

# Memorandum

To: WILLIAM E. LEWIS  
Assistant Director  
Audits and Investigations

Date: December 28, 2015

From: JENNIFER S. LOWDEN  
Division Chief  
Division of Right of Way and Land Surveys

File: P4000-0394



Subject: **EXCESS LAND SALES AUDIT**

Attached please find Right of Way and Land Surveys' 180-day response to the recommendations contained within the Management Letter dated, April 30, 2015, in regards to the Excess Land Audit performed by Caltrans Audits and Investigations.

If you have any questions or need additional information, please contact Jim Appleton, Acting Assistant Division Chief, Right of Way and Land Surveys at (916) 653-2129.

Attachment

**Audits and Investigations (A&I) Audit Finding Status Report Update**

Audit Name: Excess Land Sales Audit P4000-0394

Auditee: Division of Right of Way and Land Surveys

**Audit Report Finding # 1**

**Internal Control over Excess Land Sales Need Improvement**

A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	180-Day Update	360-Day update	A&I Analysis/Status and Date
The Division of Right of Way and Land Surveys (Division) should work with the Office of Enterprise Risk Management to perform a risk assessment to identify excess land sales processes susceptible to anti-competitive practices, prevalent fraud schemes in the industry, and indicators of collusion. Based on the results of the assessment, the Division should:		The Division has opened a dialog with the Office of Enterprise Risk Management on a Risk Assessment as recommended.	Planned follow-up has not yet been scheduled.		<b>For A&amp;I Use</b>
• Develop controls to mitigate the risks identified, including updating policies and procedures in the Right of Way Manual (ROW Manual).	Excess Lands will review the existing ROW Manual and make the necessary revisions to the existing policies and procedures.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Provide training to staff involved in excess land sales.	Once the revisions to the existing policies and procedures are completed, state-wide training on the new policies and procedures will be scheduled via classroom training, teleconferences, and modules.	Excess Land held a teleconference with all the Districts to discuss the results of the Audit, the recommendations, the Manual revisions that are taking place and the training that will be scheduled once the Manual revisions are final	Training yet to be scheduled pending finalized Manual Changes.		<b>For A&amp;I Use</b>

**Audit Report Finding # 2**

**Lack of Guidance, Monitoring and Oversight**

A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	180-Day Update	360-Day update	A&I Analysis/Status and Date
• Update the ROW Manual to provide guidance on how to proceed when property has been vandalized or damaged including but not limited to the following: o Documenting pre-existing conditions o Documenting the damage with photos o Filing a police report o Obtaining estimates	The ROW Manual will be revised to include detailed policies and procedures on what happens when a property has been vandalized or damaged after a sale.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Update the ROW Manual to prohibit offsets.	The ROW Manual will be revised to include specific policies and procedures in regard to offsets.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Obtain a legal opinion regarding Caltrans' risk of liability in granting permits with permission for repairs. If legal determines that such permits may be issued in the future, work with them to develop required language to protect Caltrans.	The Division will review whether a legal opinion is warranted and proceed accordingly. Depending on the outcome of the review and if a legal opinion is warranted, a revision to policy and procedures will be developed.	The need for a legal opinion is currently under review.	Following discussion with Legal, access for repairs has been addressed in the draft manual revisions.		<b>For A&amp;I Use</b>
• Do not allow districts to issue permits for repairs prior to close of escrow.	The ROW Manual will be revised with a new policy and procedure on issuing permits prior to close of escrow.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>

**Audits and Investigations (A&I) Audit Finding Status Report Update**

**Audit Name: Excess Land Sales Audit P4000-0394**

**Auditee: Division of Right of Way and Land Surveys**

• Develop a policy for establishing the interest rate charged on property financed by the state.	The ROW Manual will be revised with a new policy and procedure on interest rates.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Update the file documentation section of the ROW Manual to ensure the required documentation is kept in the parcel file.	The ROW Manual will be revised with a new policy and procedure on what needs to be in the parcel file and a retention policy.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>

**Audit Report Finding # 3  
Non-Compliance with the Right of Way Manual**

A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	180-Day Update	360-Day update	A&I Analysis/Status and Date
• Evaluate the current minimum bid deposit requirement to determine if changes are required.	The ROW Manual will be revised with a new policy on minimum bids.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Establish criteria for refunding the bid deposit due to vandalism and damage to property after auction.	The ROW Manual will be revised with new policies and procedures in regard to refunds, vandalism, and damage to property.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Evaluate the current advertising requirement in the ROW Manual to determine if updates are necessary.	The ROW Manual will be reviewed and analyzed to determine if any revisions are necessary.	Excess Land has completed the review of the ROW Manual and has determined that a Manual revision is not necessary for this issue. This issue will be included in the training that will be provided to all Districts.	Training yet to be scheduled pending finalized Manual Changes.		<b>For A&amp;I Use</b>

**Audit Report Finding # 4  
Potential Gift of Public Funds**

A&I Audit Recommendation	Auditee Original Response to Report	60-Day Status	180-Day Update	360-Day update	A&I Analysis/Status and Date
• Ensure that Caltrans does not pay for any prohibited escrow or other selling expenses that are not the responsibility of the state.	The ROW Manual will be revised to include new policies and procedures related to Caltrans approved responsibilities in regard to selling excess land.	Excess Land has completed the review of the ROW Manual and is in the process of completing the Manual revisions related to this issue.	Draft revisions are complete. They need HQ and District review and comment prior to being issued.		<b>For A&amp;I Use</b>
• Update the ROW Manual to prohibit payment of sales commission to buyer's agent.	The ROW Manual will be revised to include specific policies and procedures in regard to commissions.	Excess Land has completed the review of the ROW Manual and has determined that a Manual revision is not necessary for this issue. This issue will be included in the training that will be provided to all Districts.	Training yet to be scheduled pending finalized Manual Changes.		<b>For A&amp;I Use</b>