

**DEPARTMENT OF TRANSPORTATION**

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November 9, 2015

Mr. David Rogers  
Senior Auditor  
Southern California Regional Rail Authority  
One Gateway Plaza, 12<sup>th</sup> Floor  
Los Angeles, CA 90012

Dear Mr. Rogers

This letter is to notify the Southern California Regional Rail Authority (SCRRA) of the California Department of Transportation's (Caltrans) determination of corrective actions regarding deficiencies identified in the Caltrans Proposition 1B Audit Report, dated, March 26, 2015, for the Trade Corridors Improvement Funds (TCIF) program, "New Siding on the Antelope Valley Line", EA No. F002BA. The purpose of the audit was to determine if project costs incurred and reimbursed were adequately supported and in compliance with applicable federal and State laws and regulations, as well as the fiscal provisions stipulated in the Baseline Agreement (BA) and TCIF funding agreement.

The audit identified a total of \$4,771,642 in reimbursed costs that were not adequately supported and were not in compliance with respective Agreement provisions, or federal and State regulations. The audit has also identified deficiencies in the SCRRA's contract procedures.

Caltrans understands the SCRRA made efforts to acknowledge the adjustments need for the milepost (MP) boundaries in several project documents throughout the period of the project and the final project delivery report. Caltrans is aware the SCRRA's construction of the sidings and its MP's while outside the baseline agreement MP boundaries were not intentional.

Caltrans supports the audit determination that unallowable costs had incurred prior to the period of performance indicated in the baseline agreement. And that SCRRA has agreed to reimburse Caltrans in the amount of \$143,837.43 for disallowed costs.

In response to the audit findings, Caltrans' Division of Rail and Mass Transportation (DRMT) has developed the corrective action plan below. The SCRRA must implement all of the corrective actions or a plan to address the findings by December 11, 2015, and all funds specified in this letter must be repaid by December 31, 2015.

DRMT is implementing an enhanced oversight of local agencies procurement processes and procedures. Caltrans staff will be working more closely with the local agencies from the programming, procurement, and the final project delivery.

### **Caltrans Final Corrective Action Plan**

#### **Finding #1 – Unallowable project costs:**

The SCRRA's New Siding on the Antelope Valley project costs incurred were not in compliance with required California Transportation Commission (CTC) program guidelines, procedures, baseline agreement, or approved amendments and contract provisions. The CTC's BA set forth the project scope, benefits, milestones, and the budget and funding of the project were unallowable.

The Audit findings were project costs totaling \$4,771,642. The construction costs were for work outside of the identified MP's in the BA or amendments, the work on the project was done between MP 41.6 and MP 43.2 and the second portion at MP 61.2. The approved BA's project scope was between MP 44 to MP 61, between Lang and Vincent Avenue. The TCIF adopted guidelines required the CTC approve any new changes to the BA before changes can occur. As a result, the existing scope of work in the BA was not consistent with what was approved in the BA in relation to the actual project delivery by SCRRA.

Caltrans has determined the project's work limits were performed outside of the specific MPs identified in the baseline agreement. The projects benefits and sidings functionality perform in line with the intended purpose.

Caltrans Director, Malcolm Dougherty, per Deputy Directive 100-R1 Departmental Responses to Audit Reports, requires his review for questioned costs of greater than \$100,000. Caltrans' Director has agreed with DRMT's recommendation of seeking reimbursement of \$143,837.43 in disallowed costs from the SCRRA. Caltrans needs to remind SCRRA they must always get Caltrans' approval prior to performing new activities.

#### **Corrective Action:**

The SCRRA must take the following actions:

1. Become more familiar with Caltrans Local Assistance Program guidelines, which discusses and addresses an overview of project eligibility, project delivery and resource management. We encourage SCRRA staff to enroll in Caltrans' Local Assistance training programs which provides training and technical assistance with project delivery and contracting management.
2. Develop policies and procedures or administrative manual over the administration of TCIF construction projects to ensure compliance with all applicable TCIF guidelines and State regulations.

3. Implement staff training on the TCIF procedures and create a training schedule.
4. Develop a grant compliance checklist on the requirements of the CTC and Caltrans' agreements and guidelines.

All of the products listed above or a plan to address the findings must be forwarded to Caltrans upon completion, no later than December 11, 2015.

**Finding #2 – Ineligible and unallowable project costs:**

If the SCRRA amends the scope of the BA, then Caltrans Audits and Investigations (A&I) recommends reimbursement of the identified unallowable costs of \$143,837.43 to Caltrans. Costs are unallowable because the SCRRA claimed costs that were incurred prior to the period of performance indicated in the baseline agreement.

**Corrective Action:**

The SCRRA must take the following actions:

1. The SCRRA must provide new updates on the Final Delivery Report, Final Project Expenditure Report, and documentation of the project benefits and performance measurements and the outcomes. Please reference to the Baseline agreement for the approved benefits and compare to the actual outcome with a quantified justification.
2. The SCRRA must reimburse a total of \$143,837.43 to Caltrans.

The SCRRA must submit documentation to Caltrans that shows that these requirements have been met by December 11, 2015. SCRRA must repay Caltrans a total of \$143,837.43 by December 31, 2015.

**Caltrans DRMT Oversight and Process Reviews:**

The previous procedure for process reviews remains in place; however, it is now being supplemented by other methods being used in performing oversight to measure compliance with applicable federal and State laws, regulations, and State funded transportation projects. DRMT's oversight is to demonstrate that requirements imposed by the State are being met and that correct procedures are being followed and performed by local agencies administering Caltrans projects. DRMT wants to maintain a continual process of updating and improving procedures which will lead to a more efficient and effective TCIF and other State programs. DRMT will be implementing new steps to the program by defining roles and responsibilities, and assure accountability in effectively and efficiently managing program and project delivery of State funded programs.

1. **Pre-Authorization prior to CTC allocation:** The DRMT will provide local agencies the program procedures, an established checklist, and forms and agreements required by the local agencies.
2. **Initial Authorization with Notice to Proceed:** The DRMT will assess some type of evaluation form to determine if the project meets all of the criteria.
3. **Field Reviews:** Field reviews and verification will be required from the DRMT project manager any time before, during, and after the construction of the project. The DRMT project manager will document the status of the project, construction activities, budget and invoicing, schedule, milestones, and record photo images of the project construction.
4. **Final Inspection:** The DRMT Project Manager will make a final inspection of the completed project after reviewing the project close out, final expenditure report and benefits outcome, and determine if the project met all the requirements in the baseline and Caltrans agreements.

**Conclusion:**

Please prepare a corrective action plan that outlines the actions the SCRRA will take to resolve the audit findings and provide it to Bruce Roberts, Chief, Division of Rail and Mass Transportation, by December 11, 2015. SCRRA must repay Caltrans a total of \$143,837.43 for the disallowed costs by December 31, 2015.

We appreciate the SCRRA's cooperation during this process. If you have any questions, please contact Bruce Roberts, at (916) 654-6542 or email at [bruce.roberts@dot.ca.gov](mailto:bruce.roberts@dot.ca.gov).

Sincerely,



COCO BRISENO  
Deputy Director  
Planning and Modal Programs

- c: Bruce Roberts, Chief, Division of Rail and Mass Transportation, Caltrans  
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