



INSPECTOR GENERAL

California Department of Transportation

County of Sacramento Project Compliance Audit



Independent Office of Audits and Investigations

Bryan Beyer, Inspector General
Matt Espenshade, Chief Deputy

April 2025
24A.PJCT03



For questions or assistance concerning the contents of this report, please contact (916) 323-7111 or email ioai.reports@dot.ca.gov. Alternative format reports available upon request.



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Matt Espenshade, Chief Deputy

April 29, 2025

Tony Tavares
Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Final Report — County of Sacramento, Project Compliance Audit

Dear Director Tavares:

The Independent Office of Audits and Investigations (IOAI) completed its audit of the County of Sacramento (County). We audited the costs that the County incurred related to three projects totaling \$16,508,152, which were reimbursed by the California Department of Transportation (Caltrans). We also audited the project deliverables and benefits.

Enclosed is our final report, which includes the County's response to the draft report. The final report is a matter of public record and will be posted on our website.

In accordance with Government Code section 14460(d)(2), IOAI reports the status of audit findings and recommendations on an annual basis to the Governor, the Legislature, and the California Transportation Commission. Therefore, IOAI will collaborate with Caltrans to assess the corrective actions taken on audit recommendations.

If you have any questions regarding this report, please contact our office at (916) 323-7111.

Sincerely,

Matt Espenshade, CFE
Chief Deputy Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations
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Tony Tavares
April 29, 2025
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cc: Michael Keever, Chief Deputy Director, Caltrans
Sergio Aceves, District Director, District 3, Caltrans
Bomasur Banzon, District Local Assistance Engineer, District 3, Caltrans
Ben Shelton, Audit Chief, Internal Audits Office, Caltrans
David Defanti, Deputy County Executive, County of Sacramento
Ron Vicari, Director, Department of Transportation, County of Sacramento
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24A.PJCT03

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Selected Terms Used in Report

Terms/Acronyms	Definition
A&E	Architectural and engineering
Caltrans	California Department of Transportation
CFR	Code of Federal Regulations
CMAQ	Congestion Mitigation and Air Quality
County	County of Sacramento
FHWA	Federal Highway Administration
Hazel Avenue Project	Hazel Avenue Improvement–Phase 3 Project
HSIP	Highway Safety Improvement Program
IOAI	Independent Office of Audits and Investigations
Old Florin Town Project	Old Florin Town Streetscape Improvement–Phase 2 Project
Power Inn Road Project	Power Inn Road Bicycle and Pedestrian Improvements Project
Procedures Manual	Caltrans’ 2019 Local Assistance Procedures Manual
STIP	State Transportation Improvement Program

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Summary

The purpose of this audit was to determine whether project costs claimed by the County and reimbursed by Caltrans were allowable and adequately supported in compliance with project agreement provisions, federal regulations, and state requirements. An additional purpose for this audit was to determine whether project deliverables were consistent with the project scope and schedule as described in the executed project agreements. We did not evaluate project benefits for the Old Florin Town Streetscape Improvement–Phase 2 Project (Old Florin Town Project) and the Hazel Avenue Improvement–Phase 3 Project (Hazel Avenue Project) because program guidelines do not require a benefit evaluation for projects with a total cost of less than \$50 million. We also did not evaluate whether the project benefits for the Power Inn Road Bicycle and Pedestrian Improvements Project (Power Inn Road Project) were achieved and reported because the County is not required to conduct an analysis until three years after construction, according to the funding program guidelines. The County in collaboration with Caltrans will perform the analysis in 2027.

For this audit, we selected three projects that the County received a total of \$16,508,152 in reimbursements from Caltrans at the start of our assessment.

Based on the work performed, we gained reasonable assurance that the costs claimed by the County and reimbursed by Caltrans were allowable and adequately supported in accordance with the project agreement provisions, federal regulations, and state requirements, except for \$496,600 in questioned costs that we identified. Specifically, for two on-call contracts, the County did not comply with various state and federal procurement requirements, causing us to question the amounts claimed by the County and reimbursed by Caltrans for the contracts.

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Introduction

Background

Caltrans' Local Assistance Program oversees more than \$1 billion annually available to over 600 cities, counties, and regional agencies to improve their transportation infrastructure or provide transportation services. This funding comes from various federal and state programs specifically designed to assist the transportation needs of local agencies. Included among these programs are the State Transportation Improvement Program (STIP),¹ Congestion Mitigation and Air Quality (CMAQ) Improvement Program, and Highway Safety Improvement Program (HSIP).

For our audit, we selected three projects that the County received funding from Caltrans under these programs:

- **Old Florin Town Project:** Install separated sidewalks, bicycle lanes, transit facilities, median channelization, and lighting on Florin Road between Power Inn Road and Florin Perkins Road.
- **Power Inn Road Project:** Install curb, gutter, sidewalk infill, and curb ramps, and widen substandard bike lanes on Power Inn Road from Elsie Avenue to about 400 feet north of Macfadden Drive.
- **Hazel Avenue Project:** Widen from four to six lanes and make signal improvements on Hazel Avenue between Sunset Avenue and Madison Avenue.

Caltrans reimbursed the County a total of \$16,508,152 for these projects. See Table 1 on the following page for further details on the County projects we audited.

¹Caltrans' Local Assistance Program Guidelines (Program Guidelines) provides local project sponsors with a complete description of the federal and state programs available for financing local public transportation-related projects. Chapter 25 of the Program Guidelines includes guidance and information on the STIP and describes that the funding sources of STIP includes the State Highway Account, which includes both state and federal revenues. STIP funding used for the Old Florin Town and Hazel Avenue projects under review were made up of federal funds, as indicated in the finance letter, prepared by the local agency and approved by Caltrans, which is a project-specific financial summary document that supports the approved project funding.

Table 1. Details on County Projects as of May 7, 2024

Project Name	Project Number	Project Status	Funding Programs	Funding Source	Allocated Costs	Reimbursed Costs
Old Florin Town Project	CMRPSTPL-5924(214)	Completed	STIP, CMAQ	Federal funds	\$6,579,000	\$6,579,000
Power Inn Road Project	HSIPL-5924(236)	Completed	HSIP	Federal funds	\$3,517,730	\$3,069,152
Hazel Avenue Project	RPSTPL-5924(253)	Completed	STIP	Federal funds	\$7,000,000	\$6,860,000
Totals					\$17,096,730	\$16,508,152

Source: Analysis by IOAI of Caltrans' financial data and accounting records.

Figure 1. The Image Shows Florin Road Prior to Construction



Source: Map data: © August 2015 Google.

Figure 2. The Image Shows Florin Road After Construction



Source: Map data: © May 2023 Google.

Figure 3. The Image Shows Power Inn Road Prior to Construction



Source: Map data: © December 2020 Google.

Figure 4. The Image Shows Power Inn Road After Construction



Source: Map data: © May 2023 Google.

Figure 5. The Image Shows Hazel Avenue Before Construction



Source: Map data: © February 2021 Google.

Figure 6. The Image Shows Hazel Avenue After Construction



Source: Map data: © August 2024 Google.

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Audit Results

Finding 1. For Two On-Call Contracts, the County Did Not Comply With Various State and Federal Procurement Requirements, Causing Us to Question the Amounts Reimbursed by Caltrans for the Contracts

Condition

The County did not comply with state and federal requirements and Caltrans' contract provisions when it awarded two on-call contracts for architectural and engineering (A&E) services. For these two contracts, which involved two different consultants, the County did not retain sufficient documentation nor take all the steps necessary to demonstrate that it provided fair and open competition.

An **on-call contract** is a contract that may be used for a number of projects, under which task or work orders are issued on an as-needed basis for an established contract period.

Source: Caltrans' 2019 Local Assistance Procedures Manual.

The Master Agreement and Program Supplement, which define the general terms and conditions that must be met to receive federal-aid or state funds, require the County (considered the administering agency) to administer this project in accordance with Caltrans' 2019 Local Assistance Procedures Manual (Procedures Manual), Title 23 Code of Federal Regulations (23 CFR), and all applicable federal laws and regulations. The Procedures Manual, 23 CFR, and applicable federal regulations include several requirements that the County must follow to ensure it obtains services appropriately. Specifically, these rules require the County to document the following:

- Completion of a conflict-of-interest statement by all consultant selection committee members prior to selection process initiation.
- The due date for when the County received each proposal or statement of qualifications. The request for qualifications specifies the due date. Late submittals are considered nonresponsive and must be rejected.
- Development of the final ranking of consultants. The selection committee should keep notes of each consultant interviewed.
- Development of the independent cost estimate in advance of requesting a cost proposal from top-ranked consultants.
- Cost proposals requests from first-ranked consultant.
- Negotiation of the A&E services contract with the most qualified firm. The process for negotiation of the contract must be consistent with Title 40 of the United States Code (USC), Chapter 11, Section 1104 (Brooks Act).

We found that the County did not follow any of these requirements for the two procurements we reviewed. Specifically, the County could not provide source documents, such as documentation supporting that the consultants submitted their proposals within the set due date, nor could the County provide 5 out of the 16 interview notes or score sheets. In addition, the County did not prepare a final ranking of consultants after the interviews and an independent cost estimate. The independent cost estimate serves as the basis for price negotiations and ensures that the County procures consultant services at a fair and reasonable price. Further, the County did not negotiate the contract with the most qualified firm, stating that it could not estimate the number of projects for which the consultants would provide services. Lastly, although the County's consultant selection committee members did complete a conflict-of-interest statement, the members did so 11 months after the County awarded the contracts to the two consultants.

Additionally, the County amended the two on-call contracts, which were both awarded at a maximum total contract dollar amount of \$2,500,000, multiple times to increase the contract amount to \$12,500,000 with Consultant A and to \$15,500,000 with Consultant B. Federal regulation does not allow for the amending of an on-call contract to increase the original maximum contract dollar amount.

Our testing determined that these procurement deficiencies ultimately compromised the integrity of the County's procurement practices, calling into question whether it properly awarded these contracts. Due to these significant deficiencies, we question the entire amount of \$496,600, which Caltrans reimbursed the County for these consultants' costs. See Table 2 below for a breakdown of the amounts awarded and reimbursed.

Table 2. Total Amounts Awarded and Reimbursed to Consultants A and B, by Project

Consultant	Project	Contract Award Amount Between the County and Consultants	Amount Reimbursed by Caltrans
A	Power Inn Road Project	\$398,065	\$203,823
B	Hazel Avenue Project	\$812,127	\$292,777
Total			\$496,600

Source: Analysis by IOAI based on contracts and invoices provided by the County.

Criteria

The County's procurement practices for these on-call A&E contracts are subject to the Procedures Manual, 23 CFR, and all applicable federal regulations. The following criteria outline the requirements the County did not meet.

The County did not ensure consultant selection committee members signed a conflict-of-interest form prior to initiating the consultant selection process. 23 CFR 172.7(b)(4)(ii) states:

No employee, officer, or agent of the contracting agency shall participate in selection, or in the award or administration of a contract supported by Federal-aid funds if a conflict of interest, real or apparent, would be involved. Such a conflict arises when there is a financial or other interest in the consultant selected for award.

Further, the Procedures Manual includes a provision that the County must follow. Specifically, Section 10.1.6 states:

Local agency Contract Administrator ensures that all committee members meet the conflict of interest requirements (23 CFR 172) by completing and signing a conflict of interest statement prior to selection process initiation.

The County could not provide documentation supporting that the consultants submitted their proposals by the established due date. The Power Inn Road Project and Hazel Avenue Project were funded with federal funds. As such, the retention required, noted in 2 CFR 200.334, applies to these projects. The pertinent part states:

The recipient and subrecipient **must retain all Federal award records for three years from the date of submission of their final financial report.** For awards that are renewed quarterly or annually, the recipient and subrecipient must retain records for three years from the date of submission of their quarterly or annual financial report, respectively. Records to be retained include but are not limited to, financial records, supporting documentation, and statistical records. **Federal agencies or pass-through entities may not impose any other record retention requirements.** *[Emphasis added.]*

In addition, the Procedures Manual, Section 10.1.6, states:

Documentation of when each proposal was received must be maintained in the project files. Copies of date stamped envelope covers or box tops are recommended.

Despite the clear guidance and procedures that local agencies are required to follow to receive federal aid, the County's practices failed to demonstrate familiarity with the requirements. Section 20.2 of the Procedures Manual states:

An Unrecoverable Project Deficiency is defined as a deficiency of such magnitude as to create doubt that the policies and objectives of Title 23 of the USC (or other applicable federal codes) will be accomplished by the project, ... and the project has proceeded to the point that the deficiency cannot be corrected. **This level of deficiency shall result in the withdrawal of all or a portion of the federal and/or state funds from the project.** *[Emphasis added.]*

The following are considered unrecoverable deficiencies on A&E consultant contracts and shall result in the withdrawal of all or a portion of the federal and/or state funds from the project:

- No records or documentation to support consultant procurement.
- No support for scoring and/or ranking of consultants.
- No independent cost estimate performed.

Furthermore, Section 10.1.6 of the Procedures Manual states:

The first-ranked consultant is asked to **provide a cost proposal** to perform the work described in the draft contract and discussed at the scoping meeting. The work is to be performed according to the conditions described in the draft contract using the payment method described therein. Alternatively, if time is of the essence and it can be justified, sealed cost proposals may be requested from all of the consultants on the shortlist. *[Emphasis added.]*

The County also did not adhere to qualification-based, competitive proposal requirements. The Brooks Act, states, in pertinent part:

In General. —The agency head shall **negotiate a contract for architectural and engineering services at compensation which the agency head determines is fair and reasonable to the Federal Government.** In determining fair and reasonable compensation, the agency head shall consider the scope, complexity, professional nature, and estimated value of the services to be rendered. *[Emphasis added.]*

Order of Negotiation. —The agency head shall attempt to negotiate a contract, as provided in subsection (a), with the **most highly qualified firm selected under section**

1103 of this title. If the agency head is unable to negotiate a satisfactory contract with the firm, the agency head shall formally terminate negotiations and then undertake negotiations with the next most qualified of the selected firms, continuing the process until an agreement is reached. *[Emphasis added.]*

The Procedures Manual reinforces this requirement. Section 10.1.1, Architectural and Engineering Consultants, states:

The Brooks Act (40 USC, Section 1104) **requires local agencies to award federally funded engineering and design related contracts based on fair and open competitive negotiations, demonstrated competence, and professional qualifications** (23 Code of Federal Regulations (CFR), Part 172), **at a fair and reasonable price** (48 CFR 31.201-3). *[Emphasis added.]*

Regarding amendments to the on-call contracts, 23 CFR 172.9(a)(3), states:

The procurement of services to be performed under on-call ... contracts shall follow either competitive negotiation or small purchase procurement procedures, as specified in § 172.7. The solicitation and contract provisions shall address the following requirements:

(ii) Specify a maximum total contract dollar amount that may be awarded under a contract.

We interpret this requirement to mean that the County is not allowed to amend on-call contracts to increase the contract amount. The Federal Highway Administration (FHWA) confirmed our understanding of 23 CFR 172.9(a)(3) on October 16, 2024. FHWA staff shared its Procurement, Management, and Administration of Engineering and Design Related Services-Questions and Answers,² which supplements federal regulations. This document provides an interpretation of 23 CFR 172.9(a)(3). Specifically, this document clarifies that an infinite amount of workload being awarded over an infinite period of time to a single consultant is not allowed. It states:

To maintain the intent of the Brooks Act (40 U.S.C. 1101-1104) in promoting open competition and selection based on demonstrated competence and qualifications, a maximum length of contract, not to exceed 5 years including extensions, and **maximum dollar amount of**

²The purpose of the Procurement, Management, and Administration of Engineering and Design Related Services-Questions and Answers is to “clarify the statutory and regulatory requirements of the Federal Highway Administration (FHWA) associated with the use of engineering and design related consultant services.”

contract must be defined within the solicitation and provisions of an on-call contract. These thresholds provide for a defined termination of the contract to prevent an infinite amount of workload over an infinite period of time being awarded to a single consulting firm. Should additional services be required after an established threshold has been met, a solicitation for a new contract would be required, ensuring open competition and selection of the most highly qualified firm are achieved. *[Emphasis added.]*

Cause

The County's procurement practices did not ensure the selection of the most qualified consultants. When we spoke with the County's contract manager who oversaw the two procurements we reviewed, the contract manager acknowledged that he was aware of the requirement to have the consultant selection committee members sign the conflict-of-interest form prior to the process selection initiation but had forgotten to complete this step. The contract manager stated that the County follows the Procedures Manual when procuring for consultant services, but that it does not have written procedures to ensure contract managers complete all the required steps. The contract manager also stated that contract managers are made aware of the contract procurement process through knowledge transfer from manager to manager rather than formal written procedures.

Regarding the source documents the County could not provide, the contract manager stated that the County discarded the stamped cover letters supporting that the consultants submitted the proposals by the set due date. The County stated it follows the record retention procedures in the Procedures Manual, which is consistent with federal regulation record retention requirements, that requires local public agencies to retain all records of contract activities for a period of three years from the date of the final financial report. However, the contract manager stated the County incorrectly interpreted this requirement and instead retained the contract activities records for a period of three years after the contract award date.

The contract manager acknowledged that County staff were aware of the requirement to develop a final ranking of consultant interviews but decided it was not a necessary step to complete. Instead of documenting the final ranking, the contract manager told us that the consultant selection committee members individually ranked each consultant interviewed and verbally discussed the selection of the two consultants.

With respect to the steps requiring the development of an independent cost estimate, requesting cost proposals from the top-ranked consultants, and negotiation of the contract with the most qualified firm, the contract manager stated they were not aware of these requirements. The contract

manager stated that completing these steps is a “waste of time and effort” and that by not following these procedures, the County saved taxpayer dollars. Additionally, the contract manager stated that it was more practical to not complete these required steps since the consultants awarded the on-call contracts had worked on an earlier phase of these projects and had experience with the work needed. The contract manager also stated that the County made every effort to distribute the workload fairly between the two consultants awarded the on-call contracts by considering workload, experience, and staff availability. The County’s decision to not follow the required steps was in direct contradiction to state requirements and federal regulations that require local agencies to award federally funded A&E contracts based on fair and open competitive negotiations, demonstrated competence, and professional qualifications at a fair and reasonable price.

Related to the County amending the two on-call contracts to increase the original maximum contract dollar amount, the contract manager stated they were not aware of this requirement and incorrectly believed it could increase the contract amounts to provide project continuity before exceeding the original contract amount.

Effect

By not maintaining sufficient procurement records and not taking all required procurement steps, the County could not demonstrate that it awarded its contracts competitively and that it selected the most qualified consultant at a fair and reasonable price. These actions went against the principles of open competition and fair consultant selection. Consequently, we are questioning the entire reimbursed amount of the two on-call contracts (\$496,600).

Recommendations

- 1.1 The County should reimburse Caltrans \$496,600.
- 1.2 Caltrans should coordinate with the County to develop a corrective action plan that prevents future reimbursements related to these two on-call contracts.
- 1.3 The County should design and implement a process to ensure compliance with state and federal requirements and Caltrans’ agreement provisions, including record retention requirements. This process should ensure that the County maintains a clear audit trail to support the solicitation, proposal, evaluation, and selection of consultants and to facilitate the tracing of negotiation activities to source documents.
- 1.4 The County should provide training to staff on all applicable state and federal procurement requirements, including record retention requirements.

Appendix A. Scope and Methodology

Audit Objectives

We conducted this audit to determine whether project costs claimed by the County and reimbursed by Caltrans were allowable and adequately supported in accordance with the project agreement provisions, federal regulations, and state requirements. In addition, we conducted this audit to determine whether project deliverables were consistent with the project scope and schedule as described in the executed project agreements, and to determine if project benefits were achieved and reported in accordance with applicable requirements.

Audit Period

Our audit period was from July 3, 2014, through July 23, 2024.

Criteria

We gained an understanding of the projects and criteria by reviewing applicable federal regulations, state requirements, Caltrans' guidelines, executed project agreements, project records, County policies and procedures, and prior audit reports.

Risk Assessment and Internal Control

We performed a risk assessment, including identifying and evaluating whether the County properly designed and implemented internal controls significant to our audit objectives. Our evaluation of internal controls focused on the County's review and approval processes for project costs, contract change orders, contract procurement, and direct labor and indirect costs. We also assessed the County's processes for submitting reimbursement requests and required project reports to Caltrans, and the County's process for completing and achieving project deliverables and benefits.

Assessment of Data Reliability

Generally accepted government auditing standards require we assess the sufficiency and appropriateness of computer-processed information used to support our findings, conclusions, and recommendations. In performing this audit, we relied on the data from the Comprehensive Online Management Personnel and Accounting System for Sacramento County (COMPASS), the County's enterprise resource management system used to manage and integrate the County's human resources, financial, and logistics functions. These data included labor, consultant, and construction costs expenditure reports. To assess the reliability of these data, we traced and agreed data from COMPASS to source documents. We determined that the expenditure reports from COMPASS were sufficiently reliable to meet our audit objectives.

Compliance Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

Based on our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives, as detailed in Table 3 on the following page.

Table 3. Objectives and Methods in the Audit Process

Audit Objective	Methods
Objective 1 To determine whether project costs were allowable, adequately supported, and in compliance with Caltrans' agreement provisions and state and federal regulations.	Selected significant and high-risk areas to verify compliance with the project agreements, federal regulations, and state requirements. Those selected areas were: • Project costs • Contract change orders • Procurement • Direct labor and indirect costs Project costs Determined whether construction costs were reviewed and approved by testing 15 bid items out of 64 total bid items from 3 billings (3 out of 13 billings) for the Old Florin Town Project, 15 bid items out of 78 total bid items from 3 billings (3 out of 12 billings) for the Power Inn Road Project, and 25 bid items out of 64 total bid items from 5 billings (5 out of 33 billings) for the Hazel Avenue Project. Determined whether selected costs were allowable, supported, authorized, project-related, and incurred within the allowable time frame by reviewing project files, progress payments, daily reports, quantity sheets, and canceled checks, and comparing to relevant criteria. Determined whether consultant costs were reviewed and approved by testing 3 of 10 consultant invoices from 1 billing (1 out of 34 billings) for the Old Florin Town Project, 3 of 17 consultant invoices from 3 billings (3 out of 37 billings) for the Power Inn Road Project, and 3 of 6 consultant invoices from 3 billings (3 out of 17 billings) for the Hazel Avenue Project. Determined whether selected costs were allowable, supported, authorized, project-related, and incurred within the allowable time frame by reviewing project files and comparing to relevant criteria. Contract change orders Selected the three largest contract change orders (CCO) for the Old Florin Town Project, the two largest CCOs for the Power Inn Road Project, and the five largest CCOs for the Hazel Avenue Project. Determined if the selected CCOs were within the scope of work, not a contract duplication, completed, and supported by reviewing the CCO memorandums, daily extra work reports, daily reports, cost estimations, progress payments, and accounting records. Procurement Reviewed the County's two A&E consultant contracts procurement for three projects to determine compliance with federal regulations—including the Brooks Act—and the Procedures Manual by reviewing the requests for proposal, the executed contracts, advertisement documentation, qualifications assessment documentation, and indirect cost rate approvals. Reviewed the County's construction contractor procurement for the Old Florin Town Project and the Hazel Avenue Project to determine compliance with federal regulations and the Procedures Manual requirements by reviewing the invitation for bids, bid records, County bid assessments, advertisement documentation, and the executed contracts. Direct labor and indirect costs Selected 970 out of 11,972 direct labor transactions charged to the three projects and determined whether direct labor costs were allowable, supported, project-related, and incurred within the allowable time frame by tracing to employee timesheets and compensation report. Also, determined whether the County used Caltrans' accepted indirect cost rate when it billed indirect costs by tracing it to Caltrans' approval letter.

Audit Objective	Methods
Objective 2 To determine whether project deliverables were consistent with the project scope and schedule.	Determined whether the reporting project deliverables for all three projects were consistent with the project scope and schedule by reviewing final inspection forms, project application, project programming requests, the County Board of Supervisors' approval of the final contract acceptance for the three projects, and before-and-after photographs, and by conducting an in-person site visit during fieldwork to verify the existence of project deliverables.
Objective 3 To determine whether project benefits were achieved and reported in accordance with applicable requirements.	We did not evaluate project benefits for the Old Florin Town Project and the Hazel Avenue Project because the funding program guidelines do not require the delivery of project benefits for projects under \$50 million. We did not evaluate whether the project benefits for the Power Inn Road Project were achieved and reported because the County is not required to conduct an analysis until three years after construction, according to the funding program guidelines. The County in collaboration with Caltrans will perform the analysis.

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Auditee's Response

Community Services
Dave Defanti
Deputy County Executive



Office of the County Executive
David Villanueva
County Executive

County of Sacramento

April 23, 2025

Fabiola Torres, CIGA
Deputy Inspector General
Caltrans – Office of Independent Audits and Investigations
P.O. Box 942874, MS-2
Sacramento, CA 94274-0001

SUBJECT: Caltrans Project Compliance Audit – County Response to Draft Report dated 4/11/2025

Dear Ms. Torres,

The County of Sacramento (County) has reviewed the draft audit report provided by your office, dated April 11, 2025, and has prepared this written response to address the findings and recommendations included in that report. The County has performed a thorough review of our internal procedures related to the audit results. This letter highlights the discoveries made during that review and describes changes we have already made as well as other forthcoming actions and changes.

Regarding Finding 1 from the draft report, the County acknowledges deficiencies in the procurement process for the on-call contracts utilized on the three projects included in the audit. Finding 1 in the draft report identifies six deficiencies in the procurement process. These six deficiencies, as well as planned corrective actions and specific actions already taken since these deficiencies were identified, are described below.

1. Failure to complete conflict-of-interest statements by all consultant selection committee members prior to selection process initiation.

700 H Street, Suite 7650, Sacramento, CA 95814
Office (916) 874-5210 | www.sacounty.gov

- a. The County acknowledges that consultant selection committee members did not complete the conflict-of-interest forms until after the solicitation process was completed.
 - b. This oversight during the solicitation process was discovered after the consultant proposals were reviewed, at which time statements were obtained. It was confirmed that none of the committee members had a conflict of interest with any of the proposing consultant firms or the two firms who were ultimately selected.
 - c. The management team at Sacramento County is committed to developing and implementing a process to ensure full compliance with state and federal procurement requirements, including timely completion of conflict-of-interest statements.
2. The due date for when the County received each proposal or statement of qualifications. The request for qualifications specifies the due date. Late submittals are considered nonresponsive and must be rejected.
 - a. The County acknowledges the requirement to have all proposals time stamped at the time they are submitted.
 - b. Although proposals were timestamped when submitted in 2019, the County discarded the stamped cover letters (hard copies) based on a misinterpretation of the record retention procedures in the Procedures Manual.
 - c. Since that time, the County has adopted an online procurement program known as OpenGov, which requires digital submission of proposals that automatically records the date and time when proposals are submitted.
3. Development of the final ranking of consultants. The selection committee should keep notes of each consultant interviewed.
 - a. The County acknowledges that a tabulated ranking of consultants should have occurred, and that each committee member should take notes as they review proposals, and these records should be maintained for at least 3 years from the date of the final invoice.
 - b. The management team at Sacramento County is committed to developing and implementing a process to ensure full compliance with state and federal procurement requirements, including record retention.
4. Development of the Independent cost estimate in advance of requesting a cost proposal from top-ranked consultants.

Caltrans Project Compliance Audit – County Response to Draft Report dated 4/11/202

Page 3

- a. The County acknowledges that an independent cost estimate in advance of requesting a cost proposal was not performed but is required pursuant to Section 20.2 of the Procedures Manual.
 - b. As noted under items 1 & 3 above, the management team at Sacramento County is committed to developing and implementing a process to ensure full compliance with state and federal procurement requirements, including preparation of an independent cost estimate to ensure fair and reasonable pricing.
- 5. Cost proposals requests from first-ranked consultant.
 - a. The County acknowledges that Section 10.1.6 of the Procedures Manual states the first-ranked consultant is asked to provide a cost proposal that would then be negotiated to ensure compensation is fair and reasonable.
 - b. As noted under items 1, 3 & 4 above, the management team at Sacramento County is committed to developing and implementing a process to ensure full compliance with state and federal procurement requirements, including the need to request a price proposal from the first-ranked consultant.
- 6. Negotiation of the A&E services contract with the most qualified firm. The process for negotiation of the contract must be consistent with Title 40 of the United States Code (USC), Chapter 11, Section 1104 (Brooks Act).
 - a. County acknowledges that Caltrans interprets this requirement to mean that the County is not allowed to amend on-call contracts to increase the contract amount, which the County did not comply with for the existing on-call contracts.
 - b. When the County became aware of this non-compliance issue during the audit interview process in 2024, corrective action was taken and planned staffing on future federal funded projects were adjusted to avoid assigning further work on federally funded projects to on-call consultants.
 - c. As noted under items 1, 3, 4, & 5 above, the management team at Sacramento County is committed to developing and implementing a process to ensure full compliance with state and federal procurement requirements, including restricting amendments to on-call contracts to increase contract amounts.

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The County understands it has a responsibility to manage all our projects, including consultant contracts, to be in compliance with Federal, State and local requirements. The County recognizes the serious nature of the procurement deficiencies identified in the audit report and County management at the highest levels is committed to addressing these issues and equipping County staff with the proper tools and training to ensure these deficiencies are corrected. To this end, the County will work with Caltrans to implement draft audit report recommendations 1.2, 1.3, and 1.4 (listed below) as soon as possible.

1.2: Caltrans should coordinate with the County to develop a corrective action plan that prevents future reimbursement related to these two on-call contracts.

1.3: The County should design and implement a process to ensure compliance with state and federal requirements and Caltrans' agreement provisions, including record retention requirements. This process should ensure that the County maintains a clear audit trail to support the solicitation proposal, evaluation, and selection of consultants and to facilitate the tracing of negotiation activities to source documents.

1.4: The County should provide training to staff on all applicable state and federal procurement requirements including record retention requirements.

While the County understands the serious nature of these procurement deficiencies and is committed to correcting them, we also understand Section 20.2 of the LAPM allows Caltrans latitude regarding the withdrawal amount, which is identified as \$496,600 in the draft audit report. One of the overarching goals of the procurement process is to ensure the consultant's work is performed at a fair and reasonable price. Of the two contracts in question, the consultant's billing rates are within industry standards. Also, for the projects in question, construction management costs as a percentage of the overall construction contract costs are also within industry norms. In light of these considerations, the County respectfully requests Caltrans consider a reduced withdrawal amount. We would welcome the opportunity to discuss this request in more detail.

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In closing, the County would like to thank your staff for their diligence and attention to detail throughout the audit process. Their professionalism helped keep what at times can become an adversarial process, on-track and running smoothly. We look forward to working with Caltrans on our corrective action plan and further discussions regarding the withdrawal amount.

Sincerely,



Dave Defanti
Deputy County Executive

cc: Ben Shelton, Audit Chief, Internal Audits Office, Caltrans

Ron Vicari, Director, Department of Transportation, County of Sacramento

Troy Givans, Director, Community Development Department, County of Sacramento

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