

Memorandum

*Serious drought.
Help Save Water!*

To: BRUCE ROBERTS, Acting Division Chief
Division of Rail and Mass Transportation

Date: November 20, 2014

File: P2545-0013

From: MARSUE MORRILL, Chief
External Audits - Contracts
Audits and Investigations

Subject: **PROPOSITION 1B AUDIT REPORT – CITY OF TULARE**

Caltrans Audits and Investigations (A&I) audited costs claimed and reimbursed to the City of Tulare (City) totaling \$10,160,927.18. The project audited “Cartmill Avenue Grade Separation” was funded with Proposition 1B (Prop 1B) Highway-Railroad Crossing Safety Account (HRCSA) funds. The audit period was December 20, 2010, through March 18, 2013.

Based on our audit, we determined that reimbursed project costs were in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission (CTC) program guidelines except for \$1,096,860.06 that were not supported and not in compliance with respective agreement provisions, state and federal regulations, and CTC program guidelines.

This report is intended for the information of Caltrans management, the Federal Highway Administration, the CTC, and the City. This report is a matter of public record, however, and its distribution is not limited. In addition, this report will be placed on Caltrans website.

Please provide A&I a corrective action plan related to the audit recommendation within 90 days of this memorandum. If you have any questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

Enclosure

cc: Darlene Thompson, Chief Financial Officer, City of Tulare
Stephen Maller, Deputy Director, California Transportation Commission
Teresa Favila, Assistant Deputy Director, California Transportation Commission
Rachel Falsetti, Division Chief, Transportation Programming
Doris M. Alkebulan, Prop 1B Specialist, Transportation Programming
Jim Perrault, District Local Assistance Engineer, District 6
Carlos Ruiz, Proposition 1B Program Coordinator, Division of Rail, Caltrans
Luisa Ruvalcaba, Audit Manager, Audits and Investigations, Caltrans

AUDIT REPORT

City of Tulare

Proposition 1B

P2545-0013

November 2014

Prepared By:

Audits and Investigations

California Department of Transportation

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

As approved by the voters in the November 2006 general elections, Proposition 1B (Prop 1B) enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including high-priority transportation corridor improvements, State Route 99 corridor enhancements, trade infrastructure and port security projects, school bus retrofit and replacement purposes, state transportation improvement program augmentation, transit and passenger rail improvements, state-local partnership transportation projects, transit security projects, local bridge seismic retrofit projects, highway-railroad grade separation and crossing improvement projects, state highway safety and rehabilitation projects, and local street and road improvement, congestion relief, and traffic safety.

Prop 1B funds were used for the Highway-Railroad Crossing Safety Account (HRCSA) for the completion of high-priority grade separation and railroad crossing safety improvements. City of Tulare (City) performed the Cartmill Avenue Grade Separation (HRCSA-5072(001)) project (Project) which was funded with \$10,160,927.18 in HRCSA funds.

SCOPE

The scope of the audit was limited to financial and compliance activities related to the above-referenced project. We performed our limited scope audit to specifically determine whether:

- The project costs incurred and reimbursed were in compliance with the executed project agreement, state and federal regulations, contract provisions, and Caltrans/California Transportation Commission (CTC) program guidelines.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project agreement or approved amendments thereof.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the City's prior audits and single audit reports;
- Reviewed the City's policies and procedures relating to the job cost system and procurement;
- Interviewed employees, completed a review of the internal control system, and gained an understanding of the City's internal controls, job cost system, timekeeping, accounts payable, and billing processes related to projects funded by Prop 1B.

For the projects under review, we performed the following audit procedures:

- Reviewed project billing invoices sent to Caltrans accounting office to ensure that the City properly prepared and/or billed Caltrans for reimbursement of project expenditures;
- From the project billing invoices selected a sample of charges funded by Prop 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were supported and in compliance with project agreement, state and federal laws and regulations, contract provisions and Caltrans/CTC Guidelines;
- Obtained procurement records to ensure that the City procured billed contracts in accordance with applicable state and federal procurement requirements;
- Reviewed significant contract change orders to ensure that they were properly approved and supported;
- Reviewed and compared project agreement and project final delivery report to ensure that project deliverables (outputs) and outcomes were met and that variances to the project's scope, schedule, costs and benefits were properly approved and supported.

The City is responsible for the fair presentation of incurred costs, ensuring compliance with contract provisions, state and federal regulations, CTC program guidelines, and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable costs. Our responsibility, based on our audit, is to express an opinion on the allowability of the reimbursed costs in accordance with the applicable agreements, contract provisions, state and federal regulations, and Caltrans/CTC guidelines.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our findings and recommendations take into consideration the City's response dated October 30, 2014, to our October 8, 2014, draft report. Our findings and recommendations, the City response, and our analysis of the response are set forth in the Findings and Recommendations section of this report. A copy of the City response is included as Attachment III.

METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the City. Therefore, we did not audit, and are not expressing an opinion, on the City's financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and the records selected. An audit also includes assessing the accounting principles used and significant estimates made by the City, as well as evaluating the overall presentation.

FINDING 1: Improper Procurement of Consultant Services Contract and Lack of Written Procurement Policies for Department of Public Works' Projects

As part of our audit process, we reviewed the procurement processes followed by the City for the contracts billed to the project. We reviewed the processes to ensure that the contracts were procured in accordance with state and federal regulations. Costs for a contractor who performed the construction portion of the work were billed to the project. Since these services were obtained through the invitation for bids (IFB) process we reviewed the IFB process and noted no exceptions. Also billed to the project were costs for a consultant who performed the contract management services. We attempted to review the procurement process used to obtain the services of the consultant, however, the City did not procure the services of the consultant in accordance with 49 CFR Part 18.36. The consultant, Peters Engineering, was initially engaged by the City to perform feasibility study for the project. After the feasibility study, the City amended the contract on April 24, 2009 to retain Peters Engineering to perform the plans, specifications, and estimates without going through a competitive process. The City amended the contract again on January 7, 2011 without going through a competitive process to have Peters Engineering provide construction management, inspection, and materials testing for the project. As a result, there was no open and full competition for the consultant contract billed to the project. According to the City staff they were not aware of the federal contracting requirements when they amended the Peters Engineering contract. Due to the violation of 49 CFR Part 18.36, the allowability of costs paid to the City for the services performed by Peters Engineering of \$1,096,860.06 are questioned.

We also reviewed the procurement policies and procedures of the City. The City's procurement policies and procedures are applicable to the procurement of materials, equipment, and supplies for all city departments, with the exception of the Department of Public Works' (DPW) construction projects. There is no written procurement policy applicable to DPW's construction and consultant services contract. In addition, the City's agreement with Caltrans requires the City to comply with 49 CFR Part 18. The City's procurement policies and procedures, however, do not reflect the procurement requirements stipulated in 49 CFR Part 18.

49 CFR, Part 18.36(b)(1), states, "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

49 CFR Part 18.36(b)(9), states, "Grantees and subgrantees will maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

49 CFR Part 18.36(c)(1), states, "All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of § 18.36."

The HRCSA agreement 75GS0015 between City and Caltrans for the Project states on page 2, item 6, "Public Agency agrees to comply with the applicable Federal procedures in accordance with Office of Management and Budget Circular A-87, Cost Principles for State and Local Governments and CFR 49, Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments."

RECOMMENDATION:

- The City reimburse Caltrans the amount of \$1,096,860.06 for the questioned consultant services contract. See attachment II.
- The City prepare written policies and procedures for the procurement of construction and consultant service contracts.

City's Response:

The City disagreed with the finding. The City stated on their response letter the rationale for the lack of open and full competition during the procurement of the consultant services. For the City's full response to the finding see Attachment III.

Auditor's Analysis to City's Response:

The City did not provide additional information to show that the City went through a competitive process to obtain the services of Peters Engineering. Consequently, the finding remains as stated above.

FINDING 2: Untimely Submission of the Final Delivery Report

The City failed to submit the Final Delivery Report (FDR) to Caltrans on a timely manner. The construction phase of the project ended June 1, 2012, and the FDR was submitted on February 25, 2014.

HRCSA Program Guidelines states “Within six months of the project becoming operable, the implementing agency will provide a final delivery report to the Commission on the scope of the completed project, its final costs as compared to the approved project budget, its duration as compared to the project schedule in the project baseline agreement, and performance outcomes derived from the project as compared to those described in the project baseline agreement.”

RECOMMENDATION:

City submit FDRs on a timely basis.

City’s Response: The City did not respond to this finding.

Marsue Morrill, Chief, External Audits

Luisa Ruvalcaba, Audit Manager

Eugene Ezimora, Auditor

ATTACHMENT 1

Summary of Project Costs
Approved, Expended, and Audited
December 20, 2010, through March 18, 2013

Project No. HRCSA-5072(001)

Project EA No. H015BA

Project Name: City of Tulare - Cartmill Avenue Grade Separation Project

Project Financial Information:

<u>Phases Reimbursed By:</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>
HRCSA Funds	11,293,000	10,161,000	10,161,000
Local Funds	15,515,000	11,808,000	11,808,000
Total	<u>26,808,000</u>	<u>21,969,000</u>	<u>21,969,000</u>

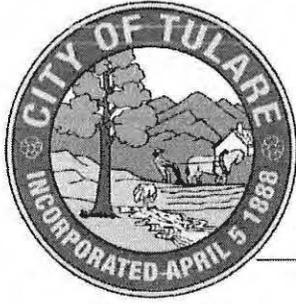
Project Delivery Schedule:

<u>Project Phase(s):</u>	<u>Adopted and Approved</u>	<u>Actual</u>	<u>Difference (month)</u>
Beginning Construction	12/20/10	12/20/10	0
End Construction	04/30/12	06/01/12	1
Beginning Closeout	05/01/12	07/01/12	2
End Closeout	05/30/12	09/30/12	3

ATTACHMENT II

Recap of Unsupported Peter's Engineering Costs
 Project No. HRCSA-5072(001) / EA No. H015BA
 City of Tulare - Cartmill Avenue Grade Separation Project

Billing No.	Invoice No.	Invoice Date	Invoice Period	Amount Included in	Reim Ratio	Funds Reimbursed	Caltrans
				Participating Costs for Peters Engineering	per Contract	to City of Tulare for Peters Engineering	Claim Schedule No.
				A	B	A*B	
1	15072001	04/11/11	2/18/11-2/28/11	0.00	73%	0.00	11D05855
2	25072001	05/11/11	3/1/11-3/31/11	76,853.90	73%	56,103.35	11D06423
3	35072001	05/31/11	4/1/11-4/30/11	0.00	73%	0.00	11D06748
4	45072001	06/29/11	5/1/11-5/31/11	106,992.13	73%	78,104.25	12D04080
5	55072001	08/08/11	6/1/11-6/30/11	147,642.28	73%	107,778.86	12D04934
6	65072001	09/29/11	7/1/11-7/31/11	84,267.65	73%	61,515.38	12D05577
7	75072001	09/30/11	8/1/11-8/31/11	106,247.69	73%	77,560.81	12D05670
8	85072001	10/31/11	9/1/11-9/30/11	99,716.34	73%	72,792.93	12D06798
9	95072001	11/30/11	10/1/11-11/18/11	126,148.31	73%	92,088.27	12D07412
10	105072001	01/03/12	11/1/11-11/30/11	109,846.29	73%	80,187.79	12D08300
11	115072001	02/06/12	12/1/11-12/31/11	121,184.33	73%	88,464.56	12D08300
12	125072001	07/27/12	12/11/11-2/29/12	129,353.37	73%	94,427.96	13D11671
13	135072001	07/30/12	3/1/12-4/30/12	141,998.12	73%	103,658.63	13D11671
14	145072001	08/20/12	5/1/12-6/30/12	210,716.21	73%	153,822.83	13D11903
15	155072001	12/20/12	7/1/12-10/31/12	22,218.87	73%	16,219.78	13D14264
16	165072001	03/29/13	11/1/12-3/18/13	19,362.54	73%	14,134.65	13D16450
Total						<u>1,096,860.06</u>	



ENGINEERING

October 30, 2014

Department of Transportation
Audits and Investigations
P. O. Box 942874, MS-2
1304 O Street, Suite 200
Sacramento, CA 94273-0001

Attention: MarSue Morrill, Chief, External Audits – Contracts

Subject: Cartmill Avenue Grade Separation - Response to draft Audit Report entitled "City of Tulare, Proposition 1B, P2545-0013, October 2014"

Thank you for the opportunity to review the draft Audit Report entitled "City of Tulare, Proposition 1B, P2545-0013, October 2014" regarding the subject project. The City respectfully requests that the auditors reconsider the recommendations concerning the questioned costs and find that the costs are fully eligible for reimbursement. If the costs are, after full consideration, still found to be questioned that they be considered for significant partial eligibility based on the value received by the project. Finally, if the ultimate decision is to find the costs fully ineligible or primarily ineligible, then the City appeals that decision to the next level in the review process or in the alternative asks that Proposition 1B savings on the subject project be applied to the Cartmill Avenue Interchange project now being constructed.

Response to Finding 1: Procurement Procedures.

The audit report finds that the City did not comply with the procurement standards of 49 CFR Part 18, in that a competitive bidding process was not used to secure construction management services. The result is to recommend denying reimbursement of \$1,096,860.06 in construction management costs.

On February 1, 2011, in open session, the City Council approved a contract addendum with Peters Engineering Group to provide construction management services on the Cartmill Avenue Grade Separation project. Peters Engineering Group had been the City's consultant on the

project from its initial feasibility study through its design phase. The City's purchasing documents at the time allowed for sole source procurement. Among the factors to be considered under the City's policy were the following: (a) What capability does the proposed contractor have that is important to the specific effort and makes him/her unique in comparisons to others in the same field?, (b) What prior experience of a highly specialized nature does he/she have that is vital to the proposed effort?, and (c) Does he/she have a substantial investment of some kind that would have to be duplicated at the City's expense by another source entering the field?

The rationale for the sole source procurement of construction management services from Peters Engineering Group for the Cartmill Avenue Grade Separation Project was that the project was extremely large (compared to other projects within City staff's experience), was very complex involving coordination with multiple agencies, and had a short timeframe allowed between the date of funding allocation and construction contract award. The various agencies requiring coordination included the Union Pacific Railroad (UPRR), staff of the California Transportation Commission (CTC), utility companies, and affected property owners. As previously mentioned, Peters Engineering Group had been involved in the project from the preparation of initial feasibility studies through design. This included leading the successful, but complex, negotiations with the UPRR, and working with CTC staff on the allocation of Proposition 1B HRCSA funding. Peters Engineering Group therefore possessed special capabilities that made them uniquely qualified to provide construction management services for the project. The City had invested substantial sums (over \$2.9M) in design, planning, railroad negotiations, and environmental work on this project prior to the construction management phase. Any firm other than Peters Engineering Group would not have had their detailed knowledge of the project that can only be gained by having experience on the project, its special issues, and its nuances. Additional unnecessary costs and a substantial delay would have been incurred for another firm to come up to speed and become familiar with the project. It is in fact doubtful that introduction of a new firm would be even possible due to the short timeframe allowed for by the Proposition 1B HRCSA project delivery deadlines. There are file references to the State requirement for the project to proceed with great speed in order to preserve the funding. Those deadlines created a need to move the project forward quickly, thereby greatly reducing time available for bidding of the construction management services. The initial Peters Engineering Group project team was supplemented through the addition of Mendoza & Associates, a firm with extensive experience providing construction management and resident engineer services on major transportation projects.

The initial procurement of Peters Engineering Group's services took place in 2007 and was done through a Request for Proposals to prepare preliminary layouts of grade separated crossings, including the Cartmill Avenue Grade Separation. This was a fully competitive process in which the City received a total of five proposals. Peters Engineering Group was selected based on demonstrated project understanding, quality of proposed work plan, staffing sufficiency and availability, demonstrated expertise, proposed schedule, and references. A subsequent contract was awarded to Peters Engineering Group for the preparation of plans, specifications

and estimates. Both of these contract awards occurred prior to execution of the HRCSA-1B Part II agreement on September 9, 2010. As previously mentioned, construction management services were added to the PS&E contract with Peters Engineering Group through a contract addendum on February 1, 2011. All contract awards, and the approval of the addendum to add construction management services to their scope of work, were made by the City Council in open session in a publicly noticed meeting. No objections or complaints were ever received from other engineering firms with regard to the Council's approval of the added scope of services.

It should be noted that 49 CFR 18.36 (b) requires grantees to "use their own procurement procedures ... provided they conform to applicable Federal law..." 49 CFR 18.36(d)(4), also permits procurement by noncompetitive proposals from one source under certain circumstances. Therefore, the City's sole source approach may be found to be consistent with the federal procurement guidelines.

It is the City's contention that the procurement procedures used for contracting with Peters Engineering Group for construction management services resulted in a cost-effective approach. The cost proposal of \$2,135,454 that the City received from Peters Engineering Group to add construction management services, construction design support services, and preparation of all Proposition 1B HRCSA reimbursement requests to their prior PS&E contract was approximately 13% of the \$16,402,000 engineer's estimate for construction costs. City staff determined that the cost proposal was reasonable. For comparison, the City of Tulare is currently engaged in the construction of a new interchange project on State Route 99 at Cartmill Avenue. The following is a breakdown of construction-related contract costs for that project:

Engineer's Estimate of Construction Costs	\$24,956,510.22
Construction Management/Resident Engineer Contract	\$2,980,543.00
Design Engineer Construction Support Contract	\$258,324.00

The combined CM/RE and Construction Support contract costs are \$3,238,867, which is approximately 13% of the engineer's estimate of construction costs. This is almost identical to the percentage those costs represented on the Cartmill Grade Separation project, thereby demonstrating that the procurement process followed by the City resulted in reasonable costs. Furthermore, the actual final billing for participating construction management and design support services for the Cartmill Grade Separation Project was only \$1,610,380.82 (some \$525,000 less than the proposal). As anticipated, Peters Engineering Group's unique and intimate knowledge of the project resulted in significant costs savings.

As the federal regulations recognize, when hiring engineering services the key determining factor is expertise and experience not just the cost of their services. City staff contends that the City's process in amending the existing contract to include additional scope of work procured a uniquely qualified engineering arrangement to successfully deliver the project with substantial costs savings to the State and the local funding sources. This advantage might otherwise have been lost through poor or inefficient construction management, or time delays that would have

most likely resulted from another competitive process and a possible new firm getting up to speed on the details of the project. This is further evidenced by the project being completed with no liquidated damages assessed, no contractor claims, and a final construction cost nearly \$400,000 below the engineer's estimate. As a result, a balance of \$582,072.84 of Proposition 1B HRCSA funding programmed for the project was not expended, representing a significant savings to the program.

Ineligible Amount

Given the totality of the circumstances above, the City asks that the disputed costs related to the procurement issues for construction management services be found to be eligible costs. However, as a matter of equity, even if the conclusion is reached that technical violations of the procurement rules occurred, the City respectfully requests that adjustments be made rather than a finding of complete ineligibility.

The complexity of this crucial project, and constrained timeframe associated with its successful delivery certainly taxed the City's limited resources. It was a project of strategic importance to all concerned, and the City applied virtually all of its available internal engineering resources to its successful delivery. These positive efforts are reflected in the project savings described above, which directly benefitted both local and State funding agencies.

There were good reasons for the City to use Peters Engineering Group for construction management services, and all City decisions took place with full transparency in open City Council sessions. The original selection of Peters Engineering Group for feasibility engineering services in 2007 used a fully competitive process. There can be no disagreement that these projects require construction management expertise and that such expertise costs considerable sums. At the very least, the City requests that a significant portion of the construction management costs be found eligible and reimbursed based on the value received.

The City believes that the objectives underlying the federal regulations were met and that the construction was well managed, resulting in a financially successful project. Failure to recognize in some fashion such efforts by medium-sized cities, without large staffs and in-house technical expertise that larger cities have, will discourage such cities from undertaking projects such as the Cartmill Avenue Grade Separation. Such an outcome defeats both important State and local policy objectives.

In addition the goals and principals that are the driving force for a common sense approach to compliance with the competitive bidding requirements have been considered in other areas of public contracting. They are enumerated in Public Contract Code Section 6950 (a) when talking about CMGC types of contracts recognizing that: **"The alternative public works project delivery methods authorized under this chapter should be evaluated for the purposes of exploring whether the potential exists for reduced project costs, expedited project completion, or design features that are not achievable through the traditional project delivery methods."** (emphasis added)

Though not a CMGC contract, here City achieved those objectives and delivered a project that was timely and with substantial savings. No better result would have been achieved if the City competitively bid the additional scope of work. Most likely as stated above the opposite effect would have occurred. City should not be penalized for alleged technical non-compliance when the sole reason for the requirement has been met and exceeded.

Finding 2: Overpayment on Utility Relocation Work.

The City respectfully disputes the finding that an overpayment on utility relocation work occurred. Additional information was provided to the State Auditor’s office via an email dated October 21, 2014 from Darlene Thompson to Eugene Ezimora. The email contained invoices related to the costs being disputed. Please refer to the following summary of cost allocations versus reimbursement claimed. As indicated, the City of Tulare incurred a total of \$471,633.67 through invoices and refunds from Southern California Edison. The Proposition 1B HRCSA reimbursement ratio for the project was 73%. Applying this ratio to the total of costs incurred results in an eligible reimbursement of \$344,292.59, which is what was claimed and received. The City therefore requests reversal of this recommendation.

SCE Invoice WEP-00705	Participating Cost	Allocated To HRCSA (73%)
Advance Payment	\$30,000.00	\$21,900.00
Main Billing	\$315,000.00	\$229,950.00
Refund	(\$123,373.39)	(\$90,062.57)
Net WEP-00705 Costs	\$221,626.61	\$161,787.43
Other SCE Project Related Invoices	Participating Cost	Allocated To HRCSA (73%)
SCE Invoice 92877	\$8,645.71	\$6,311.37
SCE Invoice 93100	\$86,593.86	\$63,213.52
SCE Invoice 93003	\$13,416.71	\$9,794.20
SCE Invoice 93120	\$7,554.04	\$5,514.45
SCE Invoice 94889	\$135,184.65	\$98,684.79
SCE Invoice 95043 (Refund)	(\$1,387.91)	(\$1,013.17)
Net Other SCE Invoices	\$250,007.06	\$182,505.16
Total SCE Invoices	\$471,633.67	\$344,292.59

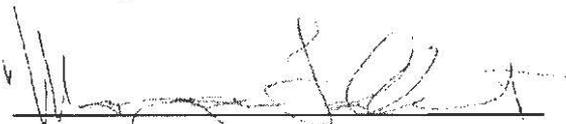
State Savings to Cartmill Avenue Interchange Project.

The City and Caltrans are presently cooperating in constructing the Cartmill Avenue Interchange Project. The local fund savings from the Cartmill Avenue Grade Separation project are to be devoted in their entirety to construction costs related to the interchange project (which is also a Proposition 1B project), and the latter project’s funding plan is dependent upon those savings being realized. At present, there are no additional local funds identified to be able to supplement the existing funding plan for the interchange.

Lastly, without waving the City's ability to appeal a final adverse audit finding, should the findings and recommendations in the draft audit report be followed and the disputed grade separation costs be deemed ineligible, the City respectfully requests that any returned Proposition 1B funds be re-programmed to supplement the existing Proposition 1B funding allocated to the Cartmill Avenue Interchange Project. Doing so would benefit the State highway system and aid the City by providing critical funding to the Cartmill Avenue Interchange project.

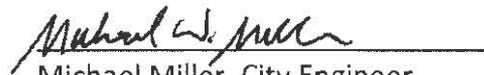
Thank you for the opportunity to provide our response to the draft Audit Report for the Cartmill Avenue Grade Separation Project. The City is confident that since the purpose and spirit of the competitive process requirement was fully preserved through the actions taken by the City, the draft findings will be modified to recognize all of the factors listed above. If you have any questions or require additional information to finalize the Audit Report, please do not hesitate to contact me.

Sincerely,



Don Dorman, City Manager
By Margee Fallert, Deputy City Manager
City of Tulare

Sincerely,



Michael Miller, City Engineer
City of Tulare