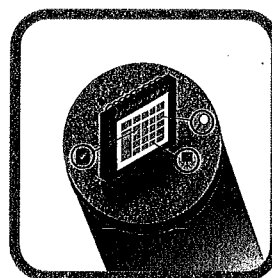


**PRESENTED TO SENATE
TRANSPORTATION COMMITTEE
HON. JIM BEALL, CHAIR**

FEBRUARY 26, 2019

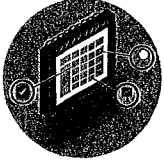




Inspector General
Eraina Ortega

Assistant Director
William E. Lewis

Deputy Inspector General
for Diversity and Small Business
Development
Debbie Lumpkin



Finance & Operations

Office Chief
Kevin Yee

Accounting

Budgets

Information Technology

Business Operations

Equipment

Road User Charge

Equal Employment
Opportunity

Traffic Operations

Innovation, Risk &
Strategic Management

Maintenance

Human Resources

Programming

Project Delivery

Office Chief
Alice Lee

Asset Management

Construction

Design

Engineering Services

Environmental Services

Right of Way

Project Management

Procurement &
Contracts

Senate Bill 1 Program

Business & Economic
Opportunity

Sustainability

Planning & Modal

Office Chief
MarSue Morrill

Aeronautics

Local Assistance

P3 Program
Management

Rail & Mass
Transportation

Safety & Management
Services

Research &
Innovations

Transportation
Planning

Investigations

Office Chief
Judy Yamada

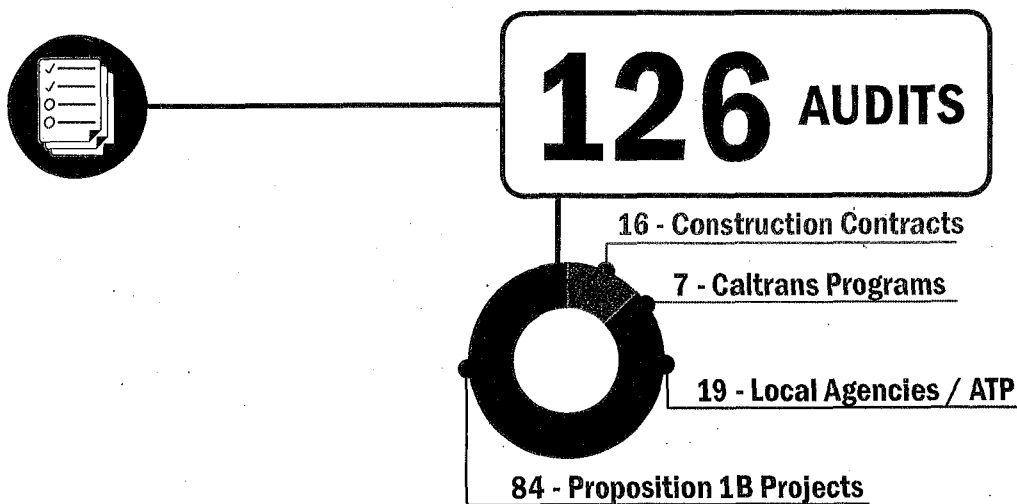
Administrative
Investigations

Ethics Helpline

FISCAL YEAR 2017-18 SUMMARY

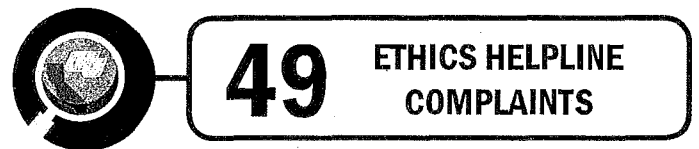
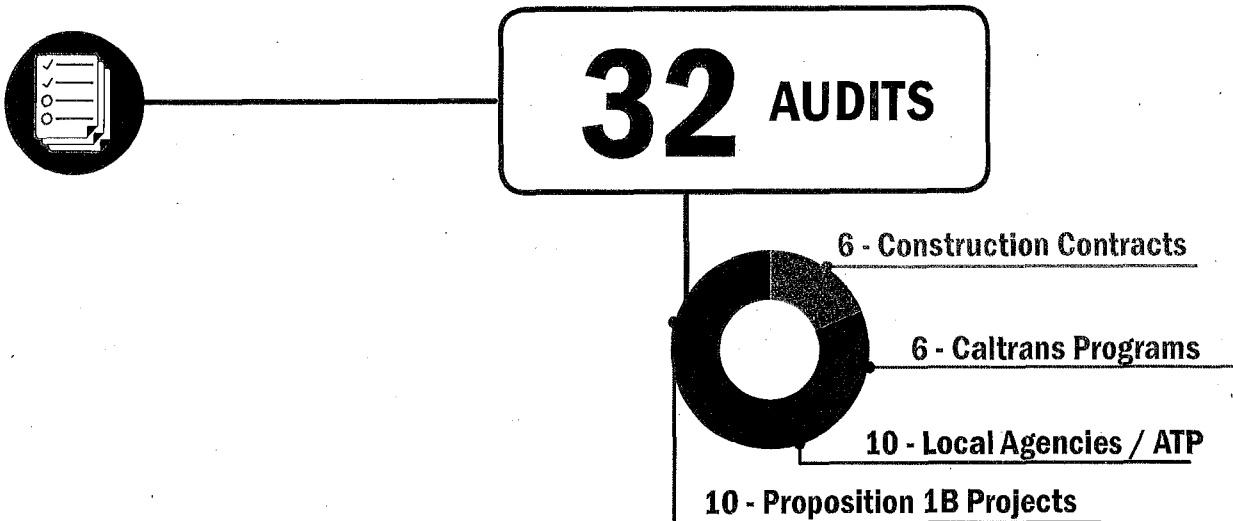
The Road Repair and Accountability Act, Chapter 5, Statutes of 2017 (SB 1), created the Independent Office of Audits and Investigations (IOAI) and the Inspector General to ensure the California Department of Transportation (Caltrans) and external entities that receive state and federal transportation funds from Caltrans are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements.

SB 1 requires the Inspector General to report a summary of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the California Transportation Commission (CTC). The first annual report from the Inspector General covered the period July 1, 2017, to June 30, 2018.



FISCAL YEAR 2018-19 QUARTER 1 AND 2 SUMMARY

Information presented below covers the period of July 1, 2018, through December 31, 2018. A final summary for the fiscal year will be provided by November 2019.



SB 1 AUDITS

Baseline for Senate Bill 1 Performance Outcomes P3010-0639 - Issued April 24, 2018



SB 1 requires Caltrans meet specified performance objectives over the next 10 years, including the expected condition of assets such as pavement, culverts, transportation management systems (TMS), and the number of bridges fixed. It is crucial that Caltrans establish a baseline inventory of assets and their conditions so that progress toward the performance objectives can be accurately measured and reported. The purpose of this audit was to determine if the established baseline inventory was supported and reliable, and if Caltrans had a plan and performance criteria for each of the assets, if policies and procedures were in place to adequately track and assess asset conditions and monitor and report on outcomes.

The audit determined Caltrans is making progress toward the development of procedures to achieve SB 1 performance outcomes and identified the following areas where improvement can be made:

Adopt policies and procedures to comply with level of service performance outcomes.

Complete inventory of culverts and establish an ongoing re-inspection program.

Maintain an accurate inventory of the TMS elements.



Since the audit was released, Caltrans has prioritized additional staff to complete the inventory of culverts and establish an ongoing re-inspection program.



An audit of the process and methodology for establishing an appropriate pavement condition baseline is underway.

Efficiency Measures Audit P3010-0641 - Issued July 23, 2018



SB 1 requires Caltrans to implement efficiency measures with the goal of generating at least \$100 million annually in savings to invest in maintenance and rehabilitation of the state highway system. This audit was limited to evaluating the process, policies, procedures, and methodology used in identifying and measuring savings for efficiencies selected by Caltrans. Efficiency measures reviewed include streamlining environmental reviews, Value Analysis, and contracting using the Construction Manager/General Contractor model.

The audit determined that Caltrans programs were proactive in identifying areas of efficiencies and developing policies and procedures to achieve at least \$100 million in savings.



Caltrans used recommendations from the audit report regarding assumptions, calculations, and tracking of costs and savings prior to submitting its Annual Efficiencies Report to the CTC.



An audit to determine if the efficiency savings estimates reported to the CTC are supported and if Caltrans has developed a methodology to track savings from Value Analysis and Construction Manager/General Contractor processes is underway.

UPCOMING AUDIT REPORTS

- ★ **Efficiency Measures Verification Audit (SB1)**
Determine whether the savings reported in the Annual Efficiencies Report to the California Transportation Commission (CTC) for fiscal year 2017-2018 is supported and available for reinvestment in the maintenance and rehabilitation of the state highway system. (April 2019)
- ★ **DBE Certification Audit (SB103)**
Assess whether Caltrans' DBE certification program (OBEO) complies with applicable federal and state requirements. Scope includes the major processes of the DBE certification program including the review of the certification process, compliance with applicable rules, laws, regulations, grant agreements on the certification process, and the DBE certification database. (April 2019)
- ★ **Audit of the Effectiveness of Caltrans' Enterprise Risk Management Program (SB 1)**
(February 2019)
- ★ **Pavement Baseline Audit (SB 1)**
Determine if Caltrans has established a baseline to measure pavement improvements within 10 years and if policies, procedures, and metrics exist to adequately track, assess, monitor, and report on pavement improvements. (June 2019)
- ★ **Review of the Division of Local Assistance's Active Transportation Program (ATP) Implementation and Audits of Local Entity Grant Recipients**
(March 2019)
- ★ **Division of Rail and Mass Transportation (DRMT) Procurement Audit**
Determine if DRMT has the delegated authority to execute contracts and agreements and evaluate the internal controls over the procurement function.
(March 2019)
- ★ **Disparity Study Comparison Analysis (SB 103)**
Review of federal disparity study requirements and associated case law and practices of other federally funded agencies to determine any best practices or alternative approaches to be considered.