

DEPARTMENT OF TRANSPORTATION

DIVISION OF LOCAL ASSISTANCE

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*Making Conservation
a California Way of Life.*

August 3, 2017

Mr. Gary B. Antone, P.E., P.L.S.
Director of Public Works
County of Tehama
9380 San Benito Avenue
Gerber, CA 96035-9701

Dear Mr. Antone:

This letter notifies the County of Tehama (County) of the California Department of Transportation's (Caltrans) determination of corrective actions regarding deficiencies identified in Caltrans' Final Audit Report of the County's Federal and State funded transportation projects issued on March 1, 2017.

The County will not be required to repay any funds associated with the findings of Architectural and Engineering (A&E) non-conformity prior to the issuance of the Division of Audit & Investigation (A&I) draft audit report on November 3, 2016 and is expected to comply with and accept the following corrective items:

Finding 1—Procurement Practices Need Improvement

The County will be considered a "High Risk" agency based on its actions to continue utilizing the A&E consultant contract despite being notified of the Audit findings. This work should have been halted. This consideration can be removed upon successful resolution of all items listed herein. The County will have to develop its own procurement and administration procedures for A&E contracts or adopt Caltrans Division of Local Assistance (DLA) A&E Consultant Procurement Manual, and will have to submit to Caltrans DLA a Resolution by the Board of Supervisors acknowledging that procedure. The County will develop and submit written procedures for document retention to Caltrans DLA. The DLA, in agreement with the Federal Highway Administration (FHWA), will not seek reimbursement of the \$902,727 in disallowed costs associated with this finding.

Finding 2—Contract and Grant Management Need Improvement

The County will have to terminate A&E contracts cited in the report as well as other expired A&E consultant contracts, and subsequently competitively re-bid them. Contracts considered too far into delivery to be competitively bid again (as determined by Caltrans DLA) will have to have Public Interest Findings (PIFs) written for them. Funds expended on A&E contracts that

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were not in compliance after the date of issuance of the A&I draft audit report will be considered ineligible for reimbursement. DLA and FHWA will not seek reimbursement of the \$2,293,916 identified as questioned costs under this finding.

Caltrans DLA A&E Oversight Engineers will be reviewing all proposed contracts and amendments until such time as the County can demonstrate proficiency (as determined by Caltrans DLA) in the procurement and administration of A&E contracts. Contracts or amendments executed by the County without Caltrans DLA A&E Oversight Engineer review, and work done prior to the execution of the amendment between the County and its consultant, will be considered ineligible for Federal or State reimbursement. Funds being requested for future phases of work that have a potential of having A&E contracts will be initially authorized as Advance Construction (AC) until either a contract has been successfully let, or an affidavit of no-consultant use is issued by the County. The County will formally acknowledge to Caltrans acceptance of all provisions of the executed Master Agreements.

Finding 3–Construction Management Needs Improvement

Caltrans will seek reimbursement of \$3,970.00 for disallowed costs.

Finding 4–Labor Charging Practices Need Improvement

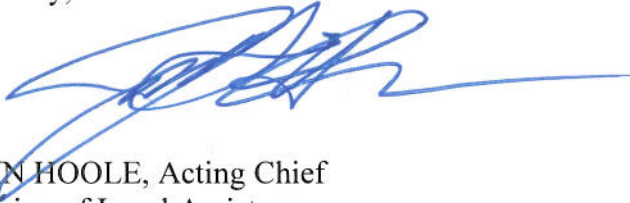
There is no audit adjustment due to this finding because the County used billing rates that were lower than the calculated rates. Thus, the County will apply appropriate labor billing rates when seeking reimbursement from the State.

In summary, all transactions (authorizations, allocations, and reimbursements) between the County and State will be suspended until the County is agreeable to the decision and solution, which at that point, the District will work with the County to implement the solution. Once the items stated above have been completed, the County will be cleared formally by Caltrans DLA to execute and deliver Federal and State funded Transportation projects oversighted by Caltrans DLA. Caltrans immediately seeks reimbursement of \$3,970.00 (associated with Finding 3). The County will provide its procurement policy and administration procedures to Caltrans District Local Assistance Engineer (DLAE) for A&E contracts, and submit to Caltrans DLA a Resolution by the Board of Supervisors acknowledging that procedure by September 23, 2017. In addition, the County will develop and submit written procedures for document retention to Caltrans DLA. DLA will review the County's procurement procedures and documentation of contracts solicited over the next 12 months.

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If you have any questions, please contact Carmen Wills, Division of Local Assistance, at 916-653-3990 or by email sent to carmen.wills@dot.ca.gov.

Sincerely,



JOHN HOOLE, Acting Chief
Division of Local Assistance

- c: Michael Tritz, Deputy Secretary for Audits Performance Improvement, California
State Transportation Agency
- Venisha Smith, Acting Director of Financial Services, Federal Highway Administration
- Roberto Rodrigues, F.I.R.E. & Program Review Coordinator, Federal Highway
Administration
- Susan Bransen, Executive Director, California Transportation Commission