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: June, 14 2013

File: P4000-0381

From: KATRINA PIERCE
Chief, Division of Environmental Analysis

Subject: **180-DAY AUDIT STATUS REPORT – DIVISION OF ENVIRONMENTAL ANALYSIS**

Please find Attached the Division of Environmental Analysis (DEA) 180-day status report as required in response to the *DEA Contract Management Audit Report, December 2012.*

In order to address many of the audit findings, DEA Contract Managers determined that it would be best to create a Standard Operating Procedures (SOP) manual specific to our Division's policies. We have attached that for your reference. We would be interested in your thoughts on the SOP and how it addresses some of the audit findings.

As with our earlier responses, we have provided tables that track how DEA has responded to the audit findings. Table 1 responds to the main audit findings while Table 2 responds specifically to findings with the US Army Corps of Engineers agreement.

We thank you and your staff for your interest in our program; we look forward to providing you with a status report at 360-days. If you have any questions or need additional information, please contact Anmarie Medin, Chief, Cultural Studies Office at (916) 653-6187, or me at (916) 653-7136.

Attachment

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CALIFORNIA DEPARTMENT OF TRANSPORTATION

D43 Contracts Guidance

Agency Contracts
Standard Operating Procedures

D43 Contract Management Workgroup 2013

CALTRANS GOALS

- SAFETY -
Provide the safest transportation system in the nation for users and workers.
- MOBILITY -
Maximize transportation system performance and accessibility.
- DELIVERY -
Efficiently deliver quality transportation projects and services.
- STEWARDSHIP -
Preserve and enhance California's resources and assets.
- SERVICE -
Promote quality service through an excellent workforce.

June 14, 2013 DRAFT

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[redacted]

This set of Standard Operating Procedures (SOPs) is intended to provide specific guidance for Contract Managers (CMs) managing Interagency contracts in the Division of Environmental Analysis (DEA) and working with other Units within DEA. It was created in response to an internal audit of DEA's Interagency Agreements. The audit, finalized December 2012, identified several areas where DEA could improve CM performance. Key findings included

- Inadequate Processs for Managing Agreements.
- Inadequate Monitoring of Expenditures.
- Inadequate Invoice Review.

DEA's response to the audit included developing this internal SOP, but more importantly resulted in internal meetings of CMs, in-house training, and establishing clearer management protocols within the Division. In order to improve communication and learning opportunities, DEA CMs will meet quarterly throughout the year. These mandatory meetings in a workshop environment are intended to create an atmosphere for sharing experiences, solutions, and peer support when dealing with audits, problems or contract concerns. Furthermore, the workshop is intended to identify trends, provide support, develop strategies and build a cohesive team for the division. These SOP guidelines are to be revised by the workgroup as changes occur.

This SOP is not a substitute for official Caltrans guidance or state policy. DEA CMs should refer to the web links in this SOP for updated information from Division of Procurement and Contracts (DPAC) and other relevant entities. It does not substitute for any direction provided by DPAC.

GUIDES, RESOURCES AND ASSISTANCE FROM DPAC

All CMs should be familiar with the DPAC website (http://admin.dot.ca.gov/pc/cmgr.shtml) and should review that information and guidance before planning on renewing, amending, or initiating a new contract. **All CMs** are required to take the basic training located at: http://admin.dot.ca.gov/pc/online_training/page1.htm. Keep the training certificate on file.

The DPAC analyst must pre-approve the Scope of Work (SOW) before a contract can proceed through the process. Templates are posted at http://admin.dot.ca.gov/pc/ae_sow.shtml. In addition, DPAC staff can assist for unique SOWs.

DEA CONTRACT MANAGERS TECHNICAL GUIDANCE

Current DEA CMs have identified the below internal steps as crucial to successful contract management pre-Contract Scoping

1. Consider WHO will be providing the service, WHAT is required, WHEN is it needed, WHERE and HOW it will be provided and HOW MUCH it should cost.
2. Work closely with Office Chiefs/Managers to determine the most appropriate means of providing support and to identify available funding. Use FHWA guidance and collected

experience. (e.g., http://www.environment.fhwa.dot.gov/strmlng/fundedPositionsReport/report.asp

3. Review past contract history, historic project databases (e.g. STEVE) and projected future project needs to assess likely workload and resource needs. Review regulatory timeframes and identify performance measures.
4. Meet and confer with appropriate Agency staff and Department users (district staff or others) to identify needs and issues. Consider if changes are needed to existing scope or procedures if there is an earlier agreement in place. Identify the number and level of staff and support required and whether the partner agency will be able to translate the resources we provide into supported position.
5. Prepare a draft Scope of Work (SOW) including a "state estimate". Negotiate the final scope with the partner agency prior to submittal of a contract package to DPAC to minimize potential delays.

PROCESSING THE ADM 360 PACKAGE

Whether renewing or amending an existing contract or executing a new one, the **360** package will need to be created or updated. The CM will prepare the ADM360 package for submittal to the D43 CSU. -When completing the **360** form, be sure to include these.

1. Agreement Outline – summary of justification for this agreement. Cite the authority justifying contracting out:
   a. State Agencies (Interagency) – GC 11256
   b. Federal Agency – GC 19130(b)(3)(5)
2. Desired Socioeconomic Participation
   a. NO GOALS – Statutory Exemptions
      i. State Agencies (Interagency) – SCM 5.80(A)(4) - GC § 11256
      ii. Federal Agencies – SCM 5.80(A)(5) - PCC §§ 10335(a), 10340(b)(3)

DEA CSU will submit the completed 360 package to DPAC where an analyst will be assigned. DPAC will e-mail notification to CSU who will inform the CM who that analyst is. The CM will work directly with that analyst throughout the execution of the contract. Key items the CM will need to stay on top of include:

1. Track Contract Progress – Weekly Contract Status Reports, Non-A&E http://admin.dot.ca.gov/pc/aesched.shtml located at bottom of page.
2. Review the provided draft Std. **213** and Std. **215** to ensure all information is correct.
   a. If time allows, you may want to have the Agency preview the Std. 213 prior to finalization.
   b. Std. **215** – for Advanced Payments be sure that the information in item 10 is correct and matches the contract language; Under Other reference GC 12425 (Federal Agencies), for State GC 11261; item 1717 comes directly from the ADM 360 Agreement Outline cited statutory authority.
   c. Track date when submitted to DGS.
   d. Receive Executed Contract – follow "Contract Manager Instructions" that are provided with each contract by DPAC.

6. Resource Management Interaction
   a. Prefers a single-point-of-contact which currently is Michelle in CSU.
   b. Questions about Res. Mgmt.? Contact Michelle, we will determine the best way to move forward.
7. Who gets approval signatures?
   a. CSU 1-3 days, depending on personal schedules.

CONTRACT MANAGEMENT KEY POINTS

1. Kick Off – Notice to Proceed to Contractor.
   a. **Contractor cannot start work before the agreement is executed**
   b. Written notification to contractor to begin work. (e-mail or letterhead)
2. All documentation must be kept in "working" contract files
   a. Keep contract binder with Contract, task orders, reporting, meetings, workload and other pertinent documentation
   b. Keep an electronic file in a shared location on the network.
3. Regularly monitor contractors' progress for compliance with all contract provisions.
4. Ensure compliance with all federal, state, and special regulations.
5. Monitor Contractors for use of subcontractors and suppliers.
6. Monitor Contractors' performance, including:
   a. monitoring progress of work as stated in the contract; (e.g. compliance with performance measures, required meeting attendance, providing quarterly or biannual reporting)
   b. ensuring work schedule proceeds and successfully completed before contract expiration;,
   c. monitoring contract expenditures, reviewing and approving invoices, and ensure sufficient funding remains for all services rendered.
7. Monitor expenditures and timely approve invoices for payments.
8. Update COST report monthly of project expenditures and for future contract needs.
9. Keep your own copy of contract expenditures for your contract.
10. Monitor and reconcile Advantage to your contract accounting records throughout the term of the contracts to ensure encumbrances have not expired and sufficient funds are available to pay for rendered services and for expected invoices in any given fiscal year.
    a. Invoices must be stamped received with the date of receipt.
    b. Review personnel, personnel hours and project tasks.
    c. If invoices are substantiated and approved, Approved To Pay must be stamped or written on the first page of invoice with signature of Contractor as approval.
    d. Payment of invoices must be prompt and timely.
    e. Submit approved invoices to DEA Contract Services Unit (CSU).
    f. Issue Invoice Dispute Notifications, STD. 209(s), when invoice disputes cannot be resolved. Check with Michelle if unsure how to dispute an invoice.
    g. Provide your DEA CSU liaison a copy of your approved invoice for payment.
    h. Oldest FY dollars will be used to pay the invoice. If you need newer dollars to pay for the invoice, you must notify your CSU liaison.
    i. Monitor EFIS/AMS Advantage to see that your invoice has been submitted and processed.

11. Request timely amendments, renewals, or new contracts as required and within sufficient time to prevent any lapses in services.
    a. Negotiate early with your contractor on amendments or renewals.
    b. Allow at least 6-8 months for any amendments or renewals.
12. Meetings and Workload
    a. Regularly scheduled meetings will be identified in your contract.
    b. Ensure you are meeting at the regularly scheduled agreed upon timeframe with your contractor and the Districts.
    c. Project workload must be standing agenda item at coordination meetings.
        i. Prioritization must be determined.
        ii. Project status.

CONTRACT FILE ORGANIZATION

Organizing contract files is a key component of quality contract management and can be done on a shared drive or by hard copy. Electronic files are preferred since they will allow easier access to all. DEA CSU recommends the following organizational structure for consistency.

1. Master contract folder
    a. Contract 43*xxx* folder, should have all of your documents to begin a new contract and include all documents if you amend the contract later.
    b. Contract task order sub-folders:
        i. Each TO should have its own folder.
2. Each TO sub-folder should have monthly or quarterly sub-folders that include the following, in chronological order.
    a. Meetings, agendas, notes
    b. Invoices
    c. Performance reports, verification of deliverables, work schedules, evaluations.
    d. Any other activity or correspondences keep in date order.
3. Close out sub-folder
    a. Contract close-out checklist.
    b. Close-out correspondence.
    c. Progress or performance reports.
    d. Close-out survey results.
    e. Any invoices.
    f. Anything regarding the closing of the contract or work completion.

DEA CSU ASSISTANCE IN FINANCIAL AND INFORMATION MANAGEMENT

DEA CSU (Michelle) can assist CMs in obtaining information from Advantage on the following items:

Invoices, Expenditures, Allocations w/ Time Estimates

1. Invoice-Not paid, Overpaid or underpaid-
    a. When contacted by the vendor, please forward the inquiry to Michelle, 1-2 days resolution.
2. Contract Balance review-

   a. 1-2 days, dependent upon complexity and workload, may take up to a week.
3. Resource Mgmt-
   a. Expenditure reports indicating overages in contract spending or exceeding contract allocations by over encumbering Please partner with CSU-Michelle to work on resolution.
4. Reconcile - CM/TOM spreadsheet vs. Advantage records.
   a. Days to weeks to resolve.
   b. Discuss with Michelle.
5. Advantage - navigation or interpreting the data.
   a. Stop by Michelle's to discuss.
6. Advantage Report-Request for a custom report for each CM-
   a. 1 day – months: ask Michelle in CSU
   b. There may be several revisions of the report before a final report is achieved, be prepared that this can be a process and collaboration is needed
      i. What is the data result you want?
      ii. How do you want to see the data displayed?
      iii. Do you want a Pivot table using the report data for a summary view?

Moving Funds - Encumbrances vs. Disencumbrances

1. No need to fill out a form - an email will do, but always include-
   a. Where the funds are coming from.
   b. Where they are going to.
   c. How much $$.
   d. Briefly describe the purpose-
      i. Why? I keep track and provide explanations to Resource Mgmt. upon request.
   e. These records are helpful in an audit.
2. If your contract has multiple funding sources.
   a. Be sure to talk with Michelle as early as possible.
      i. Setting up a contract to track funding expenditure is an essential part.
      ii. If the contract wasn't originally set up for multiple funding sources, still talk with Michelle as soon as you know so adjustments can be made.
   b. If other Caltrans Divisions will be providing funding or using the funding encumbered into the contract, discuss this with Michelle. We want to be sure that we provide everyone with the best way to track and control funding.
3. For the annual allocation distribution at the beginning of the Fiscal Year, Michelle will handle those automatically for all existing contracts, per the allocation spreadsheet.
   a. Should changes come up, please discuss at your earliest convenience.

DEA CONTRACT MANAGEMENT AGENCY CONTRACT CLOSEOUT CHECKLIST

Contract Managers are responsible for closing out contract files upon contract expiration. Attachment I contains a checklist to capture key points. Close out activities include:

1. Notifying Contractors of any unmet compliance or performance requirements that must be met before final payment can be made under the contract.

2. Reminding the Contractor of the contract expiration date and that no payments can be made for any work, materials, or services provided after that date.
3. Requesting and reviewing final deliverables, documents or services provided by the Contractor.
4. Requesting and reviewing final invoices.
5. Notifying the Accounting Service Center and authorizing final payment of invoices.
6. Requesting Accounting Service Center to release of any retention moneys to Contractor and, if applicable, disencumbering any unused funds.
7. Completing forms STD.4-Contractor Contractor Evaluation, if applicable.
8. Retaining contract records according to Records Retention Schedule.

From DPAC Contract Managers Handbook - Closeout of Service Contracts 4.5

Contract Managers are responsible for closing out contract files. Actual closeout procedures are contract-specific. Variables that will determine specific closeout procedures may include:

1. Specific performance requirements;
2. State property assigned to Contractors;
3. Specified deliverables; and
4. Contract language related to closeout requirements.

Closeout activities may consist of, but are not limited to, the following:

1. Reminding Contractors of contract expiration dates and that no payments will be made for any work, materials, or services provided after that date;
2. Notifying Contractors of any unmet compliance or performance requirements that must be met before final payment can be made under the contract;
3. Sending Contractors closeout instructions, if necessary;
4. Requesting and reviewing final deliverables, documents, and services from Contractors;
5. Requesting and reviewing final invoices;
6. Notifying Accounting and authorizing final payment of invoices – *CM notifies Michelle in CSU, Michelle will handle.*
7. Disencumbering unused funds – *CM notifies Michelle in CSU, Michelle will handle.*
8. Completing Contractor evaluations; and
9. Notifying Audits of contract expiration, if applicable.
10. Documenting, in writing, all closeout actions taken and retain in the contract file.

Consult DEA's Retention Schedule. Audits, the State Auditor, and any duly authorized representative of the state or federal government may audit files up to three to five years after final payment to Contractors.

ADDITIONAL USEFUL INFORMATION

Gift of State Funds

Do not set up a contract with advance payment provisions! Dept. of Finance guidance states that the California Constitution Article XVI, Sec. 3 and Sec. 6, prohibits gifts/donations of public funds. Since the State has received no benefit and the subsequent receipt of goods/services

cannot be guaranteed, a prepayment is considered a gift of public funds.
http://www.leginfo.ca.gov/.const/.article_16

The State Controller's Office requires claims presented for payment to include a penalty of perjury certification that the services were rendered and the supplies were delivered. (See Claim Schedule, STD. 218 Cont., 218DD, and 218ET.)

Advance payments must be specifically authorized by statute (State Contracting Manual Section 7.32). The following advance payments are permissible:

1. Any department which, as a part of its regular operations, performs work for other departments may require payments in advance (Government Code [GC] Section 11258; State Administrative Manual [SAM] Section 8471.1)
2. Advance payments between departments are permissible to mitigate an adverse effect to the appropriation of the performing department (GC Section 11257; SAM Section 8453).

Audits

An Internal Audit is an independent appraisal activity within a governmental unit. It may result from a request through Caltrans Management or outside the Department. An Audit accomplishes the following:

1. Determines the adequacy of the system of internal control.
2. Verifies and safeguards assets.
3. Checks the reliability of the accounting and reporting system.
4. Ascertains compliance with established policies and procedures.
5. Appraises performances of activities and work programs.
6. Recommends Internal Controls Policies and procedures are designed to provide reasonable assurance that specific entity objectives will be achieved. It consists of the control environment, risk assessment, control activities, information and communications, and monitoring.

Records Retention Policy

DEA has a Records Retention Policy that all CMs must comply with. Consistent with Federal Procurement Regulations, DEA retains contract records for 5 years after termination of the associated contract.

ATTACHMENT 1: DEA RECOMMENDED CONTRACT CLOSE OUT CHECKLIST

ACTION	REQUESTED	COMPLETED
Conduct Final Acceptance of Products or Services		
Send Closeout Letter to Contractor requesting: • final invoice • detailing any unfulfilled contract requirements or deliverables		
If Applicable, Confirm Receipt of Final Report		
Accept Work		
Process Contractors Invoices		
Review & Approve Final Invoice		
Disencumber any unused Funds		
Document Contractors Performance		
For consulting service contracts, complete a STD 4 and send to DPAC within 60 days of contract expiration (consider including Districts in the closeout survey loop)		
Retain File Documentation		
Retain copies of:		
ADM Form 360		
An executed copy of contract		
Log of contract activities		
Correspondence, including invoice disputes		

Invoices		
Progress Reports		
Close-out Documentation		
Archive electronic media		
Miscellaneous		
Audit Activities		

Table 1
DEA Contract Management Audit
180 – Day Progress Report

Audit Report Finding	**Recommendation**	**Original Response** (Contained within Final Audit Report, 12-14-2012)	**60 Day Status Implementation (2-14-2013)**	**180 Day Status Implementation (6-14-2013)**
#1: Inadequate Process for initiating, monitoring and closing out agreements	Designate one individual to be responsible for all contract management functions.	We have tried to create a PY position to handle the contract management functions for DEA, however it was not approved. When the new DEA Chief is appointed, DEA will work with Audits on the most appropriate course of action. **(180 days for follow up. Dependent upon hiring process for new Division Chief.)**	180 days for follow up. Dependent upon hiring process for new Division Chief.	Over the past ten years, the expansion and workload of the Program is more than 1PY's worth of work. Within these existing constraints DEA has separate contract manager's (CM) to manage these contracts. The CMs have expertise with the agency contracts that they manage.
	Develop a timeline to request agreements and task orders in accordance with DPAC's recommendations.	1) Office Chiefs are instructing Contract Managers to follow all audit recommendations and will monitor compliance. **(Done)** 2) DEA Contracts Support Staff will work with PM Resource Management and DPAC to create training specific to DEA's issues. **(Meet in 60 days to plan**	1) Done - met January 14, 2013 to issue instruction; additional direction to be provided at the workshop scheduled for April 17, 2013. 2) DEA Support Staff and PM Resource Management are working together to prepare the workshop scheduled for April 17, 2013.	1) Information has been conveyed and ongoing. DEA CMs are now holding quarterly meetings to share information. Discussion and direction given at the April 29, 2013 (reschedule of 4/17) **DEA Governmental Agency Contract Manger's Workshop**. A Draft DEA Contract Management Standard Operating Procedures (SOP) has been developed. The Draft SOP has been provided as an attachment. 2) DEA Contract Support Staff and PM Resource Management

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		training. Deliver training in 180 days.) 3) DEA will no longer be using task orders in future agreements. **(Future agreements)**	3) Done	have had more direct and regular communication ensuring proper incorporation of contract management procedures. This has also alleviated the need for joint training delivery. DEA Contract Support Staff relays new contract management information to the DEA CMs; this will be a standing agenda item to the DEA CM quarterly meetings. 3) Done
	Negotiate with partner agencies in a timely manner and agree on an appropriate budget for each agreement using the partner agency's cost proposal.	Office Chiefs are instructing CMs to follow all audit recommendations and will monitor compliance through training mentioned above. **(Workshop)**	Monitoring Guidance in development; draft will be presented at workshop scheduled for April 17, 2013.	Monitoring Guidance has been developed. The guidance will be a resource manual entitled, *Things to Consider When Negotiating a New Contract.* This has been incorporated into the Draft CM SOP.
	Develop control procedures for closing out agreements in a timely manner.	Training discussed above will include close-out procedures. **(Workshop)**	Drafting guidance on closeout procedures; draft will be presented at the workshop scheduled for April 17, 2013.	A draft of the closeout procedures was shared at the April 29, 2013 (reschedule of 4/17) workshop. The closeout guidance has been included as part of the Draft CM SOP.
#2: Inadequate	Require that partner agencies	1) OCs will remind CMs to track reporting	1) OCs and CMs met January 14, 2013.	1) Done

Table 1
DEA Contract Management Audit
180 – Day Progress Report

Monitoring of Expenditures	comply with the terms of the agreements by submitting quarterly and/or annual expense reports timely.	requirements. **(Done)** 2) Contract managers have a notification process to remind them of due dates and overdue reports. **(Workshop)** 3) DEA is working with relevant agencies to create templates to use for the quarterly reports **(Within 60 days; for use in quarterly report for Jan-March.)**	2) Process in development; proposed process will be presented at workshop scheduled for April 17, 2013. 3) In place for USACE. USFWS is progressing.	2) Process is outlined in the Draft CM SOP. 3) USACE in place
	Review expense reports to make sure that the projects' expenses correlate to the projects on the workload list for the particular agency and if deviations are noted, follow-up with the partner agency.	1) CMs are required to review expenses and follow-up with the partner agency when expense reports do not correlate with the projects on the workload list. **(Done)** 2) DEA is working with partner agencies and district staff to standardize methods to fully document workload. **(90 days; will work with Audits as**	1) Additional discussion to occur at the workshop scheduled for April 17, 2013. 2) Standardized methods in development; draft will be presented at workshop scheduled for April 17, 2013.	1) CMs continue to review expense reports and reconcile with contract accounting logs, Advantage, STEVE, workload lists and agency quarterly reports. Monitor of advance funding has been detailed in Contract Management Draft CM SOP. 2) Standardized methods have been developed as part of Draft CM SOP.

Table 1
DEA Contract Management Audit
180 – Day Progress Report

		needed on methods.)		
	Monitor advance funding so that funds are disencumbered timely and unspent balances are recovered from the partner agency.	1) Contract managers are required to review quarterly expenditures and require adjustments to future advances as soon as agreements expire. **(Done)** 2) DEA no longer allows advances on an annual basis. All future agreements require advances on quarterly basis. **(Done – Future Agreements)**	1) Additional discussion to occur at the workshop scheduled for April 17, 2013. 2) Done	1) Done. CMs continue to review expenditures and make adjustments for advances as appropriate. 2) Done
#3: Performance Measures are not always evaluated or monitored	Require that contract managers evaluate and monitor the performance of the partner agencies to make sure that Caltrans is paying for the "expedited services" as described in the agreements.	1) DEA is working with CMs to standardize performance monitoring to make sure that the services described in the agreement are provided. **(Within 60 days; for use in quarterly report for Jan-March)** 2) DEA CMs will distribute performance metric data to districts to track services. **(Workshop)**	1) USACE quarterly report has been revised. Performance monitoring revisions for other contracts are in process; reports for other contracts will be updated as needed. 2) In process; refinement of metric data standards to be discussed at workshop scheduled for April 17, 2013.	1) USACE completed. Performance monitoring for other contracts are in process. 2) Performance monitoring guidance is included as part of CM SOP.
	Coordinate with	DEA is working on a policy	STEVE policy memo was	Completed. STEVE Policy Memo

Table 1
DEA Contract Management Audit
180 – Day Progress Report

	environmental district staff to ensure project information is input into STEVE in a timely manner and priorities are clearly identified.	memo specifying use of STEVE and clarifying the responsibility for filling out all the required fields. **(Within 60 days)**	signed be presented at April 17, 2013 workshop.	was signed April 2, 2013 and provided to all Districts.
	Require that the STEVE database is used to its full potential and that all available fields are filled out, especially the priority and status of each project.	As part of the STEVE policy memo, DEA will work with the Environmental Management Board on compliance. **(Ongoing)**	Ongoing. Shared Audit Findings and anticipated work plan with EMB on Jan. 30th. Policy memo will be presented at April 17, 2013 workshop	Ongoing. DEA continues to convey the importance of using STEVE to the District Environmental Managers.
#4: Inadequate Invoice Review	Ensure that only authorized personnel review and approve all invoices prior to payment.	DEA requires that only authorized personnel review and approve invoices. CMs will work with Districts, when necessary, to ensure charges are accurate. Training mentioned above will refresh on this requirement. **(Done)**	Done.	Done.
	Verify that expenditures billed are appropriate and allowable in accordance with	OCs remind CMs that they are required to review expenditures to make sure they comply with the agreement. CM's are also	Refresher will be included in the workshop scheduled for April 17, 2013.	CMs continue to review expenditures to ensure they comply with agreement. Procedures for verifying expenditures have been developed

Table 1
DEA Contract Management Audit
180 – Day Progress Report

	the terms of the agreement	required to dispute charges that can not be verified according to state procedures. Training mentioned above will refresh on this requirement. **(Done)**		as part of the CM SOP.
	Ensure personnel shown on the invoice match those listed in the cost proposal, if applicable.	Contract Managers are required to review personnel in the invoices to make sure they match those in the cost proposal. Training mentioned above will refresh on this requirement. **(Done)**	Refresher will be included in the workshop scheduled for April 17, 2013.	The use of personnel classification instead of personnel names will be used when reviewing cost proposals. This will eliminate the need to amend or modify agreements if there are personnel changes. This process is included in the CM SOP
#5: Weaknesses in USACE Agreement	Monitor the implementation of the recommendations issued to the USACE and provide A&I with status updates.	DEA will be meeting with the USACE to review the implementation of the external audit recommendations. **(Schedule meeting within 30 days. Follow up ongoing as needed.)**	DEA met with USACE on January 11, 2013. See Table 2 for specific responses.	See Table 2

Table 2
DEA Contract Management Audit
180 – Day Progress Report

Table to Address Audit Finding #5: Weaknesses in USACE Agreement.

The following addresses the findings and recommendations in the USACE External Audit.

Audit Report Finding	Recommendation	60 Day Status Implementation by Sacramento, San Francisco and Los Angeles USACE Districts.	180 Day Status Implementation by Sacramento, San Francisco and Los Angeles USACE Districts.
# 1 Cost Estimates Need More Accuracy	• Develop an accurate cost estimate for each office by requesting input from the Caltrans' district offices • USACE will assign sufficient staff in order to provide CT with expedited services as described in agreement	• Sacramento, San Francisco and Los Angeles USACE Districts continue to work with their Caltrans District counterparts to estimate annual costs based on current and future Caltrans workload. • Sacramento and San Francisco USACE Districts have one liaison that is dedicated to Caltrans projects; however, projects may be shifted to other non Caltrans dedicated USACE project managers at the discretion of USACE management. Los Angeles USACE has distributed its Caltrans workload among USACE project managers based on geographic location.	• The USACE Districts continue to work with their Caltrans District counterparts to estimate annual costs based on the workload estimates provided by the Districts. The workload is discussed and prioritized quarterly coordination meetings. • No change – Sacramento and San Francisco Districts continue to distribute the 1 – FTE among several staff
# 2 Annual Advance Payments	Future agreements with USACE include provisions requiring that advances be paid on a quarterly basis via EFT	San Francisco USACE District has implemented EFT for advance payment. Sacramento and Los Angeles USACE Districts are currently evaluating this recommendation for their Districts. An EFT narrative describing this process has been sent to both the Sacramento and Los Angeles USACE Districts describing the process and decreased processing time for	On 4/5/13 USACE Sacramento staff indicated that they would have their budget staff look over the EFT forms so that they can start the process of paying their invoices via EFT. Payment via EFT will be a requirement when the new agreement is executed.

Table 2
DEA Contract Management Audit
180 – Day Progress Report

		payment as a benefit.	
# 3 Not All Quarterly Reports Received As Required	USACE district offices provide the quarterly expense reports to the CT contract manager as required by the agreement.	Since the audit, quarterly reports for the all USACE Districts have been received timely.	Caltrans continues to receive quarterly reports for all USACE Districts.
# 4 Performance Measures Not Met for Nationwide Permits & Not Established for Other Permit Actions	• Agree on performance measures based on calendar days for all permit actions. Include in future agreements • Discuss the status of each permit application at quarterly meetings & ID technical issues and /or incomplete applications in timely manner • ID "priorities" at the quarterly meetings for each permit action in progress • Document the level of satisfaction from the CT district offices on an annual basis	• Future meetings are being planned between the Sacramento, San Francisco and Los Angeles USACE Districts and Caltrans Districts. These meetings will be to evaluate what permit actions are currently being tracked to measure performance, how to standardize performance measures between all USACE Districts and how to best capture these in quarterly reporting. The outcomes will be incorporated in the new USACE Agreement in 2014. Performance measures will be included in a revised quarterly report template to capture and document per the contract. • Caltrans project status and Caltrans project priorities continue to be identified and discussed in quarterly meetings • Caltrans is exploring how to best document the level of satisfaction from the Caltrans Districts.	• Future agreement will incorporate language to base performance measure monitoring on calendar days. USACE uses calendar days. (Current Agreement expires 9/30/2014). • Caltrans project status and Caltrans project priorities continue to be identified and discussed in quarterly meetings • Annual survey will be distributed to Districts to document level of satisfaction.
#5 Work started before the task orders were	USACE and CT negotiate future agreements earlier in the contracting process so services	Caltrans is working towards negotiating the execution of the new USACE agreement early to avoid any start delay issues.	Ongoing

executed	are not provided before the effective date of the agreement.		