

DEPARTMENT OF TRANSPORTATION

DIVISION OF MASS TRANSPORTATION

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January 7, 2011

Ms. Audrey Bredehoft
Federal Transit Administration, Region IX
Office of Program Management and Oversight
201 Mission Street, Suite 1650
San Francisco, CA 94105

Dear Ms. Bredehoft:

Please find attached the California Department of Transportation (Caltrans) Monthly Report for the State Management Review Status Update report on the open findings as of December 31, 2010. This report covers the period of December 2010.

Of the ten areas with deficiencies, four (4) review areas have been completed:

- Review Area 2: Grant Administration
- Review Area 4: Financial Management
- Review Area 10: DBE
- Review Area 19: Drug Free Workplace

The attached Caltrans Monthly State Management Review Status December 31, 2010 Update provides information on progress accomplished on the six (6) open review areas of Program Management, Selection and Eligibility, Satisfactory Continuing Control, Title VI, Intelligent Transportation System Architecture, and American Recovery and Reinvestment Act of 2009.

We look forward to working with the DMP Group January 18 - 21, 2011, when they arrive at Caltrans Sacramento Headquarters to provide technical assistance and confirm the implementation of corrective actions from the fiscal year 2010 State Management Review.

Please contact me if you have any questions at (916) 654-8074 for further assistance.

Sincerely,

A handwritten signature in blue ink that reads "Kimberly A. Gayle".

KIMBERLY A. GAYLE

Office Chief

Federal Transit Grants Programs

Attachment

c: Nathan Smith, Interim Chief, Division of Mass Transportation
Maxine Marshall, DMP Group

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

IReview Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
1. Program Management	Deficient	Lacking force account plan/justification	Caltrans must submit to the FTA Region IX Office a force account plan and justification for its Preventive Maintenance projects that exceed \$100,000, as detailed in FTA Circular 5010.1D.	August 16, 2010	<p>Caltrans responded in a timely manner to this Review Area prior to August 16, 2010.</p> <p>Caltrans has revised the 5311 grant application to include a section on the Force Account Plan requirement.</p> <p>Caltrans has finalized policies and procedures that will help guide agencies in developing a Force Account when it is required. They will be incorporated into the updated SMP. For each project administered by Caltrans that is required to complete a Force Account Plan, Caltrans has provided each agency a copy of FTA's criteria and guidelines for a Force Account Plan. Sample Force Account Plans were also provided. Caltrans has identified six agency projects that require a Force Account Plan. As of December 31, 2010, we have received a Force Account Plan for all of these projects.</p> <p>The DMT held a conference call on November 9, 2010 with all District Transit Representatives to review force account requirements. Two webinars were held on December 2nd and 13th with subrecipients to review and confirm the force account requirements.</p> <p>The DMT met with FTA on December 15, 2010 to update them on progress being made on force account requirements compliance. DMT has requested additional technical assistance on Force Account Plan methodology when the FTA reviewers meet with Caltrans ARRA staff on January 18, 2011.</p>	<p>Completed</p> <p>In Progress</p>

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
1. Program Management	Deficient	SMP Out of date/Incomplete	Caltrans must submit to the FTA Region IX Office a final State Management Plan for its Section 5311 program that includes all the required areas and reflects the public comment process.	March 16, 2011 Extended to September 30, 2011	Caltrans is developing a Request for Offer (RFO) to hire a contractor/consultant to update and complete the Division of Mass Transportation's 5310, 5311, and the JARC/NF 5316/5317 Grant Program State Management Plans (SMPs). These SMPs will include all the required areas and will also include the public comment process. This RFO will be completed in January 2011. The target contract award date will be in March 2011. The target contract completion date will be the end of September 2011.	In Progress

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
1. Program Management	Deficient	Inadequate oversight system	Caltrans must submit to the FTA Region IX Office a schedule and a plan to perform monitoring of its Section 5311 subrecipients consistent with its SMP.	March 16, 2011 Extended to September 30, 2011	<p>Currently, Caltrans is undertaking a Feasibility Study Report (FSR) to replace database applications currently used by DMT with a universal database application that can be supported by Caltrans IT and used by both the state and federal DMT branches. Overall, the new application would enable the DMT to have greater oversight of FTA and state transit funded projects, help staff in monitoring projects, and allow the DMT to handle increased reporting requirements through efficiency in data management. The Draft FSR has been submitted to management for review and comments. The FSR team has performed alternatives analysis on the project and documented the proposed solutions accordingly. Currently, the FSR team is working with IT to develop cost estimates for completing the project in-house or using an outside consultant. The cost estimates will assist management in deciding which solution best meets the needs of the DMT in terms of cost, delivery, and product quality.. Target completion date for FSR is December 2010.</p> <p>Concurrently, Caltrans has developed a Quarterly Report form, and agency, vehicle, equipment and facility inspection forms. To ensure District and subrecipient compliance, the DMT will be conducting a training webinar on January 27, 2011 to review inspection forms and quarterly report requirements. The DMT will all conduct statewide training workshops in March 2011.</p> <p>Timeline to accomplish this: The FSR is due in December 2010.</p> <p>IT Project Completion: It is anticipated that the database will be deployed in June 2011.</p>	In Progress

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MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
1. Program Management	Deficient	Insufficient Resources	Caltrans must submit to the FTA Region IX Office procedures for ensuring that subrecipients operating in both urbanized and nonurbanized areas are properly allocating costs.	<p>August 16, 2010</p> <p>Extended to March 16, 2011</p>	<p>Caltrans responded in a timely manner to this Review Area prior to August 16, 2010.</p> <p>Caltrans conducted a webinar for subrecipients on how to report data on August 17, 2010. Caltrans has also worked with the FTA to hold a training session on data reporting at a state association conference in September 2010, for our transit operators. The training covered the reporting requirements and the need to submit accurate and timely reports to the FTA. In addition, Caltrans has revised its standard agreement with our transit agencies requiring the timely submission of the quarterly reports and data as a condition for invoice payments.</p> <p>Caltrans has developed draft cost allocation policies and procedures for staff and subrecipients to review cost allocation of Section 5311 projects. As part of developing these procedures, Caltrans staff attended a Cost Allocation training class in November 2010..</p> <p>Caltrans has requested agencies to provide any cost allocation methodology they are currently using. Caltrans has developed the subrecipient Request for Reimbursement invoice form for tracking costs. The revised 5311 application includes a project budget worksheet. A cost allocation plan that provides annual expense categories is now a required application component for all 5311 applicant that also receive FTA Section 5307 funding.</p> <p>Caltrans is requesting additional technical assistance on Cost Allocation methodology when the FTA SMR reviewers meet with Caltrans on January 18, 2011. See related Review Area 1. Program Management, Inadequate Oversight System and Review Area 25. ARRA, Insufficient Resources.</p>	In Progress

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
2. Grant Administration	Deficient	Late/incomplete program status reports/MPRs Incorrect FFR reporting	Caltrans must correct its MPRs and FFRs for all active grants in the TEAM system. The MPRs must contain all the required information. The FFRs must properly calculate unliquidated obligations.	July 31, 2010 Extended to October 31, 2010	As of July 1, 2010, Caltrans has developed internal procedures to ensure coordination and reconciliation of all grant expenditures between Division of Mass Transportation (DMT) and Division of Accounting (DAC) Staff prior to entry into the TEAM and ECHO systems. However, due to implementation of a new department-wide accounting database, we were unable to meet the July 31, 2010 deadline and received a three month extension to October 31, 2010. Caltrans successfully submitted its MPRs and FFR's for all active grants in the TEAM system by October 31, 2010.	Completed

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MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
3. Selection and Eligibility	Deficient	Insufficient monitoring of rural/urban cost allocation	Caltrans must submit to the FTA Region IX Office procedures for ensuring that subrecipients operating in both urbanized and nonurbanized areas are properly allocating costs.	March 16, 2011	Caltrans has recently revised their 5311 grant application for the FY 2011 grant cycle to include a requirement for subrecipient agencies that operate in rural and urban areas to provide a methodology of segregating rural costs from urban costs and attach it to the application. In addition, Caltrans conducted a webinar on December 2, 2010 to educate our subrecipients on cost allocation and segregation of rural costs from urban costs.	Completed
					In addition, Caltrans headquarters (HQ) staff working in the 5311 program has contacted agencies that operate in rural and urban areas to provide us a copy of their current methodology for ensuring that subrecipients operating in both urbanized and nonurbanized areas are currently allocating costs properly. Target completion date for submittals is end of February 2011.	In Progress
					To ensure that costs are allocated properly by the agencies, Caltrans worked with Cal ACT to conduct training on cost allocation to our subrecipients. This training took place on November 16-17, 2010. Caltrans is currently reviewing its cost allocation processes. Caltrans is requesting additional technical assistance on Cost Allocation methodology when the FTA SMR reviewers meet with Caltrans ARRA staff on January 18, 2011.	In Progress
					JARC and NF branch plans to revise their application prior to the next cycle to include a detail description of how grant funds will be utilized for services that operate in both urban and rural areas. This will ensure proper allocation of costs between urbanized and nonurbanized areas. Target due date for JARC/NF is February 4, 2011.	In Progress

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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
4. Financial Management	Deficient	Insufficient tracking of grant balances	<p>Caltrans must submit to the FTA Region IX Office:</p> <ul style="list-style-type: none"> A plan for reconciling the difference between the balances in TEAM-web and its accounting system and to identify and correct the procedures that allows differences to develop. 	<p>August 16, 2010</p> <p>Extended to November 16, 2010</p>	<p>Caltrans responded in a timely manner to this Review Area prior to November 16, 2010.</p> <p>As of July 1, 2010, Caltrans has developed internal procedures to ensure coordination and reconciliation of all grant expenditures between Division of Mass Transportation (DMT) and Division of Accounting (DA) Staff prior to entry into the TEAM and ECHO systems. Due to implementation of a new department-wide accounting system, we have received a three-month extension to November 16, 2010.</p> <p>Caltrans staff has improved internal communication and has developed the following procedures to ensure more accurate reporting.</p> <ul style="list-style-type: none"> DA staff provide an expenditure report for the period to DMT staff. DMT and DA staff reconcile expenditures DA staff execute ECHO drawdown DMT staff review and monitor FTA posting of disbursement in TEAM. <p>See related Review Area 2. Grant Administration.</p>	Completed

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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
4. Financial Management	Deficient	Single audit submissions deficient	<p>Procedures for having the A-133 Single Audit report, if the single audit contained findings, or SF-SAC, if there are not findings, submitted to the Region IX office within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period.</p> <p>Caltrans must submit to the FTA Region IX Civil Rights Officer a procedure to ensure that future goals will be submitted by the deadline established by FTA.</p>	August 16, 2010	<p>Caltrans responded in a timely manner to this Review Area prior to August 16, 2010.</p> <p>As of April 26, 2010, Caltrans has developed internal procedures for having the A-133 Single Audit report submitted to the Federal Transit Administration (FTA), Region IX office within 30 day after receipt. The Bureau of State Audits completes the Single Audit for the State and posts it on the clearinghouse by March 30th each year. Caltrans will forward the link to FTA annually.</p>	Completed

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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
7. Satisfactory Continuing Control	Deficient	Inadequate control of real property. Inadequate control of equipment.	Caltrans must submit to the FTA Region IX Office a comprehensive list of all facilities funded with Section 5311 funds and a timetable to update its Section 5311 equipment Records.	March 16, 2011 Extended to December 31, 2011	<p>Caltrans is in the process of awarding a contract in response to a Request for Offer (RFO). The contractor will develop a process that will adequately monitor and maintain inventory of FTA funded equipment and real property. The target completion date for the Inventory Control project is July, 2011.</p> <p>The RFO and proposal package were submitted to the Department of General Services (DGS) for review and approval; The RFO/Purchase Order Contract was awarded on December 27, 2010.</p> <p>A kick-off meeting has been scheduled with the Contractor for early January 2011.</p>	In Progress

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Target Start Date
10. DBE	Deficient	Goal not submitted to FTA	Caltrans must submit to the FTA Region IX Civil rights Officer a procedure to ensure that future goals will be submitted by the deadline established by FTA.	August 16, 2010	<p>Caltrans responded in a timely manner to this Review Area prior to August 16, 2010.</p> <p>On April 26, 2010, Caltrans submitted to the FTA Region IX Civil Rights Officer the 2010 Goal and Methodology. Internal coordination from Caltrans Division of Mass Transportation will be working closely with the Caltrans Office of Business and Economic Opportunity (formerly Caltrans Civil Rights) to ensure that all documents are submitted in accordance with FTA due dates. On April 30, 2010, the FTA Region IX Civil Rights Office accepted Caltrans FY 2010 Goal and Methodology and stated it was in full compliance.</p>	Completed

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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
15. Title VI	Deficient	Other: Program does not comply with circular	Caltrans must submit to the FTA Region IX Civil Rights Officer a Title VI Program that conforms to FTA Circular 4702.1A.	August 16, 2010 Extended to March 16, 2011	Caltrans' Office of Business and Economic Opportunity (OBEO), External Equal Opportunity Program is currently updating the Department's Title VI plan. The updated plan will incorporate the Division of Mass Transportation's State Management Review finding and be compliant with FTA Circular 4702.1A. It is anticipated the update will be completed by March 16, 2011.	In Progress

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Target Start Date
19. Drug-Free Workplace	Deficient	Policy lacking required elements	Caltrans must submit to the FTA Region IX Office a revised Drug-Free Workplace Policy that contains all the required elements.	August 16, 2010	Caltrans responded in a timely manner to this Review Area prior to August 16, 2010.	Completed

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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
24. ITS Architecture	Deficient	Projects not included in Regional ITS Architecture	Caltrans must submit to the FTA Region IX Office documentation that its subrecipients' ITS projects are included in a Regional ITS Architecture	March 16, 2011	<p>Caltrans is collecting and reviewing ITS-related equipment information and following up on ITS plans with 5311 program subrecipients. Target completion date is March 2011.</p> <p>Caltrans is in the process of preparing a Request for Offer (RFO) to hire a contractor to verify that DMT's existing investment in ITS-funded projects is quantified in Regional ITS Plans. The RFO will be completed in January 2011, and it is anticipated that the contractor will be on board in March 2011. The target completion date of this project is July 2011.</p> <p>Caltrans has developed an ITS form for subrecipient agencies to sign, certifying that ITS projects are included in the Regional ITS Architecture Plan.</p> <p>Caltrans has recently revised their 5311 grant application to include the ITS Plan certification form, beginning in the next funding cycle for FY 2011. The Sections 5316 and 5317 branch requires the completion of ITS compliance plan for all IT and ITS related equipment purchases.</p>	In Progress
				December 31, 2011		In Progress
						Completed
						Completed

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
DECEMBER 2010**

Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans ARRA Action Plan	Status
25. ARRA	Deficient	Insufficient Resources	Caltrans must submit to the FTA Region IX Office a plan describing how it intends to properly manage and provide oversight of its American Recovery and Reinvestment Act of 2009 (ARRA) funded projects. This plan can include a request for technical assistance from FTA, if necessary.	June 16, 2010 Extended to January 2011	<p>The plan to hire additional staff has begun and a request to FTA for technical assistance has been completed. Caltrans requested a time extension to January 2011 for FTA technical assistance.</p> <p><u>Technical Assistance from FTA for New ARRA Staff</u> See related Review Area 1. Program Management, Inadequate Oversight System, which describes how Caltrans intends to manage and provide oversight of all FTA Grants, including ARRA projects.</p> <p>In addition, since the Department of General Services (DGS not Caltrans) cancelled the state vehicle contract, Caltrans also needs technical assistance in the third party contracting requirements to help establish a new State contract through DGS and ensure contract execution. Caltrans ARRA staff will be meeting with FTA SMR reviewers on January 18, 2011 for technical assistance. Target completion date: January 2011</p> <p><u>New Positions for ARRA Workload</u> Now that the State Budget has been approved, Caltrans began advertising for seven (7) two-year limited term positions at the Associate Transportation Planner level. As of December 2010, all 7 positions have been filled and are on staff .</p> <p>Training and technical assistance for the new hires will commence in January 2011.</p>	<p>In Progress</p> <p>Completed</p>

