State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: ROBERT PIEPLOW
Chief
Division of Engineering Services

Date: January 30, 2013

File: P3000-0408

From: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Subject: **FINAL AUDIT REPORT – DIVISION OF ENGINEERING SERVICES FOUNDATION TESTING BRANCH**

Attached is Audits and Investigations' final audit report on the Foundation Testing Branch's internal controls. Your response is incorporated in the final report. The audit report is intended as information for you and Caltrans management.

Please provide our office with status reports on the dispositions of the audit findings at intervals of 60, 180, and 360 days subsequent to the date of the audit report. If all findings are not corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved.

We thank you and your staff for the assistance they provided during the audit. If you have any questions, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or myself at (916) 323-7122.

Attachment

c: Malcolm Dougherty, Director
Rick Land, Chief Deputy Director
Karla Sutliff, Deputy Director, Project Delivery
Philip J. Stolarski, Deputy Division Chief, METS and GS
Laurine Bohamera, Chief, Internal Audits, A&I
File P3000-0408

P3000-0408
Audit of the Division of Engineering Services Foundation Testing Branch
January 2013

William E. Lewis
Assistant Director
Audits and Investigations
California Department of Transportation

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Response – Division of Engineering Services

Summary

Audits and Investigations (A&I) completed its audit of the California Department of Transportation's (Caltrans) Foundation Testing Branch (FTB) which operates under the Division of Engineering Services – Office of Geotechnical Support (OGS). The purpose of the audit was to evaluate the FTB's system of internal control to determine whether adequate and effective policies, procedures, and processes are in place to ensure proper performance of its operational (e.g., FTB test services) and administrative (e.g., time reporting, vehicle usage) functions.

Our audit disclosed that, during the audit period of November 1, 2010, through November 30, 2011, the FTB did not have an adequate system of internal control. Specifically, the FTB did not maintain an adequate system (i.e., policies, procedures, guidelines, and processes) to ensure that the FTB's operational and administrative functions were performed properly.

Background

The Division of Engineering Services (DES) is the lead project delivery organization for the design, construction, and oversight of bridge and other transportation structures for Caltrans. The DES is a comprehensive, multidisciplinary engineering organization committed to providing its clients with quality products and services in a timely manner.

The DES is composed of many inter-related functions that work together to ultimately deliver bridge and transportation structure projects. One of the functions in which the FTB plays an integral role is project delivery, providing foundation testing services for the construction of transportation structures.

Typically, the Office of Structure Construction (OSC), another function within the DES, requests the FTB to conduct testing services according to specifications or when deemed necessary. The OSC provides quality engineering oversight for construction projects throughout the state, ensuring that projects are built to conform to the construction contract plans and specifications.

Depending on the service performed, the FTB issues a report of key test information to the OSC, the FTB's primary customer. Most of the services the FTB provides to the OSC relate to cast-in-drilled-hole piles. The OSC relies on the FTB's test results to determine if the quality of piles constructed meet specifications in order for construction to proceed. If test results indicate the quality of a pile does not meet specifications, a plan to mitigate the problem is developed by the contractor, then reviewed and approved by Caltrans before construction proceeds further. In general, the information

Background (continued)

reported by the FTB assists Caltrans to effectively manage the scope, schedule, cost, and risks of construction and project delivery and to meet the overall performance objectives of the project.

The following foundation testing services are provided by the FTB:

- Gamma gamma logging (GGL), a non-destructive method of evaluating the density of concrete of cast-in-drilled-hole (CIDH) piles utilizing a nuclear source;
- Cross-hole sonic logging (CSL), a non-destructive method of evaluating CIDH piles utilizing sound waves;
- Pile dynamic analysis (PDA), a method of determining the performance of a pile hammer's efficiency to drive piles and pile capacity;
- Pile load test (PLT), a method of evaluating pile load behavior in conditions of compression, tension, and /or lateral configurations;
- Sonic caliper logging (SCL), a method of assessing the nature of drilled shafts prior to concrete placement identifying cave-ins, plumpness, and roughness;
- Shaft inspection device (SID), used prior to concrete placement to inspect the conditions of the bottom of drilled shafts designed for end-bearing piles;
- Hammer efficiency testing (HET), a method of assessing the effectiveness and efficiency of standard penetration hammers used by Caltrans Drilling Services; and
- Down-hole camera, used to visually inspect and evaluate the cleanliness of the bottoms of drilled shafts in dry conditions, and also has a number of other uses, including investigating voids under pavement sections.

In 2008, Caltrans discovered that an FTB transportation engineering technician falsified GGL foundation test results. Furthermore, in 2011, Caltrans found that the branch chief for the FTB used Caltrans staff and vehicles to transport Caltrans materials to his private property. An investigation found the allegations to be substantiated. As a result of the investigation and other issues, both the FTB branch chief and the transportation engineering technician were placed on administrative leave and subsequently, dismissed from Caltrans. Additionally, in December 2011, Caltrans executive management requested A&I to conduct an internal audit to determine if the FTB had adequate administrative and operational controls in place to prevent fraud, waste, and abuse.

In mid-November 2011, an acting branch chief was appointed to the FTB and an acting office chief was appointed to the OGS. The branch chief and office chief immediately began an assessment of the FTB to

Background (continued)

identify specific areas for improvement, including addressing the concerns raised by the internal investigation. Both individuals remain in their current positions, with the branch chief's permanent appointment made in April 2012 and the office chief's permanent appointment made in September 2012. As A&I concluded its field work on May 31, 2012, the FTB was continuing the process of developing and implementing policies and procedures to address the areas identified, with a focus on improving internal controls.

Objectives, Scope, and Methodology

A&I conducted an audit of the FTB for the purpose of evaluating the system of internal control to determine if adequate and effective policies, procedures, and processes were in place to ensure operational and administrative functions were operating properly.

We performed our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit covered the period of November 1, 2010, through November 30, 2011, and focused on internal controls and procedural compliance as they relate to the operational and administrative activities of the FTB. We selected the 13-month audit period because, after the falsification was discovered, the FTB instituted new procedures to mitigate the risk of future falsifications. We conducted our audit from December 13, 2011, through May 31, 2012. Changes after these dates were not tested, and accordingly, our conclusion does not pertain to changes arising after May 31, 2012.

Our methodology consisted of interviewing the DES management and staff, reviewing websites and organizational charts, examining policy and procedure manuals, observing field services, testing and reviewing project files for compliance with established policies and procedures, and performing other analytical tests and assessments as we considered necessary to achieve the audit objectives.

The objective of the audit was to ensure that the FTB has an effective system of internal control in place to:

- Document, implement, and maintain a system of practices that is adequate to ensure activities are performed as intended.
- Maintain a system of internal review to ensure reconciliations, verifications, and reporting are performed as required.
- Ensure sufficient authorizations, oversight, and controls exist and are documented for activities to secure the integrity of information.
- Safeguard assets, including FTB materials maintained at the Transportation Laboratory (TransLab) campus and other locations.

Objectives, Scope, and Methodology (continued)

- Provide the public with reasonable assurance that inaccuracies in test data are prevented and, if not prevented due to collusion or other means, quickly identified, reported, and corrected.

Effective Systems of Internal Control

A good system of internal control is an essential element that assists organizations to achieve their objectives and is a requirement for all state agencies, including Caltrans. The California Government Code, Sections 13400 – 13407, known as the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA), declares that state agency heads are responsible for establishing and maintaining a system or systems of internal control. Internal operational and administrative controls are methods through which state agency heads can give reasonable assurance that measures to safeguard assets, check the accuracy and reliability of data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This responsibility includes documenting the system (i.e., policies, procedures, processes, practices), communicating system requirements to employees, ensuring that the system is functioning as prescribed, and modifying the system, as appropriate, for changes in conditions.

Government Code Section 13403 states the elements of a satisfactory system of internal control shall include, but are not limited to:

1. A plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.
2. A plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties.
3. A system of authorization and record keeping procedures adequate to provide effective control over assets, liabilities, revenues and expenditures.
4. An established system of practices to be followed in performance of duties and functions.
5. Personnel of a quality commensurate with their responsibilities.
6. An effective system of internal review.

These elements, as important as each is in its own right, are expected to be mutually reinforcing and thus provide the system with "internal checks and balances." All the elements are so basic to adequate internal controls that serious deficiencies in any one could preclude effective operation of the system and should trigger a sign of a problem.

Effective Systems of Internal Control (continued)

Establishing and maintaining a system or systems of internal control along with effective, independent, and objective ongoing monitoring of the controls are critical to ensure efficient and effective program operations, reliability of data gathering and reporting, and compliance with applicable laws, regulations, policies, and procedures.

In 1992, the Committee of Sponsoring Organizations (COSO) of the Treadway Commission prepared a report titled "The Internal Control – Integrated Framework." This framework has become the most widely used internal control framework in the U.S. and has been adapted or adopted by numerous countries and businesses around the world. Furthermore, the State of California has incorporated the framework as part of the State Administrative Manual (SAM) Section 20050 – Internal Control.

According to the COSO report, internal control consists of five critical components:

1. **Control environment** – Management attitude to promote ethical business practices reflected in its policies, procedures, and actions.
2. **Risk assessment** – Management's periodic identification and analysis of risks to assets, safety, operations, integrity, and overall public image to fulfill the organization's mission, vision, goals, and objectives.
3. **Control activities** – Policies and procedures established by management, applied as intended by all levels to mitigate or eliminate assessed risks.
4. **Monitoring** – Management, on an on-going basis, continuously assesses the quality and effectiveness of internal controls, modifying as needed.
5. **Information and communication** – Gathering and communicating significant, appropriate, and necessary information.

In addition to providing a framework for good internal controls, SAM also provides symptoms of control deficiencies. According to SAM 20050:

> *...the existence of one or more of the following danger signals will usually be indicative of a poorly maintained or vulnerable control system. These symptoms may apply to the organization as a whole or to individual units or activities. Entity heads and managers should identify and make necessary corrections when warned by any of the danger signals listed below.*

Effective Systems of Internal Control (continued)

1. *Policy and procedural or operational manuals are either not currently maintained or are nonexistent.*
2. *Lines of organizational authority and responsibility are not clearly articulated or are nonexistent.*
3. *Financial and operational reporting is not timely and is not used as an effective management tool.*
4. *Line supervisors ignore or do not adequately monitor control compliance.*
5. *No procedures are established to assure that controls in all areas of operations are evaluated on a reasonable and timely basis.*
6. *Internal control weaknesses detected are not acted upon in a timely fashion.*
7. *Controls and/or control evaluations bear little relationship to organizational exposure to risk of loss or resources.*

Finally, SAM 20050 asserts, "State entity heads, by reason of their appointments, are accountable for activities carried out in their agencies. ... The ultimate responsibility for good internal control rests with management. Because governments are susceptible to fraud, waste, and abuse, increased attention has been directed toward strengthening internal control to help restore confidence in government and improve its operations."

Conclusion

Our audit determined that during the audit period of November 1, 2010, through November 30, 2011, the FTB did not have an adequate system of internal control in place for either its operational or administrative functions. In essence, the FTB had:

1. Insufficient processes of authorization and record keeping that provided effective controls over assets (e.g., test data, equipment, vehicles, materials) and expenditures (e.g., time reporting, travel expenses, purchases of supplies, equipment, and materials).
2. An ineffective practice of internal review.
3. Inadequate or nonexistent procedures, specific to the FTB, that limited access to state assets (e.g., equipment, vehicles, materials) to authorized personnel who require such assets in the performance of their assigned duties.

More specifically, we found that the FTB had:

- No formal written policies and procedures for several of the test services provided.

Conclusion (continued)

- Insufficient written policies and procedures for its administrative functions, including use and oversight of state vehicles and equipment, materials, and time reporting (including overtime and PLT hours).
- No process for adequately tracking test services and other projects/assignments.
- No inventory of materials.
- Insufficient management oversight of test services and assignments, time reporting, travel, and use of state assets, including vehicles, equipment, and materials.
- Inadequate and ineffective management guidance related to internal controls, including assessing and mitigating control risks.

As a result, we cannot provide reasonable assurance that, during the audit period, the FTB:

- Prevented and, if not prevented due to collusion or other means, quickly identified, reported, and corrected inaccuracies in test data.
- Had adequate controls for safeguarding materials maintained at the TransLab.
- Had sufficient authorizations, oversight, controls, and documentation that ensure the integrity of operational and administrative information.
- Had an adequate system of practices in place to ensure that activities (e.g., test services) are performed as intended.
- Had a sufficient system of internal reviews in place that ensure reconciliation, verification, and reporting requirements are performed.

While Caltrans management is responsible for developing and administering policies and procedures, all managers and supervisors are responsible for ensuring employees comply with established regulations, standards, guidelines, policies, procedures, and practices specific to their duties.

Without adequate administration and monitoring of internal control, the risk of fraud, theft, waste, and abuse of limited state resources increases. Inadequate internal control over testing services may diminish Caltrans' credibility. The control environment did not prevent a transportation engineering technician from falsifying gamma gamma logging test results. Furthermore, the lack of controls prevented the FTB from quickly identifying, reporting, and correcting the situation involving falsified data, while making the task of verifying and validating past tests difficult and time-consuming.

Conclusion (continued)

We encourage management to use A&I as a resource as it endeavors to strengthen its system of internal control including developing new policies and procedures and/or improving current ones.

Our findings and our recommendations are discussed in greater detail in the following sections.

View of Responsible Official

On November 9, 2012, A&I conducted the audit exit conference with DES/FTB to discuss the audit results. In general, the Chief of DES agreed with our findings and recommendations. On January 18, 2013, the DES submitted its final written response to our findings and recommendations. According to its response, the DES has initiated a 3 Phase Mitigation Plan (3PMP) with estimated completion by May 2013. The DES will use a Master Resolution List (MRL) as its primary tool to address the audit findings and recommendations, tracking tasks and providing status updates and history. Furthermore, the FTB has already implemented several of the corrective actions. The response to each finding is considered in the following section. The complete response is provided in Attachment 1.

WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

December 19, 2012

FINDINGS and RECOMMENDATIONS

Finding 1 - The Foundation Testing Branch Lacked an Effective System of Internal Control

Our review found that overall the Foundation Testing Branch (FTB) lacked an effective system of internal control over its operational and administrative functions. The following deficiencies were identified:

- Inadequate and ineffective management guidance related to internal controls, including assessing and mitigating control risks.
- Insufficient written policies and procedures for services the FTB provided and for the overall administrative functions, including use and oversight of state vehicles, equipment, materials, and overtime.
- No means for tracking projects/assignments and staff workload.
- Incomplete and inaccurate project files.
- Insufficient supervisory oversight of projects/assignments, overtime and PLT hours, travel, and use of state assets, including vehicles, equipment, and materials.

The FTB plays a key role in achieving one of Caltrans' strategic goals, i.e., effectively delivering transportation projects. Although projects may be delivered on time and within budget, without effective operational and administrative controls in place, the quality of a project may be in question and the overall cost to Caltrans may be higher.

Our audit found that the FTB's primary customer, the Office of Structure Construction (OSC), was generally satisfied with the services provided by the FTB. The DES management did not receive complaints about the FTB's ability to conduct services without adversely delaying project schedules. We found that, although the FTB typically scheduled service requests at least weekly, service schedules were often adjusted to accommodate changes in project timelines as unforeseen project issues (e.g., contractor delay) frequently occurred. Nevertheless, the FTB was expected to adjust its schedules and complete its services without necessarily extending project schedules.

With an emphasis on adhering to project schedules, we found that the FTB management did not place a high enough priority on internal controls for the services provided and for the related administrative activities. Principally, the FTB did not have written policies and procedures for all the test services it provided to ensure that consistency and quality met or exceeded standards and expectations. In addition, the FTB management did not provide sufficient oversight to assure that project files contained complete and accurate information for test services requested or that the project files were properly filed, secured, and readily available, when needed, for future reference.

Finding 1 - (continued)

Consequently, the FTB could not validate the accuracy and completeness of each of its test services conducted, possibly affecting the quality and cost of projects overall.

We found the FTB branch chief failed to fulfill his supervisory responsibilities by failing to recognize internal control weaknesses within the FTB. The branch chief did not promptly remove the employee from the FTB or limit his access to files after the falsification was discovered. In addition, although the branch chief developed a process to mitigate the risk of falsified data for GGL tests, the process was not consistently followed or enforced. Furthermore, the FTB management did not directly recognize the falsification incident as a warning signal that existing operational and administrative processes were at risk and needed to be evaluated. Appropriate corrective action was not taken to ensure adequate internal controls were in place and effective. As a result, there was no assurance that existing controls would sufficiently prevent further improprieties.

As stated in SAM Section 20050:

> *The ultimate responsibility for good internal control rests with management. Because governments are susceptible to fraud, waste, and abuse, increased attention has been directed toward strengthening internal control to help restore confidence in government and improve operations.*

Without an adequate and effective system of internal control, Caltrans has greater exposure to fraud, theft, waste, and abuse. Ultimately, this can result in a loss of state resources and the public's trust in Caltrans.

Recommendations

We recommend that the DES management:

1. Continuously assess operational and administrative internal controls and address identified weaknesses.
2. Continually communicate a tone that emphasizes the importance of good effective internal controls in both its operational and administrative functions.
3. Educate all employees on their roles and responsibilities in ensuring a good internal control environment.
4. Develop, maintain, monitor, and modify written policies and procedures, as needed, for operational and administrative functions.
5. Provide sufficient and continuous oversight to ensure that policies and procedures are followed as intended.

DES Response

The DES was responsive to the audit findings and has adequately addressed the recommendations. The FTB is developing and finalizing the Foundation Testing Management Practices and Procedures Manual (FTMPP). The Manual documents all of FTB's operational and administrative policies, procedures, and practices and it will be updated annually. Employee training on the FTMPP will begin January 2013 and end in May 2013. Other efforts underway include consistent and frequent communication on the importance of internal controls and monitoring and oversight to ensure that policies and procedures are followed. For the complete response, please see Attachment 1.

Finding 2 - Foundation Testing Branch Services Deficiencies

Our audit found that, aside from the Caltrans Test Method 233 for GGL, the FTB had no official written policies and procedures for each of its services. Based on our interviews, observations, and tests, the FTB staff learned each service procedure from other transportation engineers and/or transportation engineering technicians. What is considered standard operating procedure for one transportation engineer or transportation engineering technician may differ from another. In addition, any new developments in test methods or standard operating procedures may not be consistently communicated to staff, leading to what may be inconsistent and questionable results. Consequently, the FTB cannot give reasonable assurance that the services it provided were conducted in accordance with proper standards nor could it adequately validate the services.

For these reasons, inconsistencies may result in testing service practices, including the performance of each test, as well as the compiling, completing, filing, and maintaining of test data. Accordingly, the integrity of test data and the results, both written and electronic, may be compromised or cannot be verified, questioning their validity. Questionable foundation test results may diminish Caltrans' credibility and image as a leader in the transportation industry.

Recommendations

We recommend that the FTB:

1. Develop and implement written policies and procedures for its test services to give reasonable assurance as to the consistency, integrity, and validity of the data and results.
2. Continually communicate related policies and procedures to employees, monitor compliance, and make changes, as necessary.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Finding 3 - Project File Deficiencies

Our audit found that the FTB could not readily account for all its projects/assignments or assure the integrity and validity of all project results. The FTB maintains test data for certain tests within individual red folders organized according to structure number. We found red folders were maintained mostly for gamma gamma logging, cross-hole sonic logging, pile load testing, and pile dynamic analysis (GGL, CSL, PLT, and PDA, respectively) services. However, for other services (e.g., shaft inspection device, down-hole camera), no red folders with testing-/service-related documents or other reasonable evidence that services were conducted were found. In addition, electronic raw data test files for GGL were not consistently maintained, either in a central electronic data repository or in any other central, secure location.

Although there were no written policies or procedures for what should be contained in the red folders and their maintenance, our interviews and discussions with the FTB management identified that red folders should contain, at a minimum, the following documents:

- Daily Field Reports (DFR),
- Test setup/data sheets,
- Reports – test analysis and recommendations,
- Test request forms, and
- Pertinent correspondence (e.g., e-mails, memos, letters).

The purpose of these documents is to provide reasonable assurance that services were properly conducted and to validate the results. However, our review of 12 different red folders containing documentation for 45 separate tests, which correspond to 12 different structure projects, found that the red folders were not always complete. Specifically, we found:

- 24 (53 percent) tests were not supported by DFRs.
- 4 (9 percent) tests were not supported by completed test setup/data sheets.

Not all red folders had completed test documentation; however, some test results were in electronic form and stored in the FTB Archive. As a result, the ability to verify the integrity of the test data, both written and electronic, may be compromised or may not be satisfactorily validated, which could lead to questionable or unsupported results.

Finding 3 - (continued)

Complete test documentation is necessary to give reasonable assurance that each test was performed properly, completely, and that the results were accurate and adequately documented.

Recommendations

We recommend that the FTB:

1. Establish written policies and procedures for gathering and maintaining test/service information.
2. Consistently file and maintain test data (written and electronic), along with other pertinent documents.
3. Develop and maintain written policies and procedures that address, at a minimum:
   a. The data/information that must be documented in the project files to provide sufficient historical evidence (who, what, when, where, why) validating the services performed.
   b. Roles and responsibilities for ensuring all appropriate and necessary data/information are complete and valid.
   c. Periodically monitoring red folders to assure they are maintained as intended.
   d. Records that must be retained and the timeframe for retention.
4. Continually communicate related policies and procedures to employees, monitor compliance, and make changes, as necessary.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Finding 4 - Project/Assignment Tracking Deficiencies

Our audit also found that the FTB did not track tests/services requested, conducted, and reports that were issued. Therefore, we were not able to identify all tests/services performed by the FTB during the selected audit period. In February 2012, the FTB provided a list of tests performed during the audit period of November 1, 2010, to November 30, 2011. However, the FTB could not guarantee that the list was complete, containing all the projects/assignments conducted during the selected period.

Nevertheless, we used the list to locate testing information/red folders for various structures. Unfortunately, we were not able to find red folders for several of the structures included on the list. In addition, we also found red folders for assignments/projects that were not included on the list. We found that the FTB did not have a system to track custody of the red folders. Furthermore, the FTB did not have a policy for record retention.

Finding 4 - (continued)

Lacking both a reliable database of test services performed and a method for monitoring red folders negatively affects management's ability to respond accurately and quickly to both customers (DES) and third parties. The lack of control over testing data also increases the risk of theft and fraud, compromising the security and integrity of the data, and ultimately diminishing confidence in the program and its services.

Overall, management did not adequately gather and maintain significant, appropriate, and necessary test information. As a result, we cannot give reasonable assurance that the FTB maintained adequate and reliable test records and red folders.

Recommendations

We recommend that the FTB:

1. Establish a method of monitoring and tracking tests requested, performed, and for which reports are issued including tracking the status of tests/services so that management can readily locate test information at any time. Ideally, the method used should identify:
   a. Name(s) of the person(s) assigned.
   b. Test location(s).
   c. Date(s) of test.
   d. Recommendation(s) and date of final report.
2. Document policies and procedures for consistently filing red folders, safeguarding the area in which they are kept, establishing a method for tracking folders when removed from the filing area, and identify the record retention period.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Finding 5 - Time Reporting Deficiencies

Our interviews with the FTB employees revealed that the FTB did not consistently follow the DES policies and procedures regarding time reporting for regular, overtime, and PLT hours. Specifically, prior approval of overtime, or requiring other types of documentation to support overtime and PLT hours charged were not enforced.

We reviewed the FTB's time reporting practices to:

- Determine if written time reporting policies and procedures were in place and complied with applicable rules, regulations, and policies.

Finding 5 - (continued)

- Determine if reported hours agreed to/are supported by DFRs or other supporting documentation.
- Identify any weaknesses in the time reporting procedures.

Deputy Directive (DD) 108, *Timely Submission and Approval of Timesheets*, requires all employees to submit timely and accurate attendance records using Staff Central, including overtime hours. In addition, DD-56-R2, *Use of Overtime*, requirements include pre-authorization and complete and accurate documentation. The DES also has guidelines for charging practices that are more stringent available on its website. Furthermore, Service Employees International Union (SEIU), Local 1000, covering Bargaining Unit 11 for engineering and scientific technicians, also requires advance authorization of overtime.

The negotiated bargaining contract entitles the FTB technicians to a $1.25 per hour pay differential when performing PLT, and hours must be adequately documented. All authorizations should be documented, complete, and accurate.

The FTB uses the department's on-line time reporting system, Staff Central. With Staff Central, employee hours are entered and compiled into various management reports to measure, track, and accumulate employee costs by source district. Using a Staff Central report, we sampled 415.5 recorded hours (including regular, overtime, PLT). The 415.5 hours were incurred by 7 employees, over 23 non-consecutive days covering 45 tests. We found:

- 122 of 298 regular hours (41percent) were not supported by DFRs.
- 117.5 overtime hours were not documented as pre-authorized by management and 21 of 117.5 hours (18 percent) were not supported by DFRs.
- 47 PLT hours were not supported by DFRs, including 8 hours of drill and tap work recorded on a DFR but charged as PLT in Staff Central.
- In general, we did not find sufficient evidence that the first-line supervisor provided adequate management and oversight of the FTB staff and the labor hours reported.

Based on our audit tests, interviews, and observations, we found the FTB did not consistently comply with DD-108, the DES time charging guidelines, and the SEIU bargaining agreement. Overtime and PLT hours were not always supported by adequate documentation, and written time reporting policies and procedures, specific to the FTB, did not exist. Lacking adequate controls and procedures, reported times may not accurately reflect actual work performed and Caltrans may

Finding 5 - (continued)

pay for unauthorized/unsupported overtime and PLT hours. The FTB incurred over 1,000 overtime hours in fiscal year 2010-11. Without controls over labor, there is no assurance that the FTB employee hours reported, including overtime and PLT, were accurate, valid, and properly authorized.

Recommendation

We recommend that the FTB establish written time reporting policies and procedures for activities that relate specifically to their branch. The policies and procedures should:

1. Ensure compliance with established time reporting criteria, including deputy directives, division charging practices, and applicable labor bargaining agreements.
2. Ensure prior approval and documentation of overtime and PLT.
3. Establish criteria for essential and emergency overtime.
4. Identify documentation required to support overtime and PLT hours.
5. Require sufficient, continuous oversight by managers and supervisors.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Finding 6 - Daily Field Report Deficiencies

The FTB lacked written policies and procedures to provide staff consistent direction for completing DFRs. In addition, given the lack of written policies and procedures, it was not clear who was responsible for completing DFRs and when DFRs were to be completed. Furthermore, it was not apparent what sections were to be completed, what information was to be documented, and whether anyone was responsible for reviewing or verifying that DFRs were completed and filed.

Through our review of red folders, testing of labor, and discussions with the FTB staff, we learned those conducting GGL, CSL, PLT, and PDA tests are responsible for completing DFRs. The DFR form (MR-1109) is a means for staff to document testing information including:

- Project and bridge number.
- District, county, route and post mile; bent number.
- Expenditure authorization number/project number.
- Date and day of the week, weather conditions.
- Resident Engineer and/or Structure Representative name(s).

Finding 6 - (continued)

- FTB representative name(s).
- Type of work (e.g., GGL, CSL, PLT).
- Time worked (regular, overtime, PLT, total).
- Recipients of a copy of DFR.
- Project/work notes.

We also found that the FTB did not have documented operating procedures addressing the use of DFRs. Instructions were conveyed verbally and have been modified over the years, resulting in incomplete or missing (i.e., not filled out) DFRs. Within the FTB, the requirement to use DFRs is implied and, as a result, not consistently used or enforced. In April 2012, the form was updated to allow users the opportunity to provide, at a minimum, the following additional information:

- Vehicle Equipment ID.
- Driver or carpooler.

For the audit period covering November 1, 2010, through November 30, 2011, we reviewed red folders for 12 structures covering 45 tests and found 39 related DFRs. Our examination revealed the following:

- 12 (37 percent) of the testing days did not have a completed DFR.
- 5 (13 percent) of the DFRs reviewed did not identify time and/or number of hours worked.
- None of the DFRs contained signatures or noted whether copies were given to structure representatives, as noted on the form.

Inconsistencies in the completion and maintenance of DFRs may negatively affect the FTB's ability to support fieldwork tests, overtime, and PLT hours. Without clear direction, the DFR's purpose is lost and becomes an unreliable document because it is not consistently completed and filed. Moreover, insufficient information documented on the DFRs may compromise the integrity and validity of the tests/services performed.

Recommendation

We recommend that the FTB develop, maintain, and follow written procedures for the completion of the DFR, form MR-1109. The procedures should, at a minimum:

1. State when and why a DFR is required.
2. Identify who is responsible for completing a DFR, especially when there is more than one TE and/or TET at the job site.

Recommendation (continued)

3. Determine and clarify the need, if any, for signatures and by whom.
4. Detail which parts of the form are to be completed and for what tests.
5. Clearly specify whether the DFR will be used to support regular, overtime, and/or PLT hours.
6. Establish record retention requirements that state where the form is to be stored and for how long.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Finding 7 - Vehicle and Travel Expense Claim Deficiencies

Our audit also found that the FTB did not maintain vehicle logs, written requirements for the completion of DFRs, or procedures for maintaining and filing red folders. As a result, we were not able to trace all travel expense claims (TEC) to DFRs. Furthermore, we could not readily correlate TECs to vehicle logs. Caltrans maintains an on-line reporting system, CarTags, as well as a manual pre-/post-operation log for recording vehicle usage. During the audit period of November 1, 2010, through November 30, 2011, CarTags and the pre-/post-operation logs were not consistently used by the FTB employees. Proper use of vehicle logs not only ensures compliance, but also provides a means for monitoring access to state assets and for limiting usage to state-related projects.

We reviewed the FTB TECs covering the selected audit period to:

- Determine if written policies and procedures were in place and identify any deviations from Caltrans policies.
- Determine whether TECs were properly completed, including adequate project coding, and were signed and approved.
- Verify consistency of reporting information, determining whether TECs agreed to vehicle logs and DFRs.

All FTB employees are required to adhere to Caltrans' travel reimbursement rules which are documented in the on-line Travel Guide. The guide details the Department of Personnel Administration's (now CalHR) travel rules, as well as Caltrans' policies.

We examined 35 TECs and found:

- 16 (46 percent) were not related to FTB testing and could not be traced to DFRs.

Finding 7 - (continued)

- 12 (34 percent) could not be verified because the related red folders (project folders) were not available.
- 28 (60 percent) could not be correlated readily to a DFR and/or red folder.
- 35 (100 percent) could not be traced to vehicle logs since vehicle logs were not consistently maintained.

Per California Code of Regulations, Section 599.807, Caltrans is required to maintain vehicle logs which record daily mileage, date and time of travel, itinerary, and name of driver when using state-owned vehicles. These logs are made available to the Department of General Services (DGS) who is responsible for the state's vehicle fleet. DGS verifies the minimum requirements (6,000 miles or 80% of the available working days every six months) for vehicle usage.

As the FTB did not maintain policies and procedures addressing the use and completion of DFRs or the maintenance of red folders, we could not readily match TEC trip information to DFRs or other testing documents. Although the TECs were completed per travel guidelines, not all TECs stated the name or number of the structure tested. Including the name and structure number on the TEC may assist supervisory review and approval of travel costs, document work hours, and may be useful for future requests for information, including audits. Prior to the conclusion of our field work, through our discussions with management, we learned the FTB had implemented procedures for vehicle use and TEC information; however, such procedures were not yet formally documented. Given that there were no documented procedures (specific to the FTB) to review and that the new procedures affect a period outside of our selected audit period, we did not perform tests to verify the existence of or compliance with the new procedures.

Recommendations

We recommend that the FTB:

1. Establish and enforce written policies and procedures, specific to the FTB, that ensure vehicle usage is properly tracked and recorded.
2. Provide sufficient oversight to give reasonable assurance that vehicles are used only for official state business.
3. Ensure that information documented on TECs can be readily correlated to DFRs, time sheets, and vehicle logs, as applicable.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Finding 8 - Materials Deficiencies

Our audit found that the FTB did not have policies and procedures for materials usage and inventory during the audit period. On December 13, 2011, the FTB provided an inventory list of materials from an inventory conducted just prior to the beginning of our audit. According to the FTB staff interviewed, an inventory of materials was never conducted under the prior branch chief. As a project dictated, the FTB staff would use available materials/supplies and/or place orders for materials/supplies that were needed.

Aside from adhering to Caltrans purchasing requirements, no method of tracking materials purchases, usage, and inventory existed. Furthermore, the FTB lacked adequate oversight of materials use, with little or no accountability. Lacking adequate policies, procedures, and oversight can lead to theft and misuse of Caltrans assets.

Recommendations

We recommend that the FTB:

1. Establish policies and procedures, specific to the FTB, that ensure materials are properly tracked and recorded to the applicable projects.
2. Provide sufficient oversight to give reasonable assurance that materials are used for official state business and are adequately safeguarded.

DES Response

The DES was responsive to the audit findings and recommendations as discussed in the response to Finding 1. For the complete response, please see Attachment 1.

Attachment 1

Response to Audit Report P3000-0408

State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: January 18, 2013

From: ROBERT PIEPLOW
Chief
Division of Engineering Services

Subject: **RESPONSE TO AUDIT REPORT P3000-0408 DIVISION OF ENGINEERING SERVICES (DES) FOUNDATION TESTING BRANCH (FTB)**

Attached is the DES work plan in response to the Audits and Investigations Draft Report P3000-0408, dated January 2013. To accomplish the work plan, in November of 2011, the FTB management team was replaced with new personnel with a background in project management. This change was made to address serious performance and quality issues relating to FTB services. The FTB was faced with two challenges: (1) implement immediate corrections to ongoing FTB operations to avoid future test data (Gamma-Gamma Logging) accuracy and quality issues, and (2) develop a new FTB management structure to address key Audit and Investigation Findings and Recommendations with a focus on performance, quality, and accountability.

The FTB has completed the process of implementing new testing oversight and quality control measures to address immediate mitigation needs related to Gamma-Gamma Logging Test(s). A significant amount of work remains relating to the development of the FTB management structure and system. The Deputy Division Chief of DES – Materials Engineering and Testing Services and Geotechnical Services (METS/GS) has initiated a 3 Phase Mitigation Plan (3PMP) to address challenges and performance related setbacks associated with FTB operations. While not all phases have been completed, sufficient draft work plans and documents exist to provide a solid overview of the status, intent, and desired outcome.

A summary of the phases is noted below:

- **PHASE I**

  Remove and replace the FTB management structure to immediately stop and/or significantly reduce key FTB critical setbacks (data falsification, lack of quality controls, improper use of State vehicles, overtime management, project tracking, electronic records, etc). Training will be provided on these new systems and controls in February/March of 2013.

  Timeline: November 2011 to February/March 2013

- **PHASE II**

  Create a structure and process with clearly defined procedures to ensure FTB work performance, quality, and accountability is performed in a manner consistent with the California Department of Transportation (Caltrans) policies, regulatory mandates, and audit findings. The Foundation Testing Management, Practices, and Procedures Manual (FTMPP Manual) will be developed and finalized. The manual mandates FTB managers, supervisors, and staff to have clear direction relating to the performance of their duties. In addition, the FTMPP Manual will ensure compliance with testing regulatory mandates, quality, stewardship, internal controls, risk management, performance measurements, and accountability. All FTB personnel will receive the required training and instruction.

  Timeline: October 2012 to April 2013

- **PHASE III**

  Develop and implement a project management system that ensures managers and supervisors have adequate tools to measure FTMPP Manual, Core Value compliance including: Safety, Training, and Certifications, Asset Stewardship, Quality Assurance, Document Control, Risk Management, etc. The Phase III system will also address key elements of the Audit & Investigation Report findings dated January 2013 as well as all other applicable external reviews. The Master Resolution List (MRL) will be the primary tool for this effort consisting of various control measures to ensure successful oversight and management of FTB operations and services. The MRL focuses on task description, responsible person(s), completion date, status, and history. The MRL will address three management levels within FTB, including MRL(s) for staff. MRL documents will address corporate level and daily line function task assignments. In addition to the MRL documents, MRL instruction sheets will also be provided to ensure consistent communication links between management and staff and criteria for prioritization of tasks. MRL training with quality control oversight will be provided to all end-users.

  Timeline: December 2012 to May 2013

As required, DES will report on the progress of the work plan at 60, 180, and 360-day time periods from when the final report is issued. I have confidence that all tasks and action items contained within the work plan will be completed within this time frame.

If you have any questions on the work plan contents or need additional information, please contact Philip J. Stolarski, State Materials Engineer, Deputy Division Chief, DES–METS/GS at (916) 227-7254, or by email at phil_stolarski@dot.ca.gov, for assistance.

Attachment

Audit Report Finding #1 Lack of an Effective System of Internal Controls.			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
1. Continuously assess operational and administrative internal controls and address identified weaknesses.	Continuous assessment of FTB operations and administrative internal controls is performed by using the Foundation Testing Management, Practices, and Procedures (FTMPP) Manual and the 3 Phase Mitigation Plan (3PMP). See Cover Memorandum (Response To Audit Report P3000-0408 Division Of Engineering Services (DES) Foundation Testing Branch (FTB)) for a summary of the purpose and intent of each phase. More specifically, the FTMPP Manual, Sections 1 Foundation Testing Branch Management Plan, 2 Core Values and 3 Administration. The 3PMP, Phase III requires the use of Master Resolution List (MRL) systems to track tasks, assign responsibility to staff/supervisors, establishes completion dates, status updates and history. MRL meetings are held weekly and documented via the document control system. Identified weakness tracking and monitoring is accomplished in the FTMPP Manual, Sections 1, Foundation Testing Branch Management Plan and 2, Core Values. It should also be noted corrective measures and lessons learned are addressed in the FTMPP Manual, Sections 1 Foundation Testing Branch Management Plan and 2 Core Values. Training all noted systems is scheduled over the next 4-5 months.	May 2013 to have systems fully implemented. Process is on-going from that point on.	Douglas Brittsan Shira Rajendra

Audit Report Finding #1 Lack of an Effective System of Internal Controls.			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
2. Continually communicate a tone that emphasizes the importance of good effective internal controls in both its operational and administrative functions.	The new management structure is based on setting a tone and atmosphere of consistent and open communications relating to key FTB targets and internal controls. This new structure is centered on the FTMPP Manual (Sections 1 and 2) and the 3PMP (Phase II and III). More specifically, the FTMPP Manual Section 1, 1.2 requires FTB management continually communicate and train FTB team members to ensure compliance with all internal controls (this is accomplished via MRL systems, meetings, etc). The FTMPP Manual Section 2 Core Values section requires regularly scheduled meetings, tracking of tasks and performance while creating a level of accountability. It is important to note, the 3PMP, Phase II and III systems require a consistent monitoring of FTB performance via the MRL system (Corporate Level II Quality Control and Assurance MRL).	Corrective measures are in place (3PMP Phase I) to address immediate audit issues (Gamma-Gamma Tests, Quality of Tests, Vehicle Use, Overtime, etc). FTB management enhancements are expected to be in place by May 2013.	Douglas Brittsan Shira Rajendra Philip Stolarski Amanda Huynh
3. Educate all employees on their roles and responsibilities in ensuring a good internal control environment.	Training for all FTB management and staff will occur in 3 phases. The Cover Memorandum (Response To Audit Report P3000-0408 Division Of Engineering Services (DES) Foundation Testing Branch (FTB)) provides a summary of the purpose and intent of each phase. The FTMPP Manual, Section 1 & 2 are the primary focus points for internal control training (roles, responsibilities, safety, asset stewardship, quality assurance, document control, risk management, etc). An MRL for training on the above topics will start January 2013 and end in May 2013. Note: the 3PMP requires all training (administrative, technical and applicable regulatory mandates) to be tracked, monitored and documented.	January – May 2013.	Douglas Brittsan Shira Rajendra Philip Stolarski

Audit Report Finding #1 Lack of an Effective System of Internal Controls.			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
4. Develop, maintain, monitor, and modify written policies and procedures, as needed, for operational and administrative functions. .	The FTMPP Manual and 3PMP are the drivers for this recommendation. These documents contain policies, procedures, performance measures, continuous improvement provisions, accountability standards, project management systems, schedules and quality requirements. The above effort ensures compliance with all audit report recommendations, including pending external reviews/reports. Lastly, the 3PMP system ensures documentation of events and retention of records. Training will be provided regarding the above. .	Training for the FTMPP Manual and 3PMP - January to May 2013.	Douglas Brittsan Thang Le Shira Rajendra
5. Provide sufficient and continuous oversight to ensure that policies and procedures are followed as intended.	The FTMPP Manual and 3PMP require continuous oversight to ensure compliance with policies and procedures. The MRL system requires weekly meetings with regular updates and revisions to reflect operational and administrative conditions. The MRL will ensure each task is assigned with a completion date, including a description of the action required, a status update and history of events. The Corporate Level II Quality Control and Assurance MRL as required in the 3PMP, Phase III requires an FTB manager perform regular quality control and assurance checks on MRL tasks.	The FTMPP Manual will be completed by January-May 2013. The 3PMP will be completed by May 2013.	Douglas Brittsan Shira Rajendra Philip Stolarski Amanda Huynh

Audit Report Finding #2 Foundation Testing Branch Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
1. Develop and implement written policies and procedures for its test services to give reasonable assurance as to the consistency, integrity, and validity of the data and results.	Mitigation of FTB Gamma-Gamma testing challenges was of the first order of business (Phase I of the 3PMP) for the FTB management team. The new policies, procedures and internal controls for testing services were developed and implemented prior to the creation of the FTMPP Manual. This approach was taken given the immediate need to mitigate potential testing falsification risks, ensure accuracy of test results while implementing quality control and assurance practices. Once the above challenges were under control, the FTB team initiated the development of formal and final written policies and procedures as noted in the FTMPP Manual (testing service sections).	Training for Phase I of the 3PMP (testing policies and procedures) will be completed by February-March 2013. Training on remaining testing policy and procedures as required in the FTMPP Manual will be completed by May 2013.	Douglas Brittsan Thang Le Shira Rajendra
	FTB utilizes a Quality Control (QC) checklist, which serves as an assessment tool to verify the accuracy of the Gamma-Gamma Logging (GGL) data sets received. The checklist also includes specific factors that peer and supervisory reviews to ensure that technician testers are following the appropriate testing procedures.	Completed and implemented in June 2012.	Douglas Brittsan

Audit Report Finding #2 Foundation Testing Branch Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
	FTB has a GGL Data Checker tool in place. GGL data sets, once received, are processed through the GGL Data Checker tool. The checker tool is used as a means to focus on the prevention of GGL data falsification risks. This procedure has been modified on multiple occasions to ensure its effectiveness. Full implementation of the improved tool was launched in October 2012.	Completed and implemented in October 2012.	Douglas Brittsan
2. Continually communicate related policies and procedures to employees, monitor compliance, and make changes, as necessary.	The FTMPP Manual and the 3PMP mandate specific and clearly defined policies, procedures and performance measures. The above controls will ensure all FTB managers, supervisors and employees properly track, monitor and manage their work while ensuring compliance with applicable regulatory mandates, Caltrans policy and audit recommendations. The above is accomplished by using the MRL system on a regular basis with quality control and assurance oversight. The FTMPP Manual, Section 1, 1.6 (Manual Update Process) and Section 2, 2.9 and 2.10 (Risk Management – Performance Failure Identification Process, Implementation of Corrective Measures) allow for identification of non-compliance issues and ensures corrective measures with provisions for continuous improvement. Updates to the FTMPP Manual will be processed on an as-needed basis. In addition, an annual comprehensive review and revision of the FTMPP Manual will be performed to ensure content accuracy.	FTMPP Manual to be completed by January-May 2013. The 3PMP will be finalized by May 2013. All training for the above will be completed by January-May 2013.	Douglas Brittsan Shira Rajendra Philip Stolarski Amanda Huynh

Audit Report Finding #3 Project File Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
1. Establish written policies and procedures for gathering and maintaining test/service information.	The 3PMP, Phase I written policies and procedures were developed and implemented to address immediate testing service document control (Gamma-Gamma Checklist, Electronic Archive, Gamma-Gamma Logging Checker Tool, etc.) issues. The FTMPP Manual, Section 3, 4 & 5 documents the policies and procedures related to all the tests performed by FTB, including project file requirements and document naming conventions.	FTMPP Manual to be completed by January -May2013. Training to be completed by January -May 2013.	Douglas Brittsan Thang Le Shira Rajendra
2. Consistently file and maintain test data (written and electronic), along with other pertinent documents.	The FTMPP Manual, Section 3, (Project Tracking, Weekly Reports, Document Control, Physical & Electronic Records, Record Naming Convention, Procedures for Archiving and Record Retention Procedures, etc) addresses issues relating to written and electronic filing systems. The FTB management team has implemented some of the record and file systems noted above to address immediate test accuracy and quality issues. The final implementation and official acceptance of the record and file system will occur at completion of the FTMPP Manual training.	FTMPP Manual will be finalized in January-May 2013. The above training to be completed by January-May 2013.	Douglas Brittsan Shira Rajendra

Audit Report Finding #3 Project File Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
3. Develop and maintain written policies and procedures that address, at a minimum: a. The data/information that must be documented in the project files to provide sufficient historical evidence (who, what, when, where, why), validating the services performed. b. Roles and responsibilities for ensuring all appropriate and necessary data/information are complete and valid. c. Periodically monitoring red folders to assure they are maintained as intended. d. Records that must be retained and the timeframe for retention.	3.a – 3PMP, Phase I required the development of certain policies and procedures to ensure historical evidence and validation of the services performed. FTB created a Project Tracking Database system which identifies the project, test data collection (type and person), dates, report completion date and date report was archived. Each report and data entry is reviewed by a "peer reviewer". In addition, FTB supervisor reviews the quality of reports and test data for accuracy. The FTMPP Manual, Section 3 & 4 provide policies and procedures relating to data/information document control, validation and retention. 3.b – Roles and responsibilities relating to completion and validation of data and information is addressed in the FTMPP Manual, Sections 2, 3 and 4. The 3PMP will ensure the quality and validity of testing services. FTB Engineers who are performing peer reviews of the reports are also required to verify the red folder contents for completion and quality. These procedures are documented in the FTMPP Manual. 3.c – FTMPP Manual, Sections 3 & 4 provide clear direction relating to the processing of red folders. Section 2, Core Values, and the 3PMP ensure consistent monitoring of documents to ensure compliance. The 3PMP Corporate Level II Quality Control and Assurance MRL and the Line-Function MRL systems will be responsible for tracking, measuring and monitoring the red folder process. 3.d – The FTMPP Manual requires records be retained in a filing system until eventual placement into the electronic archive system. Quality checks will be performed as the 3PMP processes are implemented. Records retention will be compliant with Caltrans policy and procedures.	Phase I of the 3PMP will be completed in February-March 2013. FTMPP Manual will be finalized in January-May 2013 3PMP to be completed by May 2013 Training to be provided January-May 2013	Douglas Brittsan Thang Le Shira Rajendra

Audit Report Finding #3 Project File Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
4. Continually communicate related policies and procedures to employees, monitor compliance, and make changes, as necessary.	Weekly project meetings occur to review records, files and other related project documentation. Quality checks will be performed as the 3PMP processes are implemented.	3PMP completion by May 2013	Douglas Brittsan Shira Rajendra

Audit Report Finding #4 Project/Assignment Tracking Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
1. Establish a method of monitoring and tracking tests requested, performed, and for which reports are issued including tracking the status of tests/services so that management can readily locate test information at any time. Ideally, the method used should identify: a. Name(s) of the person(s) assigned. b. Test location(s). c. Date(s) of test. d. Recommendation(s) and date of final report.	The FTMPP Manual, Section 3, requires the development, implementation and management of a test tracking and monitoring system. The FTB team has created and implemented a project tracking database to track foundation testing on all active and completed projects. The Branch Chief performs periodic inspections of the tracking database to verify accuracy and document the inspection as part of the quality control/assurance process and the 3PMP system.	Tracking Database was completed in April 2012. Periodic inspection process will be completed by May 2013.	Douglas Brittsan Shira Rajendra
2. Document policies and procedures for consistently filing red folders safeguarding the area in which they are kept, establishing a method for tracking folders when removed from the filing area and identify the record retention period.	The FTMPP Manual, Section 3 will specifically address red folder processing, tracking and management. On an interim basis as of July 2012, FTB engineers and the first line supervisor performed quality control and assurance reviews relating to red folder, management and utilization processes. The final red folder management and control process will be fully implemented by May 2013. A list of required documents in the red folder has been developed and placed in the FTMPP Manual, Section 3. Staff was made aware of this official documented requirement to ascertain proper completion of the red folders.	Red folder tracking system and training will be implemented by January-May 2013	Douglas Brittsan Shira Rajendra Amanda Huynh

Audit Report Finding #5 Time Reporting Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
We recommend that the FTB establish written time reporting policies and procedures for activities that relate specifically to their branch. The policies and procedures should: 1. Ensure compliance with established time reporting criteria, including deputy directives, division charging practices, and applicable labor bargaining agreements. 2. Ensure prior approval and documentation of overtime and PLT. 3. Establish criteria for essential and emergency overtime. 4. Identify documentation required to support overtime and PLT hours. 5. Require sufficient, continuous oversight by managers and supervisors.	Overtime needed to support Construction is estimated weekly by the Branch Chief and is preapproved by the Office Chief. It is also monitored through the review of employee daily field reports and timesheets by the supervisor. The above process is compliant with deputy directives, division charging practices, etc. The first line supervisor conducts weekly quality reviews to ensure compliance.	Completed and implemented in January 2012.	Douglas Brittsan Shira Rajendra
	Overtime guidelines were issued to all office employees per Deputy Directive # DD-56-R2 by the Office Chief in May 2012. Essential and emergency overtime policies/approval criteria are outlined in the above Deputy Directive.	Completed and implemented in May 2012.	Douglas Brittsan
	Daily Field Reports (DFRs) are reviewed by the supervisor when approving Pile Load Testing (PLT) differential time reported in the timesheets to ensure accurate reflection of work performed and time reported.	Completed and implemented in September 2012.	Shira Rajendra
	Monthly oversight on usage and proper documentation of overtime is provided by the supervisor and /or Office Chief.	Implemented in May 2012 and is a continuous effort.	Douglas Brittsan Shira Rajendra

Audit Report Finding #6 Daily Field Report Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
We recommend that the FTB develop, maintain, and follow written procedures for the completion of the DFR, form MR-1109. The procedures should, at a minimum: 1. State when and why a DFR is required. 2. Identify who is responsible for completing a DFR, especially when there is more than one TE and/or TET at the job site. 3. Determine and clarify the need, if any, for signatures and by whom. 4. Detail which parts of the form are to be completed and for what tests. 5. Clearly specify whether the DFR will be used to support regular, overtime, and/or PLT hours. 6. Establish record retention requirements that state where the form is to be stored and for how long.	Interim instructions are currently in place for accurate completion of DFRs, including required documentation as to when and why a DRF is required. Technicians, engineers, and all staff performing tests have received interim guidelines for completing the reports. Guidelines and instructions will be reviewed and modified for improved accuracy of the DFRs. These guidelines, once finalized, will be placed in the FTMPP Manual as official written procedures.	Interim guidelines were implemented in February 2012 Permanent guidelines and policy will be implemented by May 2013.	Douglas Brittsan

Audit Report Finding #7 Vehicle and Travel Expense Claim Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
1. Establish and enforce written policies and procedures, specific to the FTB, that ensure vehicle usage is properly tracked and recorded.	Vehicle ID numbers and pile/bent numbers are added to the daily field reports as a means to track the vehicles driven to the job site and provide more information on the piles tested. Interim policies for accounting for vehicle use are currently in place. Staff have been instructed to: • A pre-operation form, which staff are required to fill out, records the start and end mileage of the vehicle. • Second driver's starting mileage documentation should match up with initial driver's ending mileage documentation. This documentation is logged on cartags, which records the travel mileage, time of use, and storage location of vehicle. • Supervisor is immediately notified if mileage documentation does not match up. A formal written process was outlined in the October 29, 2012, Memorandum to all employees from the Caltrans Director relating to the use of State-provided vehicles and recording of mileage. This memorandum is being placed into the FTMPP Manual. Vehicle usage enforcement is documented in the METS/GS Directive #1, "Employee Expectations" (July 2012).	Interim policies were implemented in April 2012. Training for this policy will occur January-May 2013.	Douglas Brittsan
2. Provide sufficient oversight to give reasonable assurance that vehicles are used only for official state business.	Please see the response for Finding #7, Recommendation #1.	Policies were implemented in April 2012	Douglas Brittsan

Audit Report Finding #7 Vehicle and Travel Expense Claim Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
3. Ensure that information documented on the TECs can be readily correlated to DFRs, time sheets, and vehicle logs, as applicable.	DFRs will be used to document name and number of the structures tested. Travel Expense Claims (TEC) will be completed per the Caltrans TEC Guidelines. The first line FTB supervisor performs weekly reviews of these documents to ensure compliance. Vehicle ID numbers and pile/bent numbers are added to the daily field reports as a means to track the vehicles driven to the job site and provide more information on the piles tested. A formal written process was outlined in the October 29, 2012, Memorandum to all employees from the Caltrans Director relating to the use of State-provided vehicles and recording of mileage. This memorandum is being placed into the FTMPP Manual.	Completed and implemented in February 2012. Permanent policies will be implemented and staff will be trained on these guidelines by May 2013.	Douglas Brittsan

Audit Report Finding #8 Materials Deficiencies			
Recommendation	**Corrective Action Plans**	**Estimated Completion Date**	**Staff Responsible**
1. Establish policies and procedures, specific to the FTB, that ensure materials are properly tracked and recorded to the applicable projects.	Policies and procedures are currently being developed to address the issue of material usage and tracking. These policies and procedures will be included in the FTMPP Manual. Staff will be trained and made aware of the newly implemented procedures. Staff will be immediately notified of any modifications to the FTMPP Manual. The Supervisor Quality Assurance Plan (SQAP) is being developed and will be utilized at the Deputy Division Chief, Office Chief, and Branch Chief levels as a means for reasonable assurance on the completion of critical tasks. Master Resolution Lists (MRL), a quality check portion of the SQAP, will be maintained electronically and in hardcopy to effectively employ document control.	Staff will be trained on contents and requirements in the FTMPP Manual January-May 2013.	Douglas Brittsan Shira Rajendra Philip Stolarski
	A tracking log will be developed to monitor the usage of materials as well as to keep an updated inventory of what is purchased or needs to be purchased. One designated member of the FTB team will monitor the tracking log.	Tracking log will be developed and implemented by May 2013.	Douglas Brittsan Amanda Huynh
2. Provide sufficient oversight to give reasonable assurance that materials are used for official state business and are adequately safeguarded.	Interim measures were implemented to protect FTB materials, procurement and equipment to ensure effective stewardship of these resources. Oversight is provided to ensure that policies and procedures are followed and materials are used for official state business. The above process will continue until final implementation of the FTMPP Manual, SQAP. The SQAP is being developed and will be utilized at the Deputy Division Chief, Office Chief, and Branch Chief levels as a means for reasonable assurance on the completion of critical tasks. Master Resolution Lists (MRL), a quality check portion of the SQAP, will be maintained electronically and in hardcopy to effectively employ document control.	Interim policies implemented in January 2012. FTMPP Manual, SQAP by May 2013	Douglas Brittsan Shira Rajendra Philip Stolarski