State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: LARRY ORCUTT
Chief
Division of Research and Innovation

Date: April 30, 2009

File: P3000-378

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: Final Audit Report - Division of Research and Innovation Contract Management

Attached is Audits and Investigations' final audit report of Division of Research and Innovation Contract Management. Your responses have been included as a part of our final report.

Please provide our office with status reports on the implementation of your audit finding dispositions 60, 180, and 360 days subsequent to the report date. If all findings have not been corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved.

We thank you and your staff for their assistance provided during this audit. If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: Will Kempton, Director
Randell H. Iwasaki, Chief Deputy Director
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
Kelly Takigawa, Audit Coordinator, Division of Research and Innovation

P3000-378

Division of Research and Innovation Contract Management Audit

April 2009

Gerald A. Long
Deputy Director
Audits and Investigations
California Department of Transportation

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Summary

Audits and Investigations (A&I) has completed an audit of the Division of Research and Innovation's (DRI) contract selection and contract management activities. The purpose of the audit was to determine whether contracts are selected and managed according to the California Department of Transportation's (Caltrans) policies, and federal and State rules and regulations.

The audit primarily focused on the selection, administration, and monitoring of contracts within DRI. These processes were also reviewed for the Division of Engineering Services research contracts, as DRI provides funding for seismic research contracts.

The audit found that DRI's internal controls over contract selection and the management of contracts generally complied with Caltrans' policies, and federal and State rules and regulations. Specifically, the audit disclosed the following:

- The Research Project Management Database (RPMD) contains incomplete information
- DRI is not disseminating final reports and closing research projects
- Incomplete contract files
- Inconsistent contract management of administrative task orders
- Unauthorized labor charges in an administrative task order
- Contract managers are not monitoring contract payments
- Contract managers are not monitoring equipment purchases

Background

DRI's purpose is to stimulate innovation by performing applied, customer-developed, and focused transportation research that yields tangible products and improved processes to enhance mobility across California. Innovations in methods, materials, technologies, policies, and practices enable Caltrans to effectively use and manage public facilities and services, protect public investment in transportation infrastructure, and enhance and expand mobility options. DRI seeks to take full advantage of strategic opportunities to find low-cost, public, and private solutions that substantially increase the value of taxpayer dollars invested in present and future public infrastructure, and make California's technological industries competitive in emerging global transportation technology markets. With direction from Caltrans' Research and Deployment Steering Committee, a committee comprised of Deputy Directors and District Directors, DRI:

- Establishes and facilitates the process to identify, select, program, manage, and implement research.

Background (Continued)

- Meets all federal-aid program requirements, including the preparation and maintenance of Caltrans' Research Manual and the State Planning and Research Part II, Annual Work Program.
- Sets the research agenda based on the involvement and participation of its internal and external customers.
- Performs and develops applied transportation research for all modes of transportation.
- Provides technical assistance to its customers to deploy transportation research products.
- Engages in both short- and long-term research.
- Manages research projects.
- Obtains funding for the research.

Objectives, Scope, and Methodology

We performed our audit in accordance with the International Standards for the Professional Practice of Internal Auditing.

The original objectives of our audit were to determine whether:

- Contract proposals and contract allocations are evaluated in compliance with Caltrans' policies and procedures.
- Contract managers monitor contractor performance and deliverables.
- Contract managers perform contract close-out procedures.

The Chief, DRI, requested that we include the following objective:

- Contracts are managed in accordance with federal rules and regulations.

The audit covered the period July 1, 2005, through June 30, 2008. The audit focused on internal controls over contract selection and evaluating procedural compliance for 36 contracts with Caltrans' policies, and federal and State rules and regulations.

Conclusion

DRI fulfills a very important role to the State and federal transportation agencies through its many research and innovation projects. We admire DRI's accomplishments and provide independent recommendations on how to improve its contract management. Our audit disclosed that internal controls over contract selection and the management of contracts generally complied with Caltrans' policies, and federal and State rules and regulations.

Conclusion (Continued)

However, we noted the following:

- The RPMD contains incomplete information
- DRI is not disseminating final reports and closing research projects
- Incomplete contract files
- Inconsistent contract management of administrative task orders
- Unauthorized labor charges in an administrative task order
- Contract managers are not monitoring contract payments
- Contract managers are not monitoring equipment purchases

Views of Responsible Officials

We requested a response to our findings from the Chief, Division of Research and Innovation. The Division Chief has, in general, acknowledged the findings and recommendations. Please see the Attachment for the complete response.

GERALD A. LONG
Deputy Director
Audits and Investigations

June 30, 2008
(Last Day of Audit Field Work)

FINDINGS AND RECOMMENDATIONS

Finding 1 – The Research Project Management Database Contains Incomplete Information

The Division of Research and Innovation (DRI) maintains a database of research projects known as the Research Project Management Database (RPMD). During our audit, it was noted that the RPMD does not include complete information on DRI's research projects. The following are deficiencies we found in the 633 line items reviewed in the RPMD:

- Contract start dates were absent in 54 percent (342) of entries
- Contract end dates were absent in 41 percent (259) of entries
- Contract numbers were missing in 33 percent (207) of entries

In addition, 32 of 71 contracts identified in the Contracts Administration and Tracking System (CATS) were not identified in the RPMD. Due to the incomplete nature of the data within the RPMD, we were unable to determine if the contracts were either included in the RPMD with no contract number or if they were excluded from the RPMD.

Section 2.5 of the Research Manual, entitled Additional DRI Program Responsibilities, states that DRI will maintain a research database to track program activities, schedules, accomplishments, and fiscal commitments.

DRI relies on its approximately 60 contract managers for the accuracy of information within the RPMD, which focuses responsibility on the employees with the most knowledge of the contract. However, there is no centralized responsibility to ensure accuracy of the RPMD data. As a result, DRI does not have sufficient information in its database upon which to determine when research projects started and when they should be closed out. In addition, insufficient information might impair DRI's contract management and reporting abilities resulting in DRI not managing its program in the most effective manner, and reporting inaccurate information to the Federal Highway Administration (FHWA).

Recommendation

We recommend DRI assure the RPMD contains current and complete information by centralizing responsibility for the accuracy of the data.

DRI Response

DRI generally agreed with the finding and is working towards implementing the recommendation. Please see Attachment 1 of this report for the complete response.

Finding 2 – The Division of Research and Innovation Is Not Disseminating Final Reports or Closing Research Projects

DRI is not disseminating final reports or closing research projects, as required by the California Library Distribution Act. Furthermore, DRI does not know the universe of research projects that should be closed since its RPMD does not contain current or accurate information regarding task status. Specifically, we noted the following issues related to completed projects:

- The RPMD maintains all research projects as tasks, but not all tasks are research projects with deliverables. Therefore, it is difficult to determine which tasks should have a final report.
- Tasks have final report dates or numbers entered into the RPMD. However, the status is listed as "Expired," which should be the status when the contract has ended and is awaiting the final report.
- Tasks with a status of "Active" were not always updated to reflect a status of "Expired" when the authorized task end date had passed. We also noted that some "Active" status tasks had final report numbers and/or dates.
- Based on information received from the Chief, Office of Management Support (OMS), no research project closing documents have been processed for at least the past two years.

We selected 11 contracts to review that should have been closed out and a final report distributed. Our review disclosed the following:

- One closed contract file could not be located.
- One contract had been amended for a time extension, but the RPMD was not updated.
- None of the nine contracts reviewed had final results and conclusions published and distributed.
- Seven contracts (77 percent) had final reports that did not contain the required elements (Americans with Disabilities Act language and/or the Technical Report Documentation, Form DOT-F-1700.7).
- Six files (67 percent) did not have the required Contractor Evaluation, Std. 4 Form.

Since the RPMD does not contain sufficient information to determine the universe of tasks that need to be closed out, DRI cannot identify the universe of final reports that should be disseminated to the research project stakeholders, Chief, OMS, appropriate federal and State entities, and the depository libraries.

Finding 2 (Continued)

The following citations identify applicable requirements:

- California Government Code §14900, states, "It is the policy of the State of California to make freely available to its inhabitants all state publications by distribution to libraries throughout the state, subject to the assumption by such libraries of the responsibilities of keeping such documents readily accessible for use, and of rendering assistance in their use to qualified patrons without charge." The State Administrative Manual §3100 provides guidance for implementing the Library Distribution Act.

- Caltrans Library guidance related to the Distribution of Caltrans Publications notes, "The Caltrans unit issuing a publication is responsible for making sure that copies are sent to complete depository libraries, as well as to the Caltrans Library and the UC Berkeley Institute of Transportation Studies Library (ITS Library)."

- DRI's Research Project Closing Guidelines require the project/task manager to distribute final reports to the project stakeholder, DRI Liaison/Chief, OMS and the OMS closeout representative. The OMS closeout representative is responsible for sending the final report to the Local Technical Assistance Program consultant for distribution to applicable federal and State entities.

- DRI's Research Manual, §4.1, Preparation of Research Reports states, "All reports shall comply with the Americans with Disabilities Act." In addition, §4.2 Final Reports states, "Published final reports are to include a completed Technical Report Documentation Page, Form DOT-F-1700.7."

DRI has not made closing out research tasks and disseminating final reports a priority. Due to DRI not fully complying with reporting requirements, research results are not always made available to the research community. It is important that both successful and unsuccessful research be reported, as both benefit the research community and to prevent wasteful duplication of research efforts by other state Departments of Transportation and associated research entities.

In addition, DRI continues to revise its procedures, but has not updated the Research Project Closing Document to reflect those changes. DRI

Finding 2 (Continued)

continues to report to FHWA on open research projects that may be completed due to the unreliable data within the RPMD.

Finally, the OMS has not designated an individual to be the closeout representative in order to have this function centralized and provide assistance to the project/task manager to ensure close-out and final report distribution.

Recommendation

We recommend:

1) DRI make it a priority to update the RPMD to reflect current and consistent information to determine which tasks require close-out and which tasks should have a final report disseminated.
2) The OMS dedicate personnel to work on closing out research tasks and distributing final reports until DRI is current with its close-out and final report dissemination requirements, so that accurate information can be reported to FHWA.
3) DRI ensure its Research Project Closing Guidelines reflect current procedures and provide clear guidance to its project/task managers.
4) DRI provide training to all of its project/task managers, including project/task managers working outside of DRI, to ensure the processes are clearly understood.

DRI Response

DRI generally agreed with the finding and is working towards implementing the recommendations. Please see Attachment 1 of this report for the complete response.

Finding 3 – Incomplete Contract Files

Contract managers did not always maintain complete contract files. We interviewed 19 contract managers and reviewed 36 contract files. For the contracts reviewed, we found 64 percent (23 of 36) had incomplete contract files as follows:

- Twenty-eight percent were missing written notification authorizing the contractor to start work. The State Contract Manual (SCM) §9.09 A.4, specifies that work cannot begin before contract execution and the effective date of the contract. Although initial notification to start work may be verbal, it should also be documented in writing and a copy of the notification retained in the contract file.
- Nineteen percent contained invoices without sufficient back-up documentation. Per SCM, §9.04 A.9, the contract manager is responsible for reviewing and approving invoices for payment to substantiate expenditures for work performed.
- Seventeen percent were missing the Service Contract Request, ADM-360. The DOT Service Contract Managers Handbook,

Finding 3 (Continued)

§4.4.2, states that the contract manager's files for each contract should include . . . copies of Service Contract Requests, ADM-360, with all supporting documentation.

- Nineteen percent lacked evidence to determine if the contract manager ensured compliance with all contract provisions. SCM §9.04 A.7 requires the contract manager to monitor the contract to ensure compliance with the contract provisions.
- Nineteen percent lacked evidence that the Project Panel met at least once a year. DRI's Research Manual, Section 3.2, Project Panel states, "The Project Panel will choose the frequency of its meetings based on project milestones and needs, but it will meet at least once a year."
- Fourteen percent were missing invoices with documentation to determine if contract payments were consistent with the work performed. The DOT Service Contract Managers Handbook, §4.3.3 states, "In reviewing invoices, Contract Managers must . . . conduct a technical review of the invoice, as necessary, to determine the reasonableness of charges and hours worked. This evaluation is based upon the contract deliverable – did we get what we are being charged for?"
- Eleven percent did not contain a running total of project funds. According to the DOT Service Contract Managers Handbook, §4.3, Contract Managers must . . . maintain running totals of charges and costs.
- Eleven percent did not show evidence that quarterly reports were received or prepared timely as required. DRI's Research Manual, Section 4.2, Quarterly Report, states that, "The Principal Investigator/designated researcher prepares and submits Quarterly Reports to the Project Manager. The Project Manager is required to fill out the Quarterly Report in the RPMD within 45 days of the end of each quarter."

Failure to retain significant contract documentation, such as contracting expenditure information, notices to start work, invoice support, and other relevant documentation prevents independent verification that proper contracting procedures were performed.

We found that contract managers were generally aware of their responsibilities regarding contract file documentation; however, it was a lower priority than managing the research project. Many contract managers stated they had documentation, but it was not in the file and was often in an electronic format. The missing documentation could not be located upon our request.

Recommendation

We recommend DRI:

1) Provide periodic training to ensure that contract managers understand the importance of maintaining complete contract files.
2) Periodically perform an internal review of the contract files to determine compliance with State rules and regulations, and ensure there is adequate compliance for State and federal control agencies and public inquiries.

DRI Response

DRI generally agreed with the finding and is working towards implementing the recommendations. Please see Attachment 1 of this report for the complete response.

Finding 4 – Inconsistent Contract Management of Administrative Task Orders

Administrative task orders have been executed for three University of California (UC) research contracts. These administrative task orders are used to reimburse the universities for costs related to operating the research centers including facilities, executive directors, preparing research proposals and subcontracts, and other administrative costs. However, these administrative task orders are not approved through the Caltrans' Research and Deployment Steering Committee's (RDSC) process as are research task orders. The Research Manual, Figure 2-1 specifies that the RDSC's function includes determining the funding allocation among research programs. In addition, these administrative task orders are not consistently managed among the three universities nor do they reimburse the universities for the same types of costs.

Contract managers must monitor the contractor's performance and document it accordingly, per SCM §9.09 A.6. Contract managers must . . . maintain documentation of all activity, and review and approve invoices to substantiate expenditures for work performed, per DOT Service Contract Managers Handbook, §4.3. In addition, contract managers must . . . track estimated and actual hours worked and any applicable direct costs, per §4.3.1.

Contract managers have been allowed the flexibility to manage administrative task orders for the benefit of the research centers, but are not closely monitoring the services provided under the task order. The administrative costs recovered through direct billing to Caltrans remain with the research centers. It is to the center's benefit to allocate its administrative costs directly to Caltrans.

Guidelines do not exist for the determination of administrative task order funding levels nor types of services to be included in the administrative task order. In addition, there are no guidelines for the management of administrative task orders (i.e. level of detailed

Finding 4 (Continued)

documentation to be maintained, level of direction to provide to the centers, etc.).

RDSC does not approve funding for all research programs, as identified in the Research Manual. Some research projects are not funded due to the funding of administrative task orders. In addition, some research projects are performed through the administrative task orders without the approval of RDSC.

We found that contract managers for the administrative task orders are authorizing payment for services that they cannot assure were performed. For example, one contract manager mentally accumulates costs over a two- or three-year period and estimates that between $5,000 and $15,000 could be spent before executing a task order for a specific research project. Additionally, activities allocated to administrative task orders are not consistent among the three UC research contracts because there are no guidelines. Furthermore, documentation is not maintained by the contract managers to show what work was requested, how much time was approved to complete the work product requested, or if the work product was received. According to one contract manager, there are times when DRI management communicates directly with the center to request a research project be performed under an administrative task order. There are also other types of research project costs in the administrative task orders. For example, a researcher was working on a research project without a signed contract for four months, and as a result, his time was allocated to the administrative task order instead of directly to a research task order. Another example is when the task order that research was performed under had expired. In this case, the research was performed and completed with the original task order; however, the testing portion took much longer than expected to initiate and instead of writing a new task order, the time spent testing was allocated to the administrative task order.

Recommendation

We recommend:

1) RDSC approve administrative task orders to comply with their stated function of determining the funding allocation among research programs.
2) DRI develop guidelines to approve and manage administrative task orders, to include the determination of a reasonable amount and the type of activities that are to be included in each task order.
3) Contract managers actively manage administrative task orders, including documenting the work requested from the center, the estimated budget for the requested work, and the personnel who will be performing the work.

DRI Response

DRI generally agreed with the finding; however, they disagree that the RDSC should approve administrative task orders. They are working towards implementing the other recommendations. Please see Attachment 1 of this report for the complete response.

Finding 5 – Unauthorized Labor Charges in an Administrative Task Order

The Advanced Highway Maintenance and Construction Technology (AHMCT) Research Center charged $71,872 in unauthorized labor costs for the ten-month period between April 2007 and January 2008, which is 17 percent of the total expenditures incurred for the same time period.

Section 4.3.3 of the DOT Service Contract Managers Handbook states, "In reviewing invoices, Contract Managers must: . . . Ensure personnel shown match those listed in the Cost Proposal and/or contract."

The professors who are responsible for the AHMCT Research Center are allowed to shift personnel as they deem necessary without obtaining prior permission from Caltrans' contract manager. As a result, expenditures were allocated to the administrative task order without prior Caltrans' authorization.

Recommendation

Contract managers should take an active role in managing administrative task orders, specifically requiring research centers to obtain written approval prior to allocating labor charges not identified in the task order budget.

DRI Response

DRI generally agreed with the finding and is working towards implementing the recommendation. Please see Attachment 1 of this report for the complete response.

Finding 6 – Contract Managers Are Not Monitoring Contract Payments

We found that 26 percent (5 of 19) of contract managers interviewed are not using the Transportation Accounting and Management System (TRAMS) or the Service Contracts Automated Tracking System (SCATS) to verify the correct posting of contract payments in Caltrans' accounting system. SCM §9.04 A.10 identifies that it is the contract manager's responsibility to monitor contract expenditures to ensure there are sufficient funds to pay for all services rendered as required by the contract.

Contract payments may not be properly accounted for due to incorrect information provided by the contract manager for invoice processing or due to a posting error. If the contract manager does not verify the available balance in TRAMS or SCATS, then they cannot ensure sufficient funds are available to pay for services rendered.

Finding 6 (Continued)

Contract managers maintain spreadsheets to track contract payments and available funds. However, contract managers cannot ensure there are sufficient funds to pay for all services rendered, if they do not verify fund availability in Caltrans' accounting system.

Recommendation

We recommend that DRI pursue efforts to upload payment data from TRAMS to the RPMD to allow its contract managers to monitor that contract payments are posted correctly in Caltrans' accounting system.

DRI Response

DRI generally agreed with the finding and is working towards implementing the recommendation. Please see Attachment 1 of this report for the complete response.

Finding 7 – Contract Managers Are Not Monitoring Equipment Purchases

We found that 58 percent (11 of 19) of contract managers interviewed are not monitoring equipment purchased through research contracts.

DRI's Research Project Closing Guidelines, #3, state in part, "All Project Managers are to record all property information when it is acquired for their project." SCM §9.04 A.11 states that the contract manager is responsible for notifying the appropriate personnel of equipment purchase, if applicable, and ensure property is tagged and inventoried before approving cost reimbursement.

Caltrans can lose assets when it does not monitor its equipment. In addition, a contract manager may authorize new equipment for a research project, not knowing that similar equipment was purchased for a prior research project.

The practice is to leave equipment purchased through research contracts with the researchers to be used on future research projects, and as such, the contract managers have not monitored equipment to maximize usage and avoid duplicate purchases.

Recommendation

We recommend DRI provide training to its contract managers to ensure that equipment requirements per the contract terms are followed to ensure that Caltrans' assets are maintained.

DRI Response

DRI generally agreed with the finding and is working towards implementing the recommendation. Please see Attachment 1 of this report for the complete response.

Audit Team	Laurine Bohamera, Chief, Internal Audits Paula Rivera, Audit Supervisor Sandra Beane, Auditor Michelle Mai, Auditor Mohammad Eslamian, Auditor

Attachment 1

Response from the Division of Research and Innovation

State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

To: GERALD LONG
Deputy Director
Audits and Investigations

Date: April 23, 2009

From: LAWRENCE H. ORCUTT
Chief
Division of Research and Innovation

Subject: Response to Draft Audit Report on Division of Research and Innovation Contract Management

In response to your draft audit report findings, attached are written responses to the findings and recommendations, as well as actions proposed and/or taken subsequent to the conclusion of the audit June 30, 2008.

We look forward to scheduling a WebEx conference with your staff and DRI's Project Managers to discuss the findings of this audit and how the findings should be addressed. If you have any questions, please contact Kelly Takigawa, Chief, Office of Management Support, at (916) 799-5480.

Attachment

c: Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
Kelly Takigawa, Chief, Office of Management Support, Division of Research and Innovation.

Response to DRAFT Audit Findings on Division of Research and Innovation Contract Management Activities

Finding 1: ***The Research Project Management Database (RPMD) Contains Incomplete Information***

Recommendation: *"DRI assure the RPMD contains current and complete information by centralizing responsibility for the accuracy of the data."*

DRI's Response: The RPMD is a living database that was designed for managing the Research Program. When the sample of data from the RPMD was taken, the data included information from the old database that was outdated. We are continuously working to deliver and maintain accurate information in the RPMD. It is the responsibility of every Project Manager to ensure the information contained in the RPMD is accurate. In addition, the Office Chiefs within DRI are responsible for ensuring the accuracy of data in the RPMD.

Staff within the Office of Management Support also performs regular monitoring of the data through various reporting documents produced from the RPMD, providing assistance to the Project Managers to complete and correct the data. In addition, DRI will be filling a staff position to manage the State Planning and Research Program (SPR), Part 2. One responsibility of this position will be to ensure the accuracy of information in the RPMD for all SPR, Part 2 projects.

Finding 2: ***The Division of Research and Innovation Is Not Disseminating Final Reports or Closing Research Projects***

Recommendation: *"1) DRI make it a priority to update the RPMD to reflect current and consistent information to determine which tasks require close-out and which tasks should have a final report disseminated.*
2) The OMS dedicate personnel to work on closing out research tasks and distributing final reports until DRI is current with its close-out and final report dissemination requirements, so that accurate information can be reported to FHWA.
3) DRI ensure its Research Project Closing Guidelines reflect current procedures and provide clear guidance to its project/task managers.
4) DRI provide training to all of its project/task managers, including project/task managers working outside of DRI, to ensure the processes are clearly understood."

DRI's Response: The DRI has been partnering with FHWA and the Local Technical Assistance Program over the past eight months to disseminate final reports and close out research projects. In September 2008, DRI submitted a report to FHWA that identified 96 federally funded research projects to be closed. As of January 2009, DRI has disseminated over 80 Final Reports and is working to close the research projects. Final closure of these research projects is expected by September 2009. FHWA accepted DRI's report and approved the Department's SPR Program through June 2009.

DRI has developed a process for reporting the status of closing out research projects. In addition, research project closing guidelines have been developed and made available for all DRI project managers on DRI's intranet website.

Finding 3: ***Incomplete Contract Files***

Recommendation: *"1) Provide periodic training to ensure that contract managers understand the importance of maintaining complete contract files.*

2) Periodically perform an internal review of the contract files to determine compliance with State rules and regulations, and ensure there is adequate compliance for State and federal control agencies and public inquiries."

DRI's Response: DRI acknowledges a continued need for project managers to obtain contract manager training. While the Department does not offer any formal training for contract managers, DRI partnered with the Division of Procurement and Contracts (DPAC) in October 2008 and conducted two contract management training sessions. DRI will re-contact DPAC in August 2009 to schedule annual refresher training to be scheduled in October 2009.

DRI will ensure that Office Chiefs and supervisors are adequately trained to review their staff's contract files periodically for compliance with State and federal rules and regulations.

Finding 4: ***RDSC is responsible for determining the funding allocation among research programs. We feel since research projects are included in some administrative task orders, the RDSC should include the administrative task orders in their priority of projects to receive research funding each year.***

Recommendation: *"1) RDSC approve administrative task orders to comply with their stated function of determining the funding allocation among research programs.*
2) DRI develop guidelines to approve and manage administrative task orders, to include the determination of a reasonable amount and the type of activities that are to be included in each task order.
3) Contract managers actively manage administrative task orders, including documenting the work requested from the center, the estimated budget for the requested work, and the personnel who will be performing the work."

DRI's Response: The RDSC is responsible for reviewing and approving all research projects not administrative in nature. We do not agree that the RDSC should be approving administrative task orders. The RDSC reviews the annual budget for DRI, that includes a category for Research Support including the administrative task orders. DRI agrees with the recommendation that guidelines need to be developed on the management of administrative task orders and/or technical agreements. These guidelines will be developed and distributed to the Project Managers by December 31, 2009.

On September 25, 2008, a new master agreement with the University of California was executed which no longer allows any Division to prepare contracts for a 'program' of multiple tasks, research projects as an example, in addition to management/administrative task orders. Under the new master agreement, individual technical agreements must be prepared for research projects with applicable administrative costs, and separate technical agreements are to be prepared for any management consultant/administrative activities formerly included in the administrative task orders. We agree that it is inappropriate to charge research projects to administrative task orders.

Finding 5: ***Unauthorized Labor Charges in an Administrative Task Order***

Recommendation: *"Contract managers should take an active role in managing administrative task orders, specifically requiring research centers to obtain written approval prior to allocating labor charges not identified in the task order budget."*

DRI's Response: We agree with the recommendation and have provided two sessions of contract manager training to Project Managers in October 2008. Refresher training will be scheduled annually. In addition, individual technical agreements must now be prepared to address

the management consultant/administrative activities formerly included in the administrative task orders. DRI will develop guidelines on the management of administrative task orders and/or technical agreements by December 31, 2009.

Finding 6: ***Contract Managers are not Monitoring Contract Payments***

Recommendation: *"We recommend that DRI pursue efforts to upload payment data from TRAMS to the RPMD to allow its contract managers to monitor that contract payments are posted correctly in Caltrans' accounting system."*

DRI's Response: The Office of Management Support is currently preparing monthly contract expenditure reports by uploading data from TRAMS and the RPMD. These reports are made available to all staff.

The RPMD has been modified to allow Project Managers to enter contract payment data and create receiving records for submittal to Accounting. This contract payment history information is now maintained in the RPMD. Accounting's contract payment history information is available to the Project Managers through their intranet website on SCATS (Service Contract Automated Tracking System). DRI will ensure that all Project Managers are aware this tool.

Finding 7: **Contract Managers are not Monitoring Equipment Purchases**

Recommendation: *"We recommend DRI provide training to its contract managers to ensure that equipment requirements per the contract terms are followed to ensure that Caltrans' assets are maintained."*

DRI's Response: DRI acknowledges a continued need for Project Managers to obtain contract manager training. While the Department does not offer any formal training for contract managers, DRI partnered with DPAC in October 2008 and conducted two contract management training sessions. DRI will re-contact DPAC in August 2009 to schedule annual refresher training to be scheduled in October 2009.