the responsibility of ensuring that firms competing for United States Department of Transportation (USDOT) assisted contracts are not disadvantaged by unlawful discrimination. The USDOT requires that a Unified Certification Program, governed by Title 49 CFR part 26, be put into practice by each state to provide certification services to socially and economically disadvantaged individuals. The USDOT DBE regulations at 49 CFR Part 26 place primary responsibility for the certification process on state transportation agencies. Caltrans OCR manages and administers Caltrans' DBE program in accordance with this federal regulation.

Our audit determined that Caltrans' DBE denials, including certification denials, additional work code denials, and de-certifications, generally complied with federal DBE regulations and were administered consistently, except as noted in the in the Key Findings.

### Key Findings

- Certification decisions were not made within the 90-day federal requirement and OCR did not document the reasons for the delay in their files nor provide written notice to the DBE explaining the reasons(s) for the delay.
- OCR did not suspend DBEs prior to their removal from the California Unified Certification Program (CUCP) database consistent with CUCP procedures and federal regulations.
- ✓ Caltrans is in the process of implementing audit recommendations. See page 36 for recommendation details.

## Compliance with California Prompt Payment Requirements Audit (click for report)

P3010-0654

Issue Date: 6/30/2020

### Results in Brief

The purpose of the audit was to determine if Caltrans is in compliance with the California Prompt Payment Act (Act) and Caltrans prompt payment contract provisions which require contractors and subcontractors to be paid within established timeframes.

We determined Caltrans is generally in compliance with the Act and Caltrans prompt payment contract provisions as it relates to timely payments to contractors. However, Caltrans did not have the data needed to determine if payments made from prime contractors to subcontractors complied with Caltrans contract clause requirements. Additionally further improvements are noted in the Key Findings.

### Key Findings

- Total late payment penalties are not reported to DGS as required by the act.
- Local Agency construction contracts lack a prompt payment requirement clause.
- ✓ Caltrans is in the process of implementing audit recommendations. See page 37 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, and reviews of local agencies implementation of Single Audit Report findings' corrective action. Audits can include multi-year projects.



## LOCAL AGENCY AUDITS **11**

**3** Incurred Cost  
11 Projects

**\$8,053,822**

Total Billed Project Costs

**\$73,350**

Total Disallowed Costs

**\$275,329**

Total Questioned Costs

**8** Indirect Cost Allocation Plan /  
Indirect Cost Rate Proposal

41 Total Rates Audited

**\$5,767**

Total Disallowed Costs

### 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.

### 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 Caltrans management. Actual amounts recovered may differ during final resolution by Caltrans.*



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. These audits also include multi-year projects.



## PROPOSITION 1B AUDITS 21

### 49 Proposition 1B Projects

**\$1,456,076,487**

Total Value of Projects

**\$ 9,029,701**

Total Disallowed Costs

**.62%**

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 (FDR) 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.

- 12 of the 21 entities audited did not adequately report project benefits or could not support that project benefits were achieved.
- 9 of the 21 entities audited did not submit their required FDRs timely.

The IOAI audits the 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. These audits also include multi-year projects.



## CONSTRUCTION AUDITS 10

### 22 Construction Contracts

**6** Audits of Extra Work  
Change Orders and  
Emergency Contracts

**\$37,709,464**

Total Contract Costs

**\$288,655**

Total Disallowed Costs

**=.77%**

Disallowed Costs  
as % of Total

**4** Special Request Audits

**\$5,303,188**

Total Claimed Costs

**\$2,988,881**

Total Avoided Costs

**=56%**

Avoided Costs  
as % of Total

#### 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, construction claim audits, indirect cost rates reduced as a result of a financial document review, or ICAP/ICRP submission reviews.

Financial documents from Architectural and Engineering (A&E) consultants are reviewed to determine if indirect cost rates 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**

**301**

**VALUED AT \$794,845,993**

**≈ AVOIDED COSTS \$20,855,622**

Between Caltrans and A&E Consultants:

**67** Contracts

Valued at **\$383,621,782**

≈ Avoided Costs **\$14,399,177**

Between Local Agencies  
and A&E Consultants:

**234** Contracts

Valued at **\$411,224,211**

≈ Avoided Costs **\$6,456,445**



2019-20

# STATUS OF AUDIT RECOMMENDATIONS

# 213

Total Recommendations



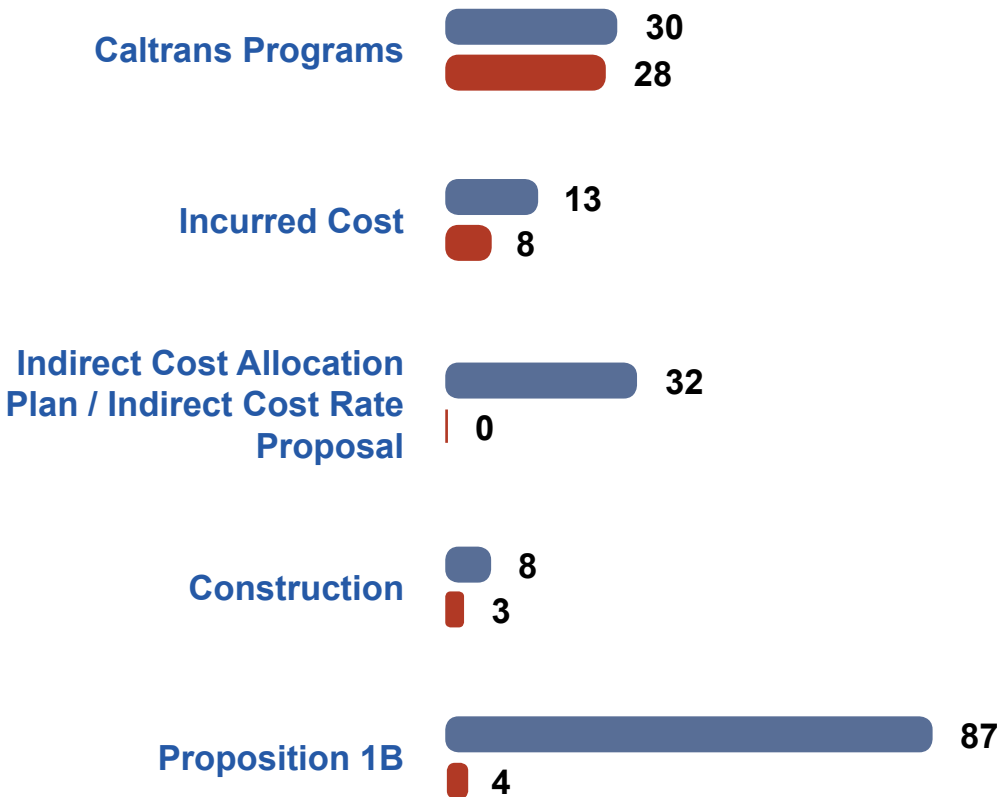
# 170

Open Recommendations



# 43

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 Caltrans has reported recommendation as not yet fully implemented

### Closed Recommendation

A recommendation is closed when Caltrans 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

### Disadvantaged Business Enterprise Certification Audit

P3010-0650  
Issue Date: 7/18/2019

Entity Responsible:  
**Office of Civil Rights**

Recommendation	Status
Develop or procure a system to assist in tracking and monitoring the start and end dates for each DBE application.	Closed
Ensure certification decisions on in-state applications are made within 90 days.	Closed
OCR to ensure their on-site interview is focused on principal officers.	Closed
Implement a quality assurance process to ensure consistent evaluation of evidence supporting eligibility determinations.	Closed
Develop training for staff to interpret and evaluate eligibility evidence consistently that may include identifying best practices from other diverse certifying agencies.	Closed
Develop written policies and procedures to ensure that staff sign appropriate access agreements prior to being granted access to personally identifiable information.	Closed
Develop written policies and procedures to ensure that individual access to confidential information is commensurate with job-related responsibilities.	Closed
Implement proper segregation of duties for all Certification Branch staff.	Closed
Enforce the record retention policy.	Closed

## Efficiency Measures Verification Audit

P3010-0648  
Issue Date: 7/30/2019

Entity Responsible:  
**SB 1 Program and Project Delivery Program**

Recommendation	Status
For NEPA, the Project Delivery Program should ensure the efficiency calculation is based on the programmed capital construction amount and not the estimated capital construction amount.	Closed
For NEPA, the Project Delivery Program should ensure the list of projects included in the calculation is reviewed to ensure that projects reported under the Acceleration of Work are not reported under NEPA.	Closed
For NEPA, the Project Delivery Program should ensure the list of projects included in the calculation is reviewed for completeness and accuracy. Specifically, projects that are not subject to NEPA, or those without project reports, should be excluded from the list.	Closed
For NEPA, the Project Delivery Program should ensure that time lags between the final approval of environmental documents and the project approval are tracked to determine if efficiencies in this area can be achieved in the future.	Closed
For the Value Analysis efficiency, the Project Delivery Program should consider reporting cost avoidance for value analysis studies once the projects have been awarded using the actual bid prices. This methodology will result in a more accurate estimation of efficiency savings.	Closed
For the Value Analysis efficiency, the Project Delivery Program should provide guidance to districts in order to ensure consistent methodology in updating initial cost estimates.	Closed
For the Value Analysis efficiency, the Project Delivery Program should perform quality assurance on the updated estimates prepared by the districts. Specifically, ensure:	Closed
<ul style="list-style-type: none"> <li>A. Baseline and alternative unit prices for the same materials are the same.</li> <li>B. The alternative estimate includes preparation work and materials, and the baseline markup should only reflect similar work and materials necessary to implement the baseline concept. The work and materials included in the markup should be specified.</li> <li>C. Quantities should be updated for the alternatives based on specifications and plans. Also, if the baseline quantities contained in the study were not reasonable, they should also be updated.</li> </ul>	

## Efficiency Measures Verification Audit (Continued)

P3010-0648  
Issue Date: 7/30/2019

Entity Responsible:  
**SB 1 Program and Project Delivery Program**

Recommendation	Status
<p>For CM/GC, the Project Delivery Program should update the innovation matrix template to ensure that:</p>	
<p>A. Innovations implemented into the final plans and specifications include quantity and price information for both the baseline concept and the innovation.</p>	Closed
<p>B. Assumptions made for each implemented innovation are identified and documented.</p>	
<p>For CM/GC, the Project Delivery Program should update the innovation matrices based on the final unit prices.</p>	Closed
<p>The SB 1 Program should ensure that any efficiency savings not available for investment in maintenance and rehabilitation of the state highway system are separately identified in future reports to the CTC.</p>	Closed
<p>The SB 1 Program should ensure that the efficiencies report to the CTC includes an explanation on how efficiencies from non-State Highway Operation and Protection Program projects will be available for investment in maintenance or rehabilitation of the state highway system.</p>	Closed

## Senate Bill 1 - Performance Outcomes for Pavement Audit

P3010-0649  
Issue Date: 12/6/2019

Entity Responsible:  
**Office of Asset Management**  
**Division of Maintenance - Pavement**  
**Program**

Recommendation	Status
Work with the Districts to determine whether this is an isolated incident or whether there are other Districts maintaining a second set of records to track project costs.	Closed
Quantify and correct any inaccurate project cost information identified in reviews of the Districts.	Closed
Develop processes that address District concerns and implement controls to mitigate the risk of inaccurate estimates of project costs to occur.	Closed
Continue its efforts with the Division Of Transportation Planning in developing new procedures and guidelines to capture all factors during the initial cost estimates to avoid underestimating costs.	Closed
Develop methodologies for preparing more accurate cost estimates to ensure proper funding is available to complete projects.	Closed
Provide training to all staff involved in the newly developed "Conceptual Cost Estimate" process.	Closed
Continue its efforts in the process of developing the new, fully integrated "Transportation Asset Management System" that will capture completed project construction costs and performance achievements with the ability of comparing to the estimated project costs and performance	Open
Develop a process that will provide the ability to conduct trend analysis and better forecasting using actual data for accurate estimates.	Closed



## Senate Bill 1 - Performance Outcomes for Pavement Audit (Continued)

P3010-0649  
Issue Date: 12/6/2019

Entity Responsible:  
**Office of Asset Management**  
**Division of Maintenance - Pavement**  
**Program**

Recommendation	Status
Comply with Title 23 CFR Section 490.319 (c).	Open
Revise the Caltrans' Pavement Condition Survey Data Quality Management Plan (Plan) to document quality assurance processes performed that are not included and obtain approval from FHWA prior to the 2019 Survey data collection.	Open
Implement all quality assurance processes stated in the Plan for the 2019 Survey data collection.	Open
Ensure all quality control and quality assurance requirements in the Plan be included in future Survey contracts and data collections.	Open
Update Caltrans Hybrid MAP-21 to include all requirements in 23 CFR Section 490.313 to ensure compliance with federal regulations and accuracy of Survey data.	Closed
Develop and/or update current policies and procedures to assist Program Managers and districts to track, assess, monitor and report on pavement improvements.	Open
Continue with the development of new policies, procedures, and guidelines to assist statewide staff in performing their duties consistently.	Open

## Division of Procurement and Contracts - Department of General Services Contract Delegation Audit

P3000-0430  
Issue Date: 5/28/2020

Entity Responsible:  
**Division of Procurement and Contracts**

Recommendation	Status
Review, modify, and simplify the contract category code descriptions to ensure accurate and consistent categorization of contracts.	Open
Ensure executed contracts are only reopened in CATS to make changes approved by Branch Chief and such changes are tracked to preserve data integrity.	Open
Remind Contract Managers to obtain the Report of Utilization of Small/Micro Business and Disabled Veteran Business Enterprise State-Funded Contracts Only form (ADM-3059).	Open
Continue to partner with the OCR on efforts to ensure contract managers obtain and submit the ADM-3059.	Open
Work with the Division of Maintenance to establish departmental procedures for processing Hazardous Material Spill contracts to include a timeline for contract managers to submit complete contracts packages for DPAC's approval. In addition, DPAC should establish a timeline for contract execution.	Open
Once contract processing procedures are established, determine if payments could be made within the 45-day Cal-Card requirement. If unable to meet this requirement, consider an alternative payment method.	Open
Ensure contractors start work only after the contract receives all appropriate approvals.	Open
Design a process to ensure timely submission of contracts to approvers with a sufficient amount of time before the contract start date.	Open
Provide training to the Legal Division staff on conflict of interest.	Open
Remind Caltrans Chief Counsel to ensure that any Legal Division staff involved in the processing of contracts over \$100,000 sign the Conflict of Interest statement per DPAC Delegation Agreement.	Open

## District Director’s Order Audit

P3010-0651  
Issue Date: 6/22/2020

Entity Responsible:  
**Division of Construction**

Recommendation	Status
<p>Consolidate and update guidelines to:</p> <ol style="list-style-type: none"> <li>1. Clarify when emergency work should begin after DDO approval.</li> <li>2. Clarify when supplemental DDOs (scope change and need for additional funds within Minor B threshold) are required.</li> <li>3. Clearly define what constitutes a scope change and what is allowable.</li> <li>4. Ensure all changes comply with the State Contract Act.</li> </ol>	Open
<p>Provide training on guideline changes to districts and all individuals with responsibility in the process.</p>	Open
<p>Develop a process to ensure DDO work for emergencies begin within the timeframe established by Caltrans guidelines and the timeframe is consistent with the state’s definition of immediate action.</p>	Open
<p>Develop a standardized DDO request form for use by all districts to ensure consistent and complete emergency project justification, approval, and estimated work start dates are provided.</p>	Open
<p>Develop procedures to ensure DDOs for “best interest of the state” work have the required plans, specifications, and estimates.</p>	Open
<p>Once Caltrans updates guidance on requirements for exceeding Minor B Thresholds and Scope Changes, Caltrans should ensure these requirements are properly monitored and administered for compliance in future DDO work.</p>	Open

## Good Faith Efforts Audit

P3010-0652  
Issue Date: 6/29/2020

Entity Responsible:  
**Office of Civil Rights**

Recommendation	Status
Caltrans should update its Standard Specifications and Statement of Qualification Submittal Instructions for bidders to state that appropriate NAICS codes are required to count for DBE participation work on contracts.	Open
OCR should expand operational procedures to include steps that ensure DBEs are certified for the NAICS code(s) applicable to the kind of work performed on the contract so that DBEs are properly counted towards DBE participation goals.	Open
OCR should confirm with FHWA if Caltrans' current GFE procedure to allow either a work code or NAICS code certification is acceptable for meeting DBE contract participation goals.	Open

## Disadvantaged Business Enterprise Denials Audit

P3010-0653  
Issue Date: 6/29/2020

Entity Responsible:  
**Office of Civil Rights**

Recommendation	Status
OCR should continue to improve their DBE certification process so decisions are made within 90 days and if decisions cannot be made within 90 days, DBEs should be provided with a written notice explaining the specific reason(s) for the delay.	Open
For DBEs that are noncooperative with the federal Annual Update Affidavit requirements, OCR should send a notice that they have been suspended and then suspend the DBEs in the California Unified Certification Program database prior to removing them from the database and DBE program.	Open

## Compliance with California Prompt Payment Requirements Audit

P3010-0654  
Issue Date: 6/30/2020

Entity Responsible:  
**Division of Accounting**  
**Division of Local Assistance**

Recommendation	Status
Absent an exemption, Caltrans should accurately segregate and report all late payment penalties for major construction contracts to DGS.	Open
Caltrans should amend the local agency boilerplate contract language for construction contracts to include the prompt pay requirement for local agencies to pay contractors within 30 calendar days and contractors to pay subcontractors within seven calendar days.	Open

**INCURRED COST**

**City of La Quinta**

P1560-0028  
Issue Date: 7/3/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$65,768 to Caltrans.	Closed
Conduct all consultant procurements in accordance with state and federal regulations to ensure the deficiencies noted above, including retention of records, are corrected in the future.	Open
Require staff working on procurements take the Caltrans, Division of Local Assistance (DLA) online Architectural and Engineering Procurement training.	Closed
Implement contract management and oversight policies and procedures to properly manage consultant contracts and to review and approve consultant invoices.	Open
DLA work with the Federal Highway Administration and the City to determine if any of the \$174,136 questioned costs identified above are to be repaid to Caltrans.	Open

## City of South Lake Tahoe

P1560-0026  
Issue Date: 8/12/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$4,344 to Caltrans.	Open
Remit \$3,237 to Caltrans.	Open
Revise manual labor tracking process to capture all project labor costs by recording them in the City's accounting system.	Open
Ensure procurement procedures are in place to comply with state and federal, procurement requirements based on the procurement, and train staff accordingly.	Closed
Contact Caltrans, DLA to take their procurement training.	Closed
Caltrans and DLA work with the Federal Highway Administration and the City to determine if any of the \$101,193 questioned costs identified above are to be repaid to Caltrans.	Open
Ensure staff are trained on state and federal regulations which specify eligibility of reimbursable costs.	Closed
Monitor the executed consultant contracts to be in accordance with federal, state and city regulations.	Closed
Ensure staff are trained on contract administration requirements.	Closed
Ensure all third-party contracts include the required contract provisions.	Closed

## City of Lancaster

P1560-0027  
Issue Date: 2/28/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Establish written billing policies and internal control procedures to ensure the accuracy, proper charging, and timeliness of labor charges in compliance with grant agreements.	Open
Submit Requests for Reimbursement to Caltrans at least every six months as required.	Open
Submit semi-annual reports timely.	Open
Train staff to ensure they comply with the new policy and procedures.	Open
Review and update procurement policy and procedures to ensure procurement practices are conducted in a fair and competitive selection process.	Open
Prepare independent cost estimates for evaluating cost proposals and negotiate profit prior to executing a contract with consultants.	Open
Archive all time-stamped envelopes or maintain some other appropriate record to document the receipt of proposals as required by regulations.	Open
Train staff on the updated procedures.	Open



**City of Lancaster (Continued)**

P1560-0027

Issue Date: 2/28/2020

Entity Responsible:

**Division of Local Assistance**

Recommendation	Status
Ensure appropriate written internal control procedures are established for 1) proper charging in compliance with grant agreements, 2) documented approvals for personnel substitutions and their proposed labor rates, and 3) modifications to the contract for cost proposal changes prior to subsequent payments on the contract.	Open
Include language in the Request for Proposal (RFP) and contract provisions which require the consultants and subconsultants to identify the key personnel staff by name and classification in their cost proposals and consultant invoices.	Open
Implement procedures to ensure required contract provisions from the Master Agreement are included in future consultant contracts with the City and maintain adequate documentation of any deviations to contract provisions.	Open
Train key personnel to ensure procedures are followed in accordance with the federal and state requirements.	Open
Review and follow the Greenbook; the City should only pay for the actual cost of the material and pay material cost based on invoices with supporting documentation.	Open
Develop and implement written procedures and controls to ensure compliance with state and federal requirements.	Open
Reconcile the construction inspection logs to the calculation sheets to meet Local Assistance Procedures Manual (LAPM) requirements.	Open
Train staff to ensure they comply with state and federal requirements.	Open

**INDIRECT COST ALLOCATION PLAN /  
INDIRECT COST RATE PROPOSAL**

**County of Riverside**

P1594-0078  
Issue Date: 7/1/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
County Division of Transportation implement policies and procedures to ensure that only allowable costs are included in it ICRP.	Open
County Division of Surveyor implement policies and procedures to ensure that only allowable costs are included in the ICRP.	Open

**County of Tehama**

P1594-0068  
Issue Date: 7/1/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Implement processes and procedures for verifying that all cost centers are correctly accounted for during ICRP preparation.	Open

## County of Humboldt

P1594-0103  
Issue Date: 9/20/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Adjust the 2015-16 actual indirect costs pools by \$270,093 for the unallowable costs and ensure these costs are not included in future indirect costs pools.	Open
Adjust the 2015-16 actual direct cost bases by \$152,026 and ensure these costs are included in future direct cost bases	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 2015-16 billings using the audited rates and reimburse Caltrans for any overpayments.	Open
Implement a reconciliation process to identify and resolve variances between the labor costs in ONESolution and Cost Accounting Management System (CAMS).	Open
Develop and document procedures to identify and resolve variances between CAMS and timesheet project and activity codes. Additionally, document policies outlining practices to record timesheet hours charged to project and activity codes.	Open
Implement a reconciliation process to calculate the difference between the estimated fringe benefits and actual fringe benefits costs. The difference between the actual and the estimated costs should be included in the calculation of subsequent fringe benefit rates.	Open

## City of Visalia

P1594-0091  
Issue Date: 11/25/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Develop and implement procedures to ensure invoices are reviewed for appropriate expense account codes.	Open
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200 and properly segregated between allowable and unallowable costs.	Open
Remove unallowable costs from indirect costs prior to future ICRP submissions.	Open

## Golden Gate Bridge Highway and Transportation District

P1594-0102  
Issue Date: 1/13/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Develop and implement a process to ensure that only eligible costs are included in the District Wide Cost Allocation Plan.	Open
Review all ICRP indirect costs pool accounts to ensure costs are in compliance with 2 CFR 200, and properly segregated between direct, indirect, and unallowable costs.	Open
Ensure the District's travel policies and procedures adhere to the Master Agreement's travel provisions.	Open

## City of San Diego

P1594-0100  
Issue Date: 2/6/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Apply the proper usage of Internal Orders and Cost Centers to accurately identify all costs as direct or indirect costs.	Open
Reconcile 2017-18 and 2018-19 billings applying the audited rates and reimburse Caltrans the over payments.	Open

## City and County of San Francisco

P1594-0096  
Issue Date: 3/30/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remove Department Overhead rates from the 2017-18 ICRP rates, and future ICRP rates, until an appropriate and equitable allocation and carry-forward adjustment methodology is developed. (See Appendices A and B for adjustments to the 2017-18 ICRP rates.)	Open
Develop a Department Overhead allocation and carry-forward adjustment methodology that is consistent and results in an appropriate and equitable allocation of Department Overhead indirect costs to each bureau. Additionally, ensure indirect costs attributable to a specific benefiting bureau are not included in the Department Overhead cost pool.	Open
Revise policies and procedures, train staff, and update future ICRPs using the new Department Overhead allocation and carry-forward methodology.	Open

## City and County of San Francisco (Continued)

P1594-0096  
Issue Date: 3/30/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Reconcile the 2017-18 billings using the audited ICRP rates and reimburse Caltrans for any overpayments.	Open
Adjust the 2015-16 actual indirect costs pools by \$2,445,621 for the unallowable costs and ensure these costs are not included in future indirect costs pools. (See Appendices A and B for the specific adjustments for each bureau.)	Open
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200; assigned to the correct bureau; and properly segregated between direct, indirect, and unallowable costs.	Open
Develop a methodology to ensure direct and indirect PTO costs are in compliance with 2 CFR 200 by using a consistent accounting basis (accrual or cash).	Open
Reconcile the 2017-18 billings using the audited rates and reimburse Caltrans for any overpayments.	Open
Update the ICRP rate calculation model and supporting policies and procedures with appropriate criteria and detailed preparation steps to ensure the ICRP rates are accurate and in compliance with applicable criteria.	Open
Ensure established policies and procedures are followed, and future ICRP submissions include financial data that is clearly cross referenced and reconciled to support the ICRP rates.	Open

## Kern Council of Governments

P1580-0024  
Issue Date: 4/14/2020

Entity Responsible:  
**Division of Transportation Planning**

Recommendation	Status
Remit \$5,767 to Caltrans.	Open
Review all ICAP indirect costs pool accounts to ensure costs are in compliance with 2 CFR 200 and applicable CalHR policies.	Open
Work with the Caltrans District Office to improve communication regarding amendment approval notification	Open
Ensure all billed costs are eligible for reimbursement	Open

**PROPOSITION 1B PROGRAM**

**City of Oakland**

P2525-0047  
Issue Date: 9/16/2019

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

Recommendation	Status
Review the project agreements and program guidelines to ensure a clear understanding of the project close-out reporting requirements.	Closed
Develop a system to measure achievement of actual project benefits/outcomes.	Closed
Ensure the FDR addresses the performance outcomes listed in the Project Agreement 75A0389 Exhibit D and maintain documentation supporting project benefits/outcomes reported.	Closed

**County of San Bernardino**

P2525-0078  
Issue Date: 10/4/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Review project agreements and program guidelines to ensure a clear understanding of the reporting requirements.	Open
Obtain required benefits/outcomes information from the San Bernardino County Transportation Authority to support the estimated 2030 project benefits/outcomes.	Open
Submit a Supplemental FDR that addresses all project benefits/outcomes listed in the baseline agreement, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.	Open
Maintain documentation to support benefits/outcomes reported in the project agreements and the FDR.	Open



## County of Riverside

P2525-0073  
Issue Date: 10/4/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$4,712 to Caltrans.	Open
Develop and maintain an adequate review process to ensure only eligible construction engineering expenditures are claimed for reimbursement. Note: Applies to P2525-0074 and P2525-0076	Open
Publicly advertise when soliciting for consultant services and retain all project documents for the specified timeframes as required. Note: Applies to P2525-0074 and P2525-0076	Open
Read and review program guidelines to ensure a clear understanding of the requirements.	Open
Submit FDRs for completed projects to Caltrans within the specified timeframes as required. If necessary, submit a Supplemental FDR to report any additional project expenditures.	Open
Read and review the project agreements and program guidelines to ensure a clear understanding of the requirements.	Open
Maintain documentation to support project benefits/outcomes reported on the FDRs.	Open
Submit supplemental FDRs that accurately address all project benefits/outcomes, including pre and post comparable metrics.	Open

## County of Sacramento

P2505-0115  
Issue Date: 10/21/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$60,397 to Caltrans.	Open
Collaborate with Caltrans to identify the additional unsupported and ineligible construction engineering costs incorrectly claimed as direct labor cost-dollars and included in the fringe benefit rate.	Open
Develop, implement, and maintain processes that ensures claimed expenditures are allowable based on the executed agreement and program guidelines prior to submitting reimbursement claims to Caltrans. Maintain complete records supporting amounts claimed and retain for the audit period provided in the agreement.	Open
Review program guidelines to ensure a clear understanding of the requirements.	Open
Develop and implement a process to ensure the timely submittal of FDRs for future state funded projects.	Open

## City of Coachella

P2525-0052  
Issue Date: 10/28/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Develop and implement procedures to ensure agreements are properly amended for scope or other revisions.	Open
Coordinate with Caltrans to determine the savings, if any, that were realized from not striping the road for six lanes. Remit identified savings to Caltrans.	Open
Review the project agreements and program guidelines to ensure a clear understanding of the requirements.	Open
Develop a mechanism, including establishing policies and procedures, to track and maintain documentation to support the project benefits/outcomes reported in the FDR.	Open
Submit Supplemental FDRs listing the pre and post comparable benefits and outcomes. Additionally, ensure future FDRs have comparable pre and post benefits/outcomes.	Open

## Port of Stockton

P2525-0079  
Issue Date: 11/25/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$18,789 to Caltrans.	Closed
Verify consultant billing rates are consistent with the approved rates in the contract agreements. Further, thoroughly review descriptions of invoices to ensure claimed expenditures are supported and project related.	Open
Implement a process within the consultant selection process for the committee to document the ranking and qualifications of applicants. Ensure documentation is retained for audit.	Open
Review the project agreements and program guidelines to ensure a clear understanding of the requirements.	Open
Obtain required benefits/outcomes information and submit a Supplemental FDR listing the pre and post comparable benefits/outcomes.	Open
Maintain documentation to support project benefits/outcomes reported in the FDRs	Open

## City of Ontario

P2525-0064  
Issue Date: 1/13/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$67,428 to Caltrans.	Open
Collaborate with Caltrans to identify additional ineligible consultant personnel costs and remit total ineligible costs to Caltrans.	Open
Review the LAPM to ensure an understanding of all contracting requirements.	Open
Revise current procedures for the review of consultant invoices to ensure compliance with contract requirements.	Open
Revise current policies and procedures and business practices to ensure compliance with state requirements. Specifically, maintain individual consultant scoring sheets for a minimum of three years after final contract payment, and develop and maintain a detailed cost estimate following the LAPM guidelines.	Open

**City of Ontario** (Continued)

P2525-0064  
Issue Date: 1/13/2020

Entity Responsible:  
**Division of Local Assistance**

<b>Recommendation</b>	<b>Status</b>
Review the respective Proposition 1B program guidelines to ensure a clear understanding of the requirements.	Open
Ensure sufficient monitoring of Proposition 1B projects to meet all necessary deadlines.	Open
Submit FDRs for future state funded projects as required.	Open
Review the project agreement and program guidelines to ensure a clear understanding of the reporting requirements.	Open
Maintain documentation to support benefits/outcomes reported in the FDRs.	Open
If necessary, submit Supplemental FDRs to accurately report benefits/outcomes achieved for the projects.	Open

**County of El Dorado**

P2505-0113  
Issue Date: 2/13/2020

Entity Responsible:  
**Division of Local Assistance**

<b>Recommendation</b>	<b>Status</b>
Review the respective Proposition 1B program guidelines to ensure a clear understanding of the requirements.	Open
Implement processes to ensure sufficient monitoring of Proposition 1B projects to meet all necessary deadlines, including the timely development and submittal of FDRs.	Open
Submit the FDR for project 0300000258, as well as FDRs for future state funded projects to Caltrans as required.	Open

## Los Angeles County Metropolitan Transportation Authority

P2550-0012  
Issue Date: 2/13/2020

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

Recommendation	Status
Remit \$5,435,964 to Caltrans.	Open
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.	Open
Review program guidelines to ensure a clear understanding of the requirements.	Open
Ensure a clear audit trail is established and documentation is maintained to support the contract award process, contractor invoices, and Contract Change Orders (CCOs).	Open
Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements and to ensure FDRs address all project benefits/outcomes.	Open
Maintain documentation to support projected and actual benefits/outcomes included in the project agreements and reported in the FDRs.	Open
Submit a Supplemental FDR for project 0713000001 that addresses the emissions reduction benefit/outcome.	Open
Review program guidelines to ensure a clear understanding of the reporting requirements.	Open
Submit FDRs for completed projects to Caltrans within the specified time frames as required.	Open

## Alameda Contra Costa Transit District

P2535-0123  
Issue Date: 2/28/2020

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

Recommendation	Status
Review state and federal contract procurement requirements to develop procedures to solicit, evaluate, and select piggybacking contracts.	Open
Ensure a clear audit trail is established and documentation is maintained to support the rationale for contract identification and selection of piggybacking contract options, contract award, and contract close-out	Open
Review project agreement and program guidelines to ensure a clear understanding of the project close-out reporting requirements.	Open
Maintain documentation to support actual benefits and outcomes included in the project agreement and reported on the FDR	Open

## Port of Los Angeles

P2525-0049  
Issue Date: 2/28/2020

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

Recommendation	Status
Remit \$1,043,684 to Caltrans	Open
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.	Open
Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements.	Open
Ensure the information reported in the project agreements and FDR are accurate and supported. Additionally, maintain documentation to support projected and actual benefits/outcomes included in the project agreements and reported in the FDR.	Open
Submit Supplemental FDRs for projects 0013000261, 0700000494, and 0712000072, that address all project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.	Open
Submit FDRs for projects as required.	Open

## City of Commerce

P2525-0053  
Issue Date: 2/28/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$1,625,386 to Caltrans	Open
Develop and Implement policies and procedures to ensure invoices and CCOs are properly and consistently reviewed for accuracy and compliance with the project baseline agreement prior to submitting for reimbursement.	Open
Review all requirements as outlined in the project baseline agreement and ancillary documents and use these documents as a guide to develop policies and procedures.	Open
Maintain records of negotiations for a minimum of three years after final payment.	Open
Develop and implement procurement policies and procedures to ensure compliance with the LAPM and applicable laws.	Open

## San Bernardino County Transportation Authority

P2505-0118  
Issue Date: 4/20/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Establish a process that will ensure FDRs for future Proposition 1B funded projects are submitted within six months of the projects becoming operable.	Open
Review program guidelines to ensure a clear understanding of the requirements.	Open
Submit FDRs for completed projects to Caltrans within the specified time frame	Open

## City of Los Angeles

P2525-0087  
Issue Date: 5/18/2020

Entity Responsible:  
**Division of Traffic Operations**

Recommendation	Status
Maintain documentation to support benefits/outcomes reported in the FDRs.	Open
Submit FDRs for future state funded projects as required.	Open
Develop and implement processes to ensure sufficient monitoring of projects to meet all necessary deadlines, including the timely submittal of FDRs.	Open

## City of Fairfield

P2525-0054  
Issue Date: 5/22/2020

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

Recommendation	Status
Remit \$3,907 to Caltrans	Open
Conduct a post-assessment study of the intended benefits/outcomes and develop a mechanism to track and maintain documentation to support the project benefits/outcomes reported in the FDR.	Open
Submit a Supplemental FDR listing the pre- and post-comparable benefits/outcomes.	Open
Strengthen and review the invoice process to ensure reimbursement claim costs are supported.	Open
Review project agreements and program guidelines to ensure a clear understanding of the requirements.	Open



## City of Fullerton

P2525-0055  
Issue Date: 6/10/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$612,195 to Caltrans.	Open
Develop, implement, and maintain an adequate review process to ensure CCOs and claimed expenditures are allowable based on executed agreements and program guidelines prior to submitting reimbursement claims to Caltrans.	Open
Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements and to ensure FDRs address all project benefits/outcomes listed in the project agreements.	Open
Develop a mechanism, including establishing policies and procedures, to track and maintain documentation to support the actual project benefits/outcomes reported in the FDRs.	Open
Submit Supplemental FDRs for projects 1200020336 and 1214000082 that address the emissions reduction benefits/outcomes.	Open

## City of Dinuba

P2535-0128  
Issue Date: 6/10/2020

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Remit \$157,239 to Caltrans.	Open
Ensure a clear audit trail exists for claimed expenditures. The audit trail should facilitate the tracing of claimed expenditures to the source documents and include clearly documented explanations for corrections and revisions.	Open
Review the project agreements and program guidelines to ensure a clear understanding of the reporting requirements.	Open
Submit FDRs for completed projects to Caltrans within the specified timeframes as required.	Open
Review program guidelines, project agreement, and master agreement to ensure a clear understanding of the requirements.	Open
Ensure documentation is maintained to support the contract award process.	Open

## CONSTRUCTION CONTRACTS

### Baltazar Construction

Extra Work at Force Audit

P1200-2674

Issue Date: 7/2/2019

Entity Responsible:

**Division of Construction**

Recommendation	Status
Seek reimbursement of \$223,289 from the Contractor for unsupported and unallowable project costs.	Closed

### Shimmick Construction Company

Special Request Audit

P2200-0480

Issue Date: 8/27/2019

Entity Responsible:

**Division of Construction**

Recommendation	Status
Determine the Time Related Overhead (TRO) days allowed and calculate the amount of additional compensation due to the Contractor based on the audited TRO rate of \$4,519 per day.	Closed
Contractor provide training for staff on 48 CFR Part 31 and Caltrans Standard Specifications to ensure future TRO claims submitted to Caltrans include only those costs that are allowable and supported.	Closed

### Caliagua, Inc.

Special Request Audit

P2200-0481

Issue Date: 9/6/2019

Entity Responsible:

**Division of Construction**

Recommendation	Status
Reimburse the Subcontractor for home office overhead costs based on a rate of \$187 per day. The Caltrans Division of Construction will determine the number of delay days allowed.	Open

## AERCO Pacific, Inc.

Extra Work at Force Audit  
 P1200-2686  
 Issue Date: 2/25/2020

Entity Responsible:  
**Division of Construction**

Recommendation	Status
Contractor remit to Caltrans \$7,045 (\$3,388+\$3,657) in unsupported costs on project 03-0H6004.	Open

## Taylor Jane Construction LP

Special Request Audit  
 P2200-0484  
 Issue Date: 4/3/2020

Entity Responsible:  
**Division of Construction**

Recommendation	Status
Compensate the Contractor for the supported overhead costs of \$4,363. The overhead daily rate was not calculated as there was no work performed on the contract.	Open
Contractor to develop written accounting policies and procedures for the proper recording of direct, indirect, and unallowable costs in the general ledger and provide financial staff adequate training on 48 CFR 31 and Caltrans Standard Specifications. This will ensure costs are classified and segregated properly in the general ledger so that future overhead claims submitted to Caltrans include only those costs that are allowable and supported.	Open

**Randy Hill Construction, Inc.**

Special Request Audit  
P2200-0483  
Issue Date: 4/24/2020

Entity Responsible:  
**Division of Construction**

Recommendation	Status
Determine the number of compensable days and calculate any payments due based on a combined daily home and field office overhead rate of \$395.	Open
Contractor should develop written accounting policies and procedures to segregate costs in the general ledger by account, direct, indirect, and unallowable costs and provide staff responsible for these duties adequate training on 48 CFR 31 and Caltrans Standard Specifications. This will help ensure future overhead claims submitted to Caltrans include only those costs that are allowable and supported.	Open

**Myers & Sons Construction, L.P.**

Extra Work at Force Audit  
P1200-2673  
Issue Date: 6/18/2020

Entity Responsible:  
**Division of Construction**

Recommendation	Status
Seek reimbursement of \$43,550 from the Contractor for unsupported and unallowable project costs.	Open

**Vintage Paving Company, Inc.**

Extra Work at Force Audit  
P1200-2694  
Issue Date: 6/30/2020

Entity Responsible:  
**Division of Construction**

Recommendation	Status
Collect from the Contractor \$14,771 in unsupported project costs.	Open

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2018-19

# STATUS OF AUDIT RECOMMENDATIONS

# 208

Total Recommendations



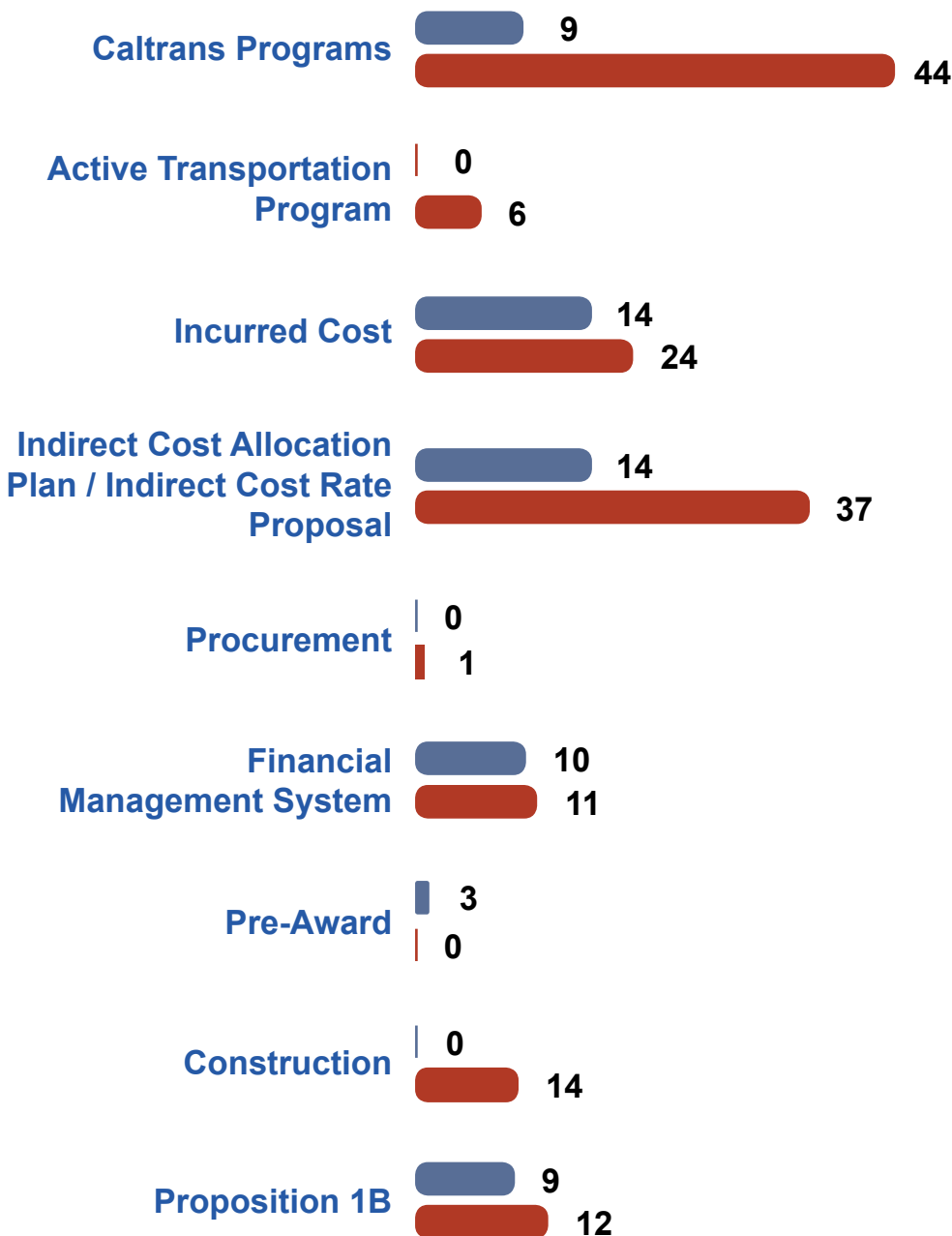
# 59

Open Recommendations



# 149

Closed Recommendations



### 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 Caltrans has reported recommendation as not yet fully implemented

### Closed Recommendation

A recommendation is closed when Caltrans 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.

Following pages only reflect open recommendations.

**CALTRANS PROGRAMS**

**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 DPAC to obtain required delegation agreements.	Open
Assess the feasibility for a centralized contract management system for the Division.	Open
Establish clear roles and responsibilities by:	
<ul style="list-style-type: none"> <li>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.</li> <li>Establishing agreements with district planning offices for assisting local agencies with state-funded transit programs.</li> </ul>	Partially Closed

## 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 Enterprise Risk Management (ERM) Program.	Open
Facilitate the development of risk appetite statements and obtain approval from the Caltrans Executive Board.	Open
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
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
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



**INCURRED COST**

**Southern California Association of Governments**

P1580-0022  
Issue Date: 09/21/2018

Entity Responsible:  
**Division of Transportation  
Planning**

Recommendation	Status
Reimburse Caltrans a total of \$951,963 for the unallowable costs (\$590,538 of consultant costs + \$361,426 on expired contract).	Partially Closed
Establish procedures that identify and define roles and responsibilities of staff regarding consultant invoice reviews.	Open
Reimburse Caltrans \$1,558,051 for the disallowed costs identified above.	Open

**City of Tracy**

P1575-0056  
Issue Date: 02/06/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
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
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

### City of Santa Ana

P1594-0088  
Issue Date: 10/05/2018

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Review all invoices that contained 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 fiscal year indirect cost rates prior to 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

### City of Santa Barbara

P1594-0097  
Issue Date: 06/06/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
Adjust the 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 2015-16 actual direct cost base by \$408,955 and ensure these costs are included in future direct cost bases.	Open
Adjust the 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 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 2018-19 carry forward adjustment by \$704,403 and submit a revised ICRP for 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 2017-18 indirect costs pool by \$817,579 and the 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 2015-16 carry forward amount by \$261,702 and the 2016-17 carry forward amount by \$819,979, as a result of the identified unallowable indirect costs.	Open
Reconcile the 2017-18 and 2018-19 billings using the audited rate of 132.2 percent and 151.4 percent, respectively, and reimburse Caltrans any over payments.	Open

## FINANCIAL MANAGEMENT SYSTEM

### Coachella Valley Association of Governments

P1560-0022  
Issue Date: 12/18/2018

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
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

**PROPOSITION 1B PROGRAM**

**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 FDR listing the pre and post comparable benefits/outcomes.	Open
Maintain documentation to support project benefits/outcomes reported in the FDRs.	Open

## City of Modesto

P2510-0013  
Issue Date: 05/22/2019

Entity Responsible:  
**Division of Local Assistance**

Recommendation	Status
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 FDRs 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, construction claim audits, indirect cost rates reduced as a result of a financial document review, or ICAP/ICRP submission reviews.

### **Closed Recommendation**

A recommendation is closed when Caltrans 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 Caltrans management. Actual amounts recovered may differ during final resolution by Caltrans.

### **Financial Document Reviews**

Non-audit services provided by the IOAI to DPAC to review prime consultant's and sub-consultant's financial documents on proposed A&E contracts. The purpose is to determine if documents support the contract cost proposal and indirect cost rate(s) 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 Corrective Action Plan (CAP) is pending (i.e. not yet due or has not been received) or a CAP has been received but Caltrans has reported recommendation as not yet fully implemented.

## Performance Audits

Audits that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability. Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; and compliance. Audit objectives may also pertain to the current status or condition of a program.

## 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.

## Program 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.

## 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.

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

<p><b>A&amp;E</b> Architecture and Engineering</p>	<p><b>CUCP</b> California Unified Certification Program</p>
<p><b>Act</b> California Prompt Payment Act</p>	<p><b>DAP</b> Diversity Accountability Program</p>
<p><b>ATP</b> Active Transportation Program</p>	<p><b>DBE</b> Disadvantaged Business Enterprises</p>
<p><b>CalSTA</b> California Transportation Agency</p>	<p><b>DDO</b> District Director Order</p>
<p><b>Caltrans</b> California Department of Transportation</p>	<p><b>DGS</b> Department of General Services</p>
<p><b>CAP</b> Corrective Action Plan</p>	<p><b>DIG</b> Deputy Inspector General</p>
<p><b>CAMS</b> Cost Accounting Management System</p>	<p><b>DLA</b> Division of Local Assistance</p>
<p><b>CATS</b> Contract Administration and Tracking System</p>	<p><b>DPAC</b> Department of Procurement and Contracts</p>
<p><b>CCO</b> Contract Change Orders</p>	<p><b>DRMT</b> Division of Rail and Mass Transportation</p>
<p><b>CFR</b> Code of Federal Regulation</p>	<p><b>ERM</b> Enterprise Risk Management</p>
<p><b>CM/GC</b> Construction Manager/General Contractor</p>	<p><b>FHWA</b> Federal Highway Administration</p>
<p><b>CTC</b> California Transportation Commission</p>	<p><b>GFE</b> Good Faith Effort</p>

**IOAI**  
Independent Office of Audits and Investigations

**ICAP**  
Indirect Cost Allocation Plan

**ICRP**  
Indirect Cost Rate Proposal

**LAPM**  
Local Assistance Procedures Manual

**NEPA**  
National Environmental Policy Act

**OAS**  
Office of Audit Services

**OCR**  
Office of Civil Rights

**PCC**  
Public Contract Code

**Plan**  
Pavement Condition Survey Data Quality Management Plan

**Proposition 1B**  
The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006

**RFP**  
Request for Proposal

**SB 1**  
Senate Bill 1, the Road Repair and Accountability Act of 2017

**SB 103**  
Senate Bill 103, Chapter 95, Statutes of 2017

**TRO**  
Time Related Overhead

**USDOT**  
United States Department of Transportation

