

DEPARTMENT OF TRANSPORTATION

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October 29, 2010

Mr. Leslie T. Rogers
Regional Administrator
Federal Transit Administration, Region IX
201 Mission Street, Suite 1650
San Francisco, CA 94105

Dear Mr. Rogers:

Please find attached the California Department of Transportation (Caltrans) Monthly State Management Review (SMR) Status Update report on the open findings as of September 30, 2010.

Out of the ten areas with deficiencies, two review areas, Disadvantage Business Enterprise and Drug-Free Workplace have been completed.

Caltrans' Monthly State Management Review Status Update as of September 30, 2010, will provide information on the eight (8) open Review Areas of Program Management, Grant Administration, Selection and Eligibility, Financial Management, 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 Kimberly Gayle, Office Chief, Federal Transit Grants Programs, at (916) 654-8074 for any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cindy McKim".

CINDY McKIM
Director

Attachment

c: Audrey Bredehoft, FTA, Region IX

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

1 Review 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 revised the 5311 grant application to include a section on the Force Account Plan.</p> <p>Caltrans is developing policies and procedures that will help guide agencies in developing a Force Account when applicable. The draft policies and procedures will be completed by January 2011 and will be incorporated into the updated SMP.</p>	<p>Completed</p> <p>In Progress</p>

**CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)
MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
SEPTEMBER 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	<p>Currently, Caltrans is undertaking a feasibility study to replace applications currently used by DMT with an application that can be supported by Caltrans IT. The study will propose an application that will increase efficiency and expand capabilities of DMT staff in tracking and reporting FTA and state transit funded programs. The study also will establish a web-based centralized repository for all FTA state transit funded programs, replace existing FileMaker Pro application used to track FTA grants, replace existing spreadsheets used to track FTA and state transit funded programs with one common application. The proposed new application would ensure that all mandated reports are submitted by the required deadlines including accuracy of FTA mandated annual Milestone Progress Reports, Federal Financial and state mandated reports. Overall, the new application would enable the DMT have a better oversight of FTA and state transit funded projects, help staff in monitoring our projects better and allow the DMT to handle increased reporting requirements.</p> <p>Timeline to accomplish this: The Feasibility Study Report is due in December 2010.</p> <p>IT Project Completion: It is anticipated that the project will be completed in June 2011.</p>	In Progress

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MONTHLY STATE MANAGEMENT REVIEW STATUS UPDATE
SEPTEMBER 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.	August 16, 2010	<p>Caltrans has taken measures to address the problem of late National Transit Database (NTD) reporting by conducting webinar training to Caltrans staff on NTD reporting requirements. Caltrans contacted all subrecipients to participate in a webinar on NTD reporting on August 17, 2010. Caltrans also worked with the FTA to hold a training session on NTD 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 NTD data in a condition for invoice payments.</p> <p>See related Review Area 1. Program Management, Inadequate Oversight System See related Review Area 25. ARRA, Insufficient Resources</p>	Completed

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Review Area	Finding	Deficiency	Corrective Action	Response Due	Caltrans Action Plan	Status
2. Grant Administration	Deficient	<p>Late/ incomplete program status reports/ MPRs</p> <p>Incorrect FFR reporting</p>	<p>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.</p>	<p>July 31, 2010</p> <p>Extended to October 31, 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 (DAC) Staff prior to entry into the TEAM and ECHO systems. However, due to implementation of a new department-wide accounting database, we are unable to meet the July 31, 2010 deadline and have received a three month extension to October 31, 2010.</p> <p>See related Review Area 4. Financial Management</p>	<p>The Department will be able to address the MPRs and FFRs by October 31, 2010.</p>

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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	<p>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.</p> <p>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.</p> <p>To ensure that costs are allocated properly by the agencies, Caltrans is working with CalACT to provide training on cost allocation to our subrecipients in November 2010.</p>	<p>Completed</p> <p>In Progress</p> <p>In Progress</p>

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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><u>August 16, 2010</u></p> <p>Extended 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 and Division of Accounting 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 communication and reinforced the need to obtain the necessary data from subrecipients to ensure timely submission of MPRs.</p> <p>See related Review Area 2. Grant Administration.</p>	<p>The Department has implemented protocols which will identify and mitigate errors prior to the submission of the report on November 16, 2010.</p>

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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	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 30 th each year. Caltrans will forward the link to FTA annually.	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	Caltrans is in the process of awarding a contract in response to a Request for Offer (RFO). The anticipated date for the contractor to start work is November 2010. The contractor will develop a process that will help adequately monitor and maintain inventory of FTA funded equipment and real property. The target completion date of the equipment records project is June 30, 2011.	In Progress

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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	On April 28, 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.	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	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. However, the Title VI plan is still in the update process and OBEO anticipates completing by March 16, 2011.	The Title VI plan update is on track for completion by March 16, 2011. However, the Office of Business Economic Opportunity is currently working on the Title VI Annual Element due to FHWA/FTA 11/1/10.

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	<u>Please see attached revised policy.</u>	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	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.	In Progress
					Caltrans is in the process of awarding a contract in response to a Request for Offer (RFO). The contractor will start work in November 2010 to develop a process that will help adequately monitor and maintain inventory of FTA funded equipment and real property. In addition, the contractor will be verifying ITS-funded projects to ensure they are included in the Regional ITS Plan. The target completion date of the project is June 30, 2011. See related Review Area 7. Satisfactory Continuing Control	In Progress
					Caltrans has developed an ITS Plan certification form for subrecipient agencies to sign, certifying that the ITS project is included in the Regional ITS Architecture Plan.	Completed
					Also, Caltrans has recently revised their 5311 grant application to include the ITS Plan certification form, beginning in the next funding cycle for FY 2011.	Completed

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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	<p>The plan to hire additional people has been materialized and a request to FTA for technical assistance has been completed.</p> <p><u>Technical Assistance from FTA for New ARRA Staff</u> See related Review Area 1. Program Management, Inadequate Oversight System.</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. FTA will be meeting with Caltrans in January 2011 to provide 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 will begin advertising for five (5) two-year limited term positions at the Associate Transportation Planner level. The plan is to have all ARRA positions hired and on staff by January 2011 to receive training and technical assistance from the FTA in January.</p> <p><u>Timeline to implement this:</u></p> <p>Selection process of new ARRA positions will be completed by November 2010 Hiring process will be completed by December 2010 Training and technical assistance for the new hires will commence in January 2011.</p>	<p>In Progress</p> <p>In Progress</p>

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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	<p><u>Information Technology for ARRA Reporting</u> Caltrans has implemented a new internet based reporting system. This system is designed to streamline the ARRA reporting process by allowing subrecipients the ability to report seamlessly online, instead of manually through spreadsheets that go to the Governor’s Reporting System. The new system will store all information needed to complete the House Transportation and Infrastructure Report, Office of Management and Budgets 1512 Report, and Section 1201c Report.</p> <p><u>Inventory and Asset Management for ARRA Projects</u> See related Review Area 7. Satisfactory Continuing Control. The work will include a statewide on-site monitoring, inspection and inventory of all ARRA facilities, vehicles, equipment, and preventive maintenance projects. This will provide consistent oversight of ARRA assets throughout useful life and help maintain the federal interest. The target completion date of the project is June 30, 2011.</p>	Completed Work will begin November 2010