

Memorandum

*Serious drought.
Help Save Water!*

To: RIHUI ZHANG
Chief, Division of Local Assistance

Date: February 5, 2016

AMARJEET S. BENIPAL
District Director, District 3

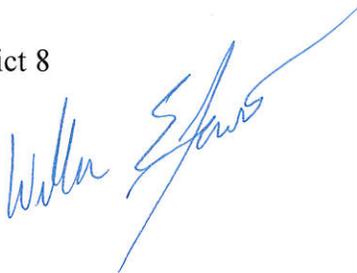
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District Director, District 5

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District Director, District 8

From: WILLIAM E. LEWIS
Assistant Director
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Subject: **FINAL AUDIT REPORT – OVERSIGHT OF LOCAL ASSISTANCE PROJECTS**

Audits and Investigations (A&I) completed an audit of Caltrans' Oversight of Local Assistance Projects. We performed the audit to evaluate the level of oversight performed on local assistance projects and to determine if it satisfies state and federal requirements. The scope of the audit included local assistance projects from Districts 3, 5, 7 and 8 for the period July 1, 2013, through June 30, 2014.

The final audit report includes responses from the Division of Local Assistance and Districts 3, 5, 7, and 8. We request that the status of corrective actions be provided to A&I within 60, 180, and 360 days from the date of the final report. If all the findings are not corrected within 360 days from the date of the final report, we also request that status reports be provided every 180 days until the findings are fully resolved. As a matter of public record, the final audit report and the status reports will be posted on A&I's website.

We thank you and your staff for their assistance during this audit. If you have questions or need additional information, please contact Juanita F. Baier, Internal Audit Manager at (916) 323-7951 or Zilan Chen, Chief, Internal Audits, at (916) 323-7877.

RIHUI ZHANG, et al.

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**Department of Transportation
Oversight of Local Assistance
Projects Audit**

P3010-0625

February 2016

Prepared By:

Audits and Investigations

California Department of Transportation

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SUMMARY, OBJECTIVES, SCOPE METHODOLOGY, BACKGROUND AND CONCLUSION

SUMMARY

The California Department of Transportation (Caltrans) Audits and Investigations (A&I) completed an audit of the Oversight of Local Assistance Projects. The purpose of the audit was to evaluate the level of oversight performed on local assistance projects to determine if it satisfies state and federal requirements.

We conducted a statewide survey and performed fieldwork at the Division of Local Assistance (DLA) and Districts 3, 5, 7, and 8 Local Assistance offices. Our audit disclosed that weaknesses exist in the oversight of federal-aid and state funded local assistance projects. Specifically, we found:

- Oversight of Local Assistance Federal-Aid Projects is Not Always Performed and is Not Clearly Defined for State Funded Projects.
- Conflicting Roles and Responsibilities in Assisting Local Agencies.
- Meeting the Training Needs of Local Agencies Could be Improved.
- District Local Assistance Offices' Processes and Procedures are Not Always Followed.
- Process Reviews are Not Always Conducted for Federal-Aid Projects.
- Unclear Responsibility for Following Up with Program Reviews and Audit Exceptions.
- Some Policies and Procedures are Outdated or Unclear.

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing. The objectives of the audit were to determine whether:

- The Local Assistance Program provides oversight and monitoring procedures for federal-aid and state funded projects as required by federal and state rules, regulations, and policies.
- Internal controls exist to ensure funds are spent in accordance with program requirements.
- Uniform policies and procedures are established to assist local agencies in meeting program requirements for their projects.
- The DLA takes corrective action resulting from process reviews and audits.

The audit focused primarily on evaluating internal controls for oversight of local assistance projects and included tests considered necessary to achieve the above audit objectives. Although we tested project files to ensure completion of environmental and Right of Way documents, we did not focus on the processes and procedures. Based on preliminary analyses, we selected Districts 3, 5, 7 and 8 for testing. The audit covered the period July 1, 2013, through June 30, 2014. We conducted our audit from September 2, 2014, through April 23, 2015. Changes after these dates were not tested, and accordingly, our conclusions do not pertain to changes arising after April 23, 2015.

We conducted interviews at the DLA and obtained the requirements for District Local Assistance offices. We also conducted interviews of the District Local Assistance Engineer (DLAE) and key staff in the district offices, observed processes and procedures, and performed testing on 20 federal-aid and 5 state funded projects.

BACKGROUND

Caltrans' Local Assistance Program oversees more than one billion dollars annually available to more than 600 cities, counties, and regional agencies to improve transportation infrastructure or provide transportation services. The funding comes from various federal and state programs specifically designed to assist the transportation needs of local agencies. Annually, more than 1,200 new projects are authorized through the Local Assistance Program of which approximately 700 are construction projects.

According to the 2015 Local Assistance Program Strategic Plan, the Local Assistance Program helps local and regional agencies deliver transportation projects to improve the economy and livability by effectively and efficiently utilizing federal and state funds in accordance with requirements. The Local Assistance Program has both the role of regulator in ensuring compliance and the role of advocate for local agencies to facilitate effective project delivery by streamlining the process.

The Local Assistance Program is comprised of the DLA in Headquarters and 12 District Local Assistance offices. The Headquarters DLA is composed of:

- Policy Development and Quality Assurance Office
- Office of Project Implementation North
- Office of Project Implementation South
- Office of Active Transportation and Special Programs
- Office of Bridge, Bond and Safety Programs
- Office of Resource Management and Business Services
- NEPA Assignment/Environmental Compliance Office
- Office of Construction Oversight

The 12 District Local Assistance offices assist local and regional agencies by ensuring specific program requirements are met, project applications are processed, and projects are delivered in accordance with federal and state requirements.

The Federal Highway Administration (FHWA) and Caltrans entered into a Joint Stewardship and Oversight Agreement (Stewardship Agreement). The Stewardship Agreement provides a roadmap to effectively and efficiently manage the Federal-Aid Highway Program both in terms of program and project delivery. It defines roles and responsibilities, outlines authorities, and assures accountability.

The Stewardship Agreement also defines oversight as the act of ensuring that the federal-aid highway program is delivered in accordance with applicable laws, regulations, and policies. Oversight is the compliance or verification component of the FHWA stewardship activities.

Oversight activities include process reviews, program evaluation, program management activities, and project involvement activities.

Caltrans delegates its federal authority to local agencies to the greatest extent possible for federal-aid projects located off of the State Highway System. Caltrans is accountable to the FHWA for locally administered federal-aid projects and ensures that local agencies have adequate project delivery systems in place and sufficient accounting controls to properly manage federal funds. Caltrans is required to ensure state requirements and project development procedures are followed for those projects advertised, awarded, and administered by the local agencies on the State Highway System.

Caltrans provides the review and approval to assure that locally administered federal-aid projects comply with federal requirements. Caltrans achieves this by:

- Providing local agencies with accurate federal-aid project development procedures and program guidelines.
- Conducting prioritized Process Reviews, Maintenance Reviews, Plans, Specifications and Estimates Reviews, Field Reviews, including project verification of all projects after final inspection by local agency, and special audits.
- Providing continuous federal-aid project training.
- Providing Right of Way training to local agencies to assure compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
- Participating in formal FHWA program audits.
- Implementing quality assurance measures over those quality control activities delegated to local agencies.
- Holding statewide meetings and conferences, such as the City-County-State-Federal Co Op Committee meeting, to receive local agency and Caltrans district feedback.

CONCLUSION

We concluded that improvements are needed in the oversight of local assistance projects and established processes and procedures, and noted these findings:

- Oversight of Local Assistance Federal-Aid Projects is Not Always Performed and is Not Clearly Defined for State Funded Projects.
- Conflicting Roles and Responsibilities in Assisting Local Agencies.
- Meeting the Training Needs of Local Agencies Could be Improved.
- District Local Assistance Offices' Processes and Procedures are Not Always Followed.
- Process Reviews are Not Always Conducted for Federal-Aid Projects.
- Unclear Responsibility for Following Up with Program Reviews and Audit Exceptions.
- Some Policies and Procedures are Outdated or Unclear.

VIEWS OF RESPONSIBLE OFFICIALS

We requested and received written responses to our recommendations from the Chief of the Division of Local Assistance and the District Directors for Districts 3, 5, 7, and 8. These officials concurred with our findings and provided us with a written response. Please see Attachments 1 and 2 for a copy of the responses.



William E. Lewis
Assistant Director
Audits and Investigations

January 12, 2016

FINDING 1 – Oversight of Local Federal-Aid Projects is Not Always Performed and is Not Clearly Defined for State Funded Projects

The California Department of Transportation (Caltrans) ensures that local agencies administer their projects properly and have adequate systems and controls in place to manage projects. The Joint Stewardship and Oversight Agreement (Stewardship Agreement) executed on October 14, 2010, between Caltrans and the Federal Highway Administration (FHWA) requires that Caltrans submit an annual summary of oversight activities on federal-aid projects to provide assurance of meeting federal requirements. Oversight activities consist of Maintenance Reviews, Plans, Specifications and Estimates (PS&E) Reviews, and Field Reviews/Final Inspections.

During our audit, we found that districts are not conducting all oversight activities required by the Stewardship Agreement. Specifically, District Local Assistance offices are not conducting maintenance reviews, reviewing PS&E packages, not always conducting final inspections, and not always monitoring receipt of critical certifications.

Maintenance Reviews

During interviews with District Local Assistance Engineers (DLAE) and staff, we learned that maintenance reviews are not being performed. We reviewed the Implementation Products Workload Norms report, which is created by the Division of Local Assistance (DLA) for resource allocation purposes, and noted that hours were charged to maintenance reviews even though no reviews were being conducted. The DLA stated that the hours charged for performing maintenance reviews during the period of July 1, 2010, through July 31, 2014, were probably charged erroneously.

Not conducting required maintenance reviews may result in projects not being maintained for their intended purposes. In addition, charging time for work products not being performed is inappropriate and will affect how expenditure information is reported.

The Stewardship Agreement requires Caltrans to conduct maintenance reviews to ensure that federal-aid local assistance projects meet federal requirements. According to the Local Assistance Procedures Manual (LAPM) Chapter 18, the primary purpose of the maintenance review is to determine if federal-aid highway projects are maintained at an acceptable level of physical integrity and operation. Caltrans is required to review project maintenance for agencies using federal-aid funds so every agency is evaluated during a four-year cycle.

According to the DLA, prior management discontinued maintenance reviews when the funding for the American Recovery and Reinvestment Act of 2009 (ARRA) ended. The DLA cited in its one-year status report to an audit performed by Caltrans Audits and Investigations that DLA stopped performing maintenance reviews due to lack of resources. As part of this audit, DLA stated that discontinuing maintenance reviews was discussed in a DLAE quarterly meeting where representatives from FHWA were present and they agreed. However, the DLA could not provide a

written directive or agreement showing that FHWA concurred with discontinuing maintenance reviews. We noted that District 5 conducted maintenance reviews in December 2014.

Plans, Specifications and Estimates

Local agencies must prepare and certify Plans, Specifications and Estimates (PS&E) packages for every project. Certification means that the PS&E was prepared in accordance with Chapter 12 of the LAPM and the local agency accepted all responsibility for compliance with federal requirements. Local agencies are also required to complete a PS&E checklist and attach it to all PS&E packages submitted to the District Local Assistance office when a project phase is submitted for authorization. We found through interviews that staff did not ensure at least one set of the specifications portion of the PS&E package was reviewed annually for each local agency that submitted a PS&E package.

Without reviewing PS&E packages, Caltrans cannot be sure that local agencies have included the minimum required provisions in each set of contract documents which could result in the project not being eligible for federal reimbursement.

The LAPM Chapter 12 states that the DLAE must confirm that the correct Special and Federal Contract Provisions are included in the contract provisions as indicated on the checklist. The DLAE should ensure that at least one set of Special and Federal Contract Provisions is reviewed per year for each local agency that submits a PS&E package.

According to one DLAE staff, there are no sufficient resources to review PS&E packages. Staff in another District Local Assistance office stated that Transportation Planners can verify if the checklist appears to be completed in accordance with requirements but cannot perform a review of the package because only engineers can certify a complete package.

Final Inspections

Final inspections for work performed by local agencies are conducted at project completion. We interviewed 14 staff from the four District Local Assistance offices and found two staff in two District Local Assistance offices do not always conduct final inspections when projects are completed. Final inspection for one of the 20 federal-aid projects tested was not conducted and documentation was not available to verify that final inspections were conducted for four federal-aid projects in three District Local Assistance offices. For another project, it took over 13 months after the local agency's project completion for District Local Assistance office staff to conduct field inspection by verifying the project site.

If District Local Assistance offices do not conduct final inspections on federal-aid projects, the districts cannot ensure the projects are built under the scope and description of what was authorized for funding. Chapter 17 of the LAPM states the DLAE or his/her staff depending on the district organization and type of project, will review the job site and verify that the project was constructed under the scope and description of the project authorization document. We found one District Local Assistance office engineer who does not conduct final inspections on any completed projects due to workload.

Monitoring Requirements

The District Local Assistance offices do not always monitor timely receipt of Disadvantaged Business Enterprises (DBE) and Americans with Disabilities Act (ADA) certifications. By not monitoring timely receipt of DBE and ADA certifications, Caltrans cannot ensure that the local projects meet federal requirements prior to the start of the project authorization process. According to the Stewardship Agreement, each local agency must provide the District Local Assistance office with a completed ADA Annual Certification form by June 30th of each year for the following federal fiscal year. The form must be received prior to submitting a Request for Authorization/Allocation to proceed with a federal-aid project.

District Local Assistance offices normally designate one staff as DBE coordinator responsible for this process. Based on our review we learned one of the District Local Assistance offices does not monitor and track the receipt of certifications because the DBE coordinator does not understand the need for certifications to be submitted prior to project authorization. Another District Local Assistance office has a process to monitor the timely receipt of certification; however, no back-up person was designated to fulfill this responsibility.

Oversight of State Funded Projects

We found that the same level of oversight provided to federal-aid projects is not provided to state funded locally administered transportation projects. According to DLA, oversight of federal-aid projects is mandated by federal law, but the same level of oversight requirement for state funded programs are not mandated by state law. However, various chapters of the Local Assistance Procedures Manual and Local Assistance Program Guidelines provide the same requirements regardless of state or federal funding on the projects. Currently, Local Assistance provides minimum oversight on state funded projects by reviewing packages to ensure they are complete and accurate only. However, the Local Assistance Program Guidelines require that Caltrans maintain a process review program as the main method for determining if local agencies are in compliance with all applicable federal and state laws, related regulations, and procedures. In addition, Government Code, Section 13401(a), states that an effective system of internal controls includes active oversight processes for the prevention and early detection of fraud and errors.

RECOMMENDATIONS:

We recommend that the DLA:

- 1) Determine if maintenance reviews should be conducted as required in the Stewardship Agreement and communicate the requirement to the District Local Assistance offices.
- 2) Determine the level of oversight necessary to ensure state funded projects are developed within scope and establish proper procedures.

We also recommend that the District Local Assistance offices:

- 1) Review the PS&E package for at least one project per agency annually.
- 2) Remind staff to conduct final inspections on completed projects.
- 3) Ensure timely receipt of critical certifications.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA agreed with the findings and provided a corrective action plan addressing all the recommendations with target completion dates. The DLA has already taken steps to clarify the level of oversight on state-only funded projects and will continue the effort. For a copy of the complete response, please see Attachment 1.

DISTRICTS' RESPONSE:

Districts 3, 5 and 7 agree with the findings and their responses are incorporated with the Division of Local Assistance who will address the recommendations. For a copy of the complete response, please see Attachment 1.

District 7 generally agrees with the findings and stated that staffing levels have prevented them from some of the basic oversight activities. For a copy of the complete response, see Attachment 2.

FINDING 2 – Conflicting Roles and Responsibilities in Assisting Local Agencies

District Local Assistance office staff consists primarily of Transportation Engineers and Associate Planners geographically assigned to local agencies. The primary responsibilities of Transportation Engineers and Associate Planners consist of reviewing and processing requests for authorization of project funds, progress invoices, contract award packages, and close out packages including Final Report of Expenditures sent by the local agencies and/or their consultants. Reviews are conducted to ensure they are complete, accurate and meet federal and state requirements. We found that District Local Assistance office staff spend a significant amount of time assisting local agencies to complete documents and some staff are completing the documents for the local agencies, as noted in the following examples:

- District staff complete the documents for the local agencies to avoid time consuming process of the back-and-forth communications due to incomplete or inaccurate submittals.
- One engineer spent several weeks at a local agency formatting an invoice with multiple funding sources and putting a contract award package together. This same engineer stated that the local agencies have his personal cell phone number and have called him on weekends and holidays. Additionally, he performed the duties of a project manager for another city overseeing one of their projects and attending bi-weekly meetings for three years. He stated that he also approaches cities where he thinks the consultants are doing a poor job, and he offers to perform their work for free.

- Another district engineer works a couple of times a week at a local agency attending meetings, conducting training, and sometimes completing the Request for Authorization packages.

The Local Assistance Program's goal is to get local assistance projects funded and to promote partnering by providing the necessary assistance, regardless of how much effort it takes. District staff are responsible to do all they can to ensure local agencies get their projects funded timely and avoid delays caused by incorrect or incomplete submittals. However, during interviews with District Local Assistance office staff, we found that they are unclear as to how much needs to be done for local agencies and some of them are going beyond what is required. This has created additional work load and has not alleviated the continuous resubmittals of inaccurate and incomplete submittals by local agencies. Furthermore, when district staff complete documents for the local agencies, there is the potential liability if something goes wrong with the project Caltrans will be responsible.

In addition, District Local Assistance offices are not clear to what extent they should be involved in participating in consultant selection panels because the LAPM does not provide guidance on the level of involvement. The DLA stated there are no guidelines for the DLAE's role in the participation of this selection process and they have no position on this. Unclear policies or procedures pertaining to the DLAE's role in participation on the selection panels could create the appearance that they selected the consultant, and Caltrans could be held responsible for the entire procurement process.

The LAPM states that if the RFA package is incomplete, unacceptable, or missing information that cannot be quickly obtained by FAX, telephone, e-mail, or other source, the package will be returned to the local agency for resubmittal. DLAE office staff are aware of this requirement; however, they feel that this practice saves time and feel responsible for ensuring the projects are funded timely. District staff are very dedicated to assisting local agencies and will do whatever is necessary to accomplish this.

RECOMMENDATIONS

We recommend the DLA:

- 1) Work with the DLAEs to define their role in promoting partnering with local agencies and clarifying the oversight responsibilities.
- 2) Provide DLAEs with guidance on their roles and responsibilities when preparing documents for local agencies and when participating in consultant selection panels and limiting Caltrans liability.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA agreed with the finding and provided an action plan addressing the recommendations. For a copy of the complete response, please see Attachment 1.

FINDING 3 – Meeting the Training Needs of Local Agencies Could be Improved

The DLA offers training through the Local Assistance Academy and annual federal-aid project training through the Federal-Aid Series. In 2015, DLA also provided Architectural and Engineering (A&E) Consultant and Disadvantaged Business Enterprise training for local agencies in all 12 districts. However, this training does not meet all the needs of local agencies and may not always target the correct local agency staff. Further, we found there is no process established for the DLA to reach out to the DLAEs or local agencies to identify training needs. As a result District Local Assistance offices spend a significant amount of time providing assistance and training to local agencies on project administration (including Request for Authorization/Allocation submittals, invoicing, and award packages), and close-out procedures.

If DLA assessed the training needs of local agencies' staff who are responsible for preparing submittals and provided continuous training, it would be more efficient and effective.

The Stewardship Agreement states that Caltrans is responsible for assuring local agencies comply with state and federal applicable laws, regulations, directives and standards and providing training. LAPM Chapter 19 states that Caltrans will provide continuous federal-aid project training in consultant selection, contract procurement, administration, and close-out procedures. This training is provided in addition to the Resident's Engineering Academy and Federal-Aid Series. Further Deputy Directive 44 states that Caltrans provides the local agencies with requested assistance and training if resources are budgeted by the Legislature. DLA is responsible for providing statewide training to local agencies and the DLAE is responsible for communicating available training.

According to the DLA, consistent statewide training would be beneficial to local agencies. The District Local Assistance office staff stated that many local agencies experience high employee turnover rate and many local agency staff do not have the knowledge to complete the necessary submittals to request funding for their transportation projects. Further, some District Local Assistance office staff stated that assessing training needs of local agencies has not been previously identified as an issue or their responsibility.

RECOMMENDATION

Recommend that the DLA:

- 1) Assess the training needs of the local agencies and work with the DLAEs to develop the identified necessary training.
- 2) Provide regular and consistent training to local agencies for project administration, close out procedures, and other areas identified as needed.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA generally agreed with the findings. DLA believes that they are delivering regular and consistent training to local agencies but agree with the need to assess the effectiveness of existing training and determine additional training needs. For a copy of the complete response, please see Attachment 1.

FINDING 4 - District Local Assistance Offices' Processes and Procedures are Not Always Followed

The District Local Assistance office staff are primarily responsible for reviewing various submittals sent by the local agencies and consultants to obtain funding for each phase of the local agency project. Submittals are reviewed to ensure they are complete, accurate, and in compliance with federal and state requirements.

We tested 20 federal-aid projects and 5 state funded locally administered projects, and we conducted interviews with the DLAEs, Seniors, and staff in all four District Local Assistance offices. Our audit found that processes and procedures for review submittals including Highway Bridge Program applications, Request for Authorization/Allocation, Progress Invoices, Contract Award, and Close-Out including Final Report of Expenditures packages were not always followed. See Exhibit A for a summary of specific exceptions noted. Specifically, we found:

- Staff did not always ensure submittals were complete and accurate, and in compliance with federal-aid and state funded projects requirements.
- Documentation was not available to show that submittals were sent to DLA timely.
- Progress invoices were not submitted timely and did not always match the amounts claimed.
- Work began prior to authorization of funds on some projects.
- Contract Change Orders were missing from the files or did not contain required signatures.
- Project milestones were not always recorded in the LP2000 system.
- Receipt of Contract Award and Final Report of Expenditure packages are not monitored for timeliness.

The LAPM Chapter 3 has established guidelines for the Project Authorization process. The Program Supplement Agreement requires local agencies submit invoices every six months or provide a written explanation. The LAPM Chapter 17, states that the Final Reports of Expenditures are due six months from completion of the project. According to the DLAEs the existing guidelines have no incentive for local agencies to submit these packages timely.

RECOMMENDATION

We recommend that the DLA:

- 1) Establish guidelines for districts to maintain complete project files.
- 2) Establish and communicate a process for monitoring timely receipt of Contract Award packages and Final Report of Expenditures.

We also recommend that the DLAEs:

- 1) Ensure staff follow processes and procedures as prescribed by DLA policies.
- 2) Ensure documentation for submittal of invoices is maintained in the project files.
- 3) Implement a process established by the DLA for monitoring timely receipt of Contract Award packages and Final Report of Expenditures.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA generally agrees with the findings; however, they believe the Districts have the responsibility to establish district specific guidelines for maintaining complete project files. For a copy of the complete response, please see Attachment 1.

DISTRICTS' RESPONSE:

Districts 3, 5, and 8 agree with the findings and their response is incorporated with the DLA's response. For a copy of the complete response, please see Attachment 1.

District 7 generally agrees with this finding and stated that they will instruct staff to follow the guidelines provided by the DLA. For a copy of the complete response, please see Attachment 2.

FINDING 5 – Process Reviews are not Not Always Conducted for Federal-Aid Projects.

Process reviews are an oversight activity required by the Local Assistance Program Guidelines (Guidelines) and the Stewardship Agreement. The DLA is supposed to prepare an annual Process Review Workplan which identifies the process reviews to be completed for the year. We found that a Process Review Workplan has not been developed since 2011. The DLA does not consistently conduct process reviews for federal-aid projects. Process reviews of local agencies are necessary to ensure that state and federal requirements are being met and proper procedures are being performed. Our audit found that the DLA conducted only one process review per year for 2013 and 2014. DLA is not adhering to the terms of the Stewardship Agreement which requires the process reviews. In addition, by not performing process reviews, the DLA cannot identify if areas of noncompliance exist for federal or state requirements.

LAPM Chapter 19 states that Caltrans achieves oversight by “preparing, prioritizing, updating and implementing an Annual Process Review Work Plan.” Chapter 23 of the Guidelines states that Caltrans does not verify the local agency's capability to accomplish the specific project component as part of the allocation procedures. Instead, Caltrans maintains a process review program as the main method for determining if local agencies comply with all federal and state laws, related regulations, and procedures. The LAPM Chapter 20 states that the process review is now Caltrans primary method of ensuring that federal and state requirements are met. Construction Oversight Program policy states that process reviews are conducted to verify the accuracy of local agency certification and identify deficiencies for federal-aid projects off the state highway system.

According to the DLA, process reviews are required; however, limited resources have prevented them from performing the function. The DLA does construction oversight reviews for the construction phase of the project and would like to do the same for A&E Consultant Contracts.

RECOMMENDATION

We recommend DLA:

- 1) Conduct process reviews, as necessary, to ensure federal requirements are being met.
- 2) Update policy and procedures to be consistent with current practice of its oversight framework.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA generally agreed with the finding and provided an action plan for addressing the recommendations with target completion dates. For a copy of the complete response, please see Attachment 1.

FINDING 6 – Unclear Responsibility for Following Up on Program Reviews and Audit Exceptions

Our audit found that not all the DLAEs know of their responsibility to ensure that local agencies take corrective action to address identified findings and recommendations in an audit or review. Two of the four DLAEs we interviewed knew of their responsibilities, and one sends staff out to investigate findings, tracks them, and if necessary provides training. Another one developed a corrective action plan and signed it, but stated that the DLA walked them through the process. The remaining two DLAE were not aware of the responsibility and not all Senior Transportation Engineers ensure corrective action plans are implemented.

The Office of Inspector General, United States Department of Transportation, the California State Auditor, and Caltrans Audits and Investigations conduct program reviews and audits of local agencies. In addition, FHWA conducts annual program and process reviews of projects that Caltrans oversees. When these program reviews and audits result in findings and observations, the DLA is responsible for ensuring a corrective action plan is developed and follow-up is performed.

Not ensuring that local agencies take corrective action for audit findings and recommendations, could result in loss of funding for local agencies who continue to be out of compliance with federal and state requirements.

There is no written process or directive for the DLAEs to monitor and assist local agencies in implementing corrective action. According to the DLA, they are responsible for developing the corrective action plan for local agencies in response to audit findings and the DLAE is responsible to ensure the local agencies implement it. However, Chapter 19 of the LAPM states that the DLA is responsible for implementing corrective action plans.

RECOMMENDATION

We recommend that the DLA document the DLAEs responsibility and remind them of their role to ensure local agencies are implementing corrective action plans.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA agreed with the finding and will develop a policy and procedures to establish clear roles and responsibilities. For a copy of the complete response, please see Attachment 1.

FINDING 7 – Some Policies and Procedures are Outdated or Unclear

We found that some DLA policies and procedures do not provide clear guidance or need to be updated to reflect current policies. The DLA is responsible for ensuring uniform and consistent policies and guidelines exist for administering the LAPM. The DLAEs in each district are responsible for ensuring local assistance transportation projects meet federal and state requirements.

We found these policies/directives need clarification or need to be updated:

- 1) Deputy Directive 44 (DD-44) “*Federal-aid and State Funded Highway Local Assistance*” needs to be revised to include increased oversight of local agencies with federal-aid and state funded projects. The DD-44 was established in 1995 to delegate responsibilities and accountabilities for delivery of local federal-aid and state funded projects and programs through minimizing oversight functions of Caltrans. Oversight responsibilities were delegated to local agencies to the greatest extent allowable by self-certifying that they are meeting requirements. Caltrans retained responsibilities of providing training and issuing policies and procedures to local agencies.

During the last 20 years, there have been policy changes because of increased oversight by the DLA. According to the Construction Oversight Program Policy, and findings from various reviews conducted by FHWA and Caltrans, risk areas were identified in construction contract administration that require improved oversight by Caltrans Local Assistance. Not having an updated policy that gives Caltrans greater oversight responsibilities could result in negative impact on Caltrans’ partnering relationship with local agencies.

- 2) The roles and responsibilities for conducting process reviews of contract change orders and local agency project files during the construction phase of a project are not clear. According to Chapters 16 and 19 of the LAPM, the District Local Assistance office is responsible for conducting process reviews; however, the Construction Oversight Policy states that the construction oversight engineers will conduct these functions. By not establishing clear roles and responsibilities for conducting process reviews during construction phase of a project could duplicate efforts.

- 3) Agreements have unclear procurement regulations. Through these agreements, Caltrans requires local agencies to comply with the federal procurement regulations in Title 49 Code of Federal Regulation (CFR) Part 18.36 (superseded by 2 CFR 200 as of December 26, 2014) when using state and/or federal funds. In addition, the guidance in the LAPM is not clear on the specific Public Contract Codes to follow for non-Architectural and Engineering contracts. According to the Division of Legal, requiring local agencies to comply with federal regulations for third party contracts funded with state only funds may violate state law. Further clarification from FHWA indicates that local agencies should follow state procurement laws; and, Caltrans needs to ensure all agreements and guidelines contain the correct regulations. Requiring local agencies to adhere to incorrect regulations for procurement may violate state and federal law and may create a negative impact in Caltrans' relationships with local agencies.

- 4) The newly implemented Risk-Based Invoicing Policy is unclear in certain areas. The Local Agency Invoice Review policy established in 2009 was updated by DLA-OB-14-05 to reduce the local agencies and the DLAEs processing invoices workload. This update provides guidance to determine which documentation is appropriate to include with the invoices and what is necessary for the districts to review. However, we found this updated policy to be unclear because:
 - It does not require local agencies to certify that all project costs are eligible and reimbursable. Not certifying eligible and reimbursable project costs could result in local agencies not being held accountable for maintaining support for project costs.
 - District Local Assistance office staff are required to sign off that they concur with the items in the Local Agency Invoice Checklist without the ability to verify them. For example, local agencies do not have to submit contractor invoices or supporting documentation for checklist items number 4 and 10, yet staff have to concur that the work performed is consistent with the approved project scope and limits or the level of work is consistent with funds invoiced.
 - It does not provide criteria that allows the DLAE to request supporting documentation at their discretion. If criteria to require local agencies to submit documentation to support their progress invoices is not included in the policy, the District Local Assistance offices may not be able to require documentation. This could result in ineligible reimbursement of costs because the level of review was limited.

- 5) Chapter 2 of the LAPM requires all Caltrans headquarters and district employees who review, rank, and rate project applications from local agencies for federal or state funded programs to complete the Conflict of Interest Form, ADM-3043. We found that Form ADM-3043 does not apply to local assistance, rather, it is specifically for staff involved in the procurement process for goods acquisition.

The DLA is responsible for establishing uniform policies and procedures for district offices to carry out their responsibilities and to assist local agencies to meet program requirements for their projects. The DLA has not provided clear guidance on the above listed policies. In addition, guidelines and manuals have not been updated for new or revised policies.

RECOMMENDATION

We recommend that the DLA:

- 1) Review the listed policies and procedures, and if deemed necessary, update and clarify standard language in agreements, policies, and manuals.
- 2) Develop a conflict of interest policy and certification form for local assistance staff who review, rank, and rate local assistance project applications.

DIVISION OF LOCAL ASSISTANCE RESPONSE:

The DLA agreed with the finding and provided an action plan addressing the recommendations. For a copy of the complete response, please see Attachment 1.

Exhibit A – Summary of Exceptions

The table listed below provides detailed testing results of exceptions for the 20 federal-aid and 5 state funded projects tested.

Findings	District 3		District 5	District 7	District 8		Total Projects with Exceptions
	5 Federal-Aid	2 State Funded	5 Federal-Aid	6 Federal-Aid	4 Federal-Aid	3 State Funded	
Request for Authorization (RFA)							
Unable to determine if RFA packages were submitted timely. ^a	3	1	1	2	3	2	12
RFA documents prepared by District Local Assistance office staff. ^b			3				3
Project scope was changed without authorization.						1	1
RFA documents missing from project files or documents were incomplete. ^c	2	1	4	1	2	1	11
Milestones not recorded in LP2000.	1			1	1		3
Progress Invoices							
Projects with invoices not submitted timely.	3	1	1	2	1	3	11
Projects with reimbursable work that began prior to authorization.	1			1			2
Invoice amounts did not tie to amounts claimed.				1	1		2
Contract Change Orders							
Did not have signatures or were missing from files.			1		1		2
Project Completion							
Reimbursable work was not claimed within 180 days of project completion.	2		4	3	1	1	11
Close-out packages were not in the project files.		1			1		2
Final inspection was not conducted, not conducted timely, or not in project file. ^d		1	1	2	1	1	6

Note: RFA = Request for Authorization/Allocation

-
- a. One engineer in District 7 allows local agencies/consultants to submit incomplete RFA packages.
 - b. All District Local Assistance office staff interviewed stated they prepare documents for local agencies. During testing in District 5, we found two finance letters and one final detail estimate was prepared by engineers.
 - c. District 8 missing documents included two complete RFA packages for one federal-aid project and the entire RFA package for one state funded project that were counted as one document.
 - d. Districts 5 and 8 had one engineer who stated they do not always conduct final inspections.

AUDIT TEAM

Zilan Chen, Chief, Internal Audits

Juanita Baier, Audit Manager

Amy Norwood, Auditor-in-Charge

Kula Sirleaf, Auditor

Attachment 1

Memorandum

*Serious drought.
Help Save Water!*

To: William Lewis,
Assistant Director
Audits and Investigation

Date: January 29, 2016

File:



From: Ray Zhang
Chief,
Division of Local Assistance

Subject: **Audit Response – Oversight of Local Assistance Projects (P3010-025)**

This memorandum communicates the views of responsible officials of the Division of Local Assistance on the draft audit report of Department of Transportation Oversight of Local Assistance Projects. The Division of Local Assistance appreciated the thorough audit work conducted by Audits and Investigation staff. We value the audit findings that pointed to areas in our oversight needing improvement. We consider this audit report and its constructive recommendations as a gift, and look for opportunities it provided us for making improvement or changes to our business process to provide better services to our partners and customers

We live in a changing world. This is especially true for the Local Assistance Program. The state and federal transportation laws change constantly, introducing new funding programs and new requirements that require changes to how we oversee locally administered transportation projects. Even though Local Assistance's roles and responsibilities changes and evolves, the current Local Assistance oversight framework is based on Caltrans Deputy Directive-44 (DD-44) "Federal-aid and State Funded Highway Local Assistance" first issued over 20 years ago. During the last 20 years, we have seen five federal surface transportation acts, from ISTEA to the most recent FAST Act. We have gone through various staffing resource level changes, with the most recent change being the zero-based budget in 2013. We have gradually introduced proactive oversight programs such as progress invoice review, and construction oversight. We have yet to update some of the guiding policies that govern our oversight activities, such as DD-44. This audit report provides an external call-for-action for the Local Assistance Program to make necessary changes. Some of the audit findings identified symptoms that are indications of deeper and systemic issues some of which the Local Assistance Program has identified and is beginning to address through its strategic planning and annual HQ/District resource allocation processes. Others pointed to the need to update and maintain our policies to be consistent with our changing practices.

1. *There are never enough resources to do everything we want to do or our customers expect us to do:* We have experienced staff reduction through ZBB the last couple of years. As a result, we may have cut back on some of the oversight activities, such as maintenance reviews and PS&E reviews as identified in Finding 1. But, we have not updated our policies and procedure to reflect these cut backs. We may still be expected and try to provide the same

level of services to our customers or more, as indicated by Finding 2, which may no longer be supported by the resources we are given. This points to the need to tie our service level expectation to our resources. If our customers expect the higher level of services, we could use this as justification for additional resources, which is always hard to do. We should also look to streamlining and efficiency measures that will allow us to do more with less.

2. *We need to look at providing different levels of oversight to local agencies based on their abilities to administer federal-aid projects:* Finding 2 highlighted some cases of extraordinary services provided by staff. These types of services are typically offered to less experienced local agencies. Finding 3 identified training issues which again pointed to the training need for less experienced agencies. If we develop a local agency certification program, we can provide different levels of oversight based on the proficiency level of local agencies. The local agency certification is among the top priorities of the Local Assistance strategic plan.

3. *We need to update our policies to be consistent with the state of our oversight practices:* Finding 5 identified the lack of process reviews. With the implementation of the progress invoice review and the construction oversight program, Local Assistance is conducting more proactive oversight activities to ensure compliance with federal requirements and to identify deficiencies early. The scope and function of Process Reviews has changed from comprehensive project process reviews to more focused areas reviews. Finding 7 identified some of the outdated policies. We need to update these policies and establish a process to maintain the policies so they are consistent with our practices.

The attached Program Response form contains detailed responses to each of the audit findings and proposed action plans.

Thank you.

Memorandum

*Serious drought.
Help Save Water!*

To: William Lewis
ASSISTANT DIRECTOR
Audits and Investigations

Date: February 1, 2016

File:

From: 
Amarjeet S. Benipal
DISTRICT DIRECTOR
District 3

Subject: **Audit Response – Oversight of Local Assistance Project (P3010-025)**

This memorandum communicates the response from District 3 on the draft audit report of Department of Transportation Oversight of Local Assistance Projects. The District concurs with the views and response of the Division of Local Assistance that is defined in the memo from Ray Zhang, on January 29, 2016.

District 3 has relayed our Program Response form as it pertains to the recommendations for the DLAE to the Division of Local Assistance in Headquarters to be implemented into one submittal to Audits and Investigations.

c: Ray Zhang, Chief, Division of Local Assistance
Marlon Flournoy, Deputy Director, Division of Planning and Local Assistance
Darlene Wulff, Acting DLAE, District 3

Audits & Investigations (A&I) – Response to Draft Report

PROGRAM AUDITED: Local Assistance **AUDIT NAME:** Oversight of Local Assistance Projects
AUDIT NUMBER: P3010-0625

Finding No. 1

Name of Report Finding: Oversight of Local Federal-Aid Projects is Not Always Performed and is Not Clearly Defined for State Funded Projects

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
1.1.1 DLA determine if maintenance reviews should be conducted as required in the Stewardship Agreement and communicate the requirements to the District Local Assistance Offices.	Agree. DLA will update our policy, LAPM, and issue a policy directive to DLAE's clarifying the policy on maintenance review.	July 1, 2016	Implementation		
1.1.2 DLA determine the level of oversight necessary to ensure state funded projects are developed within scope and establish proper procedures.	Agree. DLA has taken steps to clarify the level of oversight on state-only funded projects, such as invoice review and A&E procurement. We will continue this effort.	Jan. 1, 2017	Implementation		
1.2.1 DLAE review the PS&E package for at least one project per agency annually	DLA agrees with the finding. However, we disagree with the recommendation. This has been a policy for a long-time policy whose effectiveness needs to be reevaluated. We will evaluate and made necessary update/revision to the policy and develop Standard Operating Procedure and tracking	Jan 1, 2017 Policy July 1, 2017 Procedure and Tracking	Implementation		

Audits & Investigations (A&I) – Response to Draft Report

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
	mechanism to ensure implementation of the policy.				
1.2.2 DLAE remind staff to conduct final inspections on completed projects.	Agree. We will remind DLAE staff of this requirement/best practice in a policy directive directive/memo from Division Chief.	July 1, 2016	Implementation		
1.2.3 DLAE ensure timely receipt of critical certifications.	We need additional clarification on this item.	July 1, 2016	OPDQA		

Audits & Investigations (A&I) – Response to Draft Report

Finding No. 2

Name of Report Finding: Conflicting Roles and Responsibilities in Assisting Local Agencies

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
<p>2.1 DLA work with the DLAEs to define their role in promoting partnering with local agencies and clarifying the oversight responsibilities.</p>	<p>The Local Assistance staff take pride in providing excellent services to our local agencies. We also recognize that the level of services we provide to the local agencies should be commensurate with Program’s resource level. DLA and DLAEs will work with FHWA and local agencies to establish level of oversight and customer service expectation that consistent with our resources.</p>	<p>July 1, 2017</p>	<p>Division Chief</p>		
<p>2.2 Provide DLAEs with guidance on their roles and responsibilities when preparing documents for local agencies and when participating in consultant selection panels and limiting Caltrans liability.</p>	<p>a) DLA does not believe it advisable for Local Assistance staff to prepare documents for local agencies. Sometimes, staff may find it helpful to assist and guide the preparation of documents. However, local agencies should be responsible for the documents submitted for project approval. DLA will</p>	<p>July 2016</p>	<p>Ray & OPDQA</p>		

Audits & Investigations (A&I) – Response to Draft Report

	<p>issue policy advisory to DLAEs.</p> <p>b) DLA will design an Expectation Memo/Form to be signed by DLAE and local agency when Caltrans employee participates in consultant selection panel. Document will define tasks and establish clear lines of responsibilities that excludes Caltrans liability for the consultant procurement process.</p>				
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Audits & Investigations (A&I) – Response to Draft Report

Finding No. 3

Name of Report Finding: Meeting the Training Needs of Local Agencies Could Be Improved

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
<p>3.1. DLA assess the training needs of the local agencies and work with DLAEs to develop the identified necessary training.</p>	<p>DLA is surveying DLAEs and local agencies to evaluate effectiveness of existing training and to identify additional training needs for the Federal aid process. DLA will work with DLAEs and other subject matter experts to develop the appropriate curriculum.</p>	<p>July 2016</p>	<p>OPDQA</p>		
<p>3.2. DLA provide regular and consistent training to local agencies for project administration, close out procedures, and other areas identified as needed.</p>	<p>DLA believes that we are delivering regular and consistent training to local agencies for the Federal aid process on an on-going basis. However, to achieve continuous improvement, DLA will be assessing the effectiveness of existing training and to determine additional training needs.</p>	<p>On-going</p>	<p>OPDQA</p>		

Audits & Investigations (A&I) – Response to Draft Report

Finding No. 4

Name of Report Finding: District Local Assistance Offices' Processes and Procedures Are Not Always Followed

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
4.1.1. DLA establish guidelines for districts to maintain complete files.	DLA believes that each DLAE office has the responsibility and flexibility to establish district specific guideline on maintaining complete project file. This audit finding points to the need for some uniform standard/guidance project file. DLA will work with DLAEs to identify best practice and develop guidance on minimum project file guidelines.	Jan. 1, 2017	Implementation		
4.1.2. DLA establish and communicate a process for monitoring timely receipt of Contract Award Packages and Final Report of Expenditures.	Agree.	Jan. 1, 2017	Implementation		
4.2.1 DLAE ensure staff follow processes and procedures as prescribed by the DLA policies.	(Dist 03) DLA and District to provide additional training to LA staff and agencies. Emphasis to LA staff on Input, Accuracy, and Timeliness. COE involvement improves the agencies' CCO documentation	Continuous.	DLAEs		

Audits & Investigations (A&I) – Response to Draft Report

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
4.2.2 DLAE ensure documentation for submittal of invoices is maintained in the project files.	<p>through review and training as well as resultant corrective action plans and follow up by District. Inactive invoice reminders have already shown improvement in invoice frequency. LP2000 tracks timing for submittals to DLA.</p> <p>(Dist 03) Invoice documentation is kept in electronic file on shared drive under specific federal and state project numbers and transactions between LAA and District are documented in LP2000. LA Accounting maintains paper files so seems redundant to keep paper file at District too.</p>	Continuous.	DLAEs		
4.2.3 DLAE implement a process established by the DLA for monitoring timely receipt of Contract Award Packages and Final report of Expenditures.	Will follow DLA Process.	Jan. 1, 2017	DLAEs		

Audits & Investigations (A&I) – Response to Draft Report

Finding No. 5

Name of Report Finding: Process Reviews Are Not Always Conducted for Federal-Aid Projects

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
<p>5.1. DLA conduct process reviews, as necessary, to ensure federal requirements are being met.</p>	<p>The Local Assistance oversight of locally administered federal-aid project has evolved in the last few years. With the implementation of progress invoice review and construction oversight program, Local Assistance is conducting more in-time oversight activities to ensure compliance with federal requirements. The scope and function of Process Reviews has changed from comprehensive project process reviews to more focused areas. DLA is finalizing the annual Process Review Workplan for Fiscal Year 2015/2016, which has identified and prioritized areas for review.</p>	<p>On-going</p>	<p>OPDQA</p>		
<p>5.2. DLA update policy and procedures to be consistent with current practices of its oversight framework.</p>	<p>See response to Finding 7.1</p>	<p>Same as 7.1</p>	<p>OPDQA</p>		

Audits & Investigations (A&I) – Response to Draft Report

Finding No. 6

Name of Report Finding: Unclear Responsibility for Following Up on Program Reviews and Audit Exceptions to Ensure Corrective Action Plans Are Implemented

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
DLA document the DLAEs responsibility and remind them of their role to ensure local agencies are implementing corrective action plans. And clearly communicate by reminding their roles and responsibilities.	DLA agrees and will develop a policy and procedures to establish clear roles and responsibility, and expectation matrix for the development, implementation, and monitoring of corrective action plans as the result of local agency program/audit reviews.	January 2017	OPDQA		

Audits & Investigations (A&I) – Response to Draft Report

Finding No. 7

Name of Report Finding: Some Policies and procedures Are Outdated or Unclear

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
7.1. DLA review the listed policies and procedures, and if deemed necessary, update and clarify standard language in agreements, policies, and manuals.	Agree. DLA will review the listed policies and make necessary updates.	Jan. 1, 2017	Various		
7.2 DLA develop a conflict of interest policy and certification form for local assistance staff who review, rank, and rate local assistance project applications.	Agree.	July 1, 2016	OBBSP/ATP		

Attachment 2

Memorandum

*Serious drought.
Help Save Water!*

To: RIHUI ZHANG
DEPUTY DIRECTOR
DIVISION of LOCAL ASSISTANCE

Date: January 29, 2016

From: 
for CARRIE L. BOWEN
DISTRICT DIRECTOR
DISTRICT 7

Subject: LOCAL ASSISTANCE DRAFT AUDIT REPORT RESPONSE

Please see attached District 7 response to Local Assistance Draft Audit Report Response. Let me know if you have any questions.

Attachment

District 7 Response to Local Assistance Draft Audit Report

Audits & Investigations (A&I) – Response to Draft Report

PROGRAM AUDITED: Local Assistance AUDIT NAME: Oversight of Local Assistance Projects
 AUDIT NUMBER: P3010-0625 DISTRICT 7 January 29, 2016

Finding No. 1

Name of Report Finding: Oversight of Local Federal-Aid Projects is Not Always Performed and is Not Clearly Defined for State Funded Projects

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
1.1.1 DLA determine if maintenance reviews should be conducted as required in the Stewardship Agreement and communicate the requirements to the District Local Assistance Offices.	Currently reviews are not performed due to shortage of staff. The District 7 interpretation of the Stewardship Agreement is that maintenance reviews are not mandated under the IQA requirement.	July 1, 2016	DLAE		
1.1.2 DLA determine the level of oversight necessary to ensure state funded projects are developed within scope and establish proper procedures.	The current resourcing and staffing levels in District 7 only provide for basic oversight of complex projects with political implications are forcing additional oversight and spending above current resourcing levels.	Jan. 1, 2017	DLAE		

Audits & Investigations (A&I) – Response to Draft Report

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
<p>1.2.1 DLAE review the PS&E package for at least one project per agency annually</p>	<p>One review per year per agency is required. Local Assistance is only performing a limited amount of reviews at this time due to inadequate staffing. District 7 has 98 cities and even one review per agency per year is too much.</p>	<p>Jan 1, 2017 Policy July 1, 2017 Procedure and Tracking</p>	<p>DLAE</p>		
<p>1.2.2 DLAE remind staff to conduct final inspections on completed projects.</p>	<p>Currently projects in District 7 are receiving a final inspection however this is placing a strain on resources and adequate time may not always be spent for this effort. The DLAE will remind staff to conduct final inspections on all completed projects.</p>	<p>Jan 1, 2017</p>	<p>DLAE</p>		
<p>1.2.3 DLAE ensure timely receipt of critical certifications.</p>	<p>Currently most mandated monitoring and tracking of certifications is being performed. For complete monitoring with the latest up to date requirements and codes, increased training will be needed for Local Assistance staff and Local Agencies. The DLAE will remind staff to ensure timely receipt of critical certifications.</p>	<p>Jan 1, 2017</p>	<p>DLAE</p>		

Audits & Investigations (A&I) – Response to Draft Report

Finding No. 4

Name of Report Finding: District Local Assistance Offices' Processes and Procedures Are Not Always Followed

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
4.1.1. DLA establish guidelines for districts to maintain complete files.	DLAE will follow DLA guidelines.	Jan. 1, 2017	DLA		
4.1.2. DLA establish and communicate a process for monitoring timely receipt of Contract Award Packages and Final Report of Expenditures.	DLAE will follow DLA guidelines.	Jan. 1, 2017	DLA		
4.2.1 DLAE ensure staff follow processes and procedures as prescribed by the DLA policies.	DLAE will instruct Area Engineers to closely follow DLA processes and procedures.	Jan 1, 2017	DLAE		
4.2.2 DLAE ensure documentation for submittal of invoices is maintained in the project files.	DLAE will instruct Area Engineers to maintain more accurate files along with adequate documentation of invoice submittals.	Jan 1, 2017	DLAE		

Audits & Investigations (A&I) – Response to Draft Report

A&I Recommendation:	Auditee Response to Draft Report:	Estimated Completion Date:	Staff Responsible for Completion:	A&I Analysis of Response	Internal Comments
<p>4.2.3 DLAE implement a process established by the DLA for monitoring timely receipt of Contract Award Packages and Final report of Expenditures.</p>	<p>District 7 will develop a better system for tracking at risk projects such as using checklists etc. The District Director and Chief Deputy plan to help reach out to agencies that are at risk of losing money due to project inactivity, late submittal of invoices or missing fund obligation deadlines.</p>	<p>Jan 1, 2017</p>	<p>DLAE</p>		