



**Status Update on the Authority's Implementation
of the California State Auditor's Recommendations**

January 15, 2019

2018 State Audit

Chapter 1 – Progress Update

Audit Item	Plan/Action
Adhere to Oversight Firm Guidance and Document Deviations	<ul style="list-style-type: none"> • Business Oversight Committee charter revised to require documentation when a governance committee overrules a Project Construction Management firm’s recommendation - Implemented • Business Case documentation updated to include Project Construction Management firm’s recommendation, cost estimates, and explanation of deviations - Implemented
Establish Plan to Prevent Avoidable Cost Overruns and Project Delays	<ul style="list-style-type: none"> • Draft Baseline project work plans with discretely defined tasks developed, based on project delivery sequencing – In Progress
Monitor and Evaluate Oversight Firm Risk Assessments	<ul style="list-style-type: none"> • Additional risk management personnel hired for Central Valley – In Progress • Cost-Risk Evaluation of design-build construction projects in progress, ensuring risk management and mitigation, and estimate-to-complete consistency across the three projects – In Progress • Project Construction Management Manual revised to be more explicit on risk management – In Progress
Provide Quarterly Updates to the Legislature using Earned Value Reporting	<ul style="list-style-type: none"> • Quarterly ARRA Status Report, including earned value, cost variance, and schedule performance index developed and will be posted to the Authority website making it available to the Legislature and the public – In Progress
Contingency Plan for Not Meeting Federal Grant Deadline	<ul style="list-style-type: none"> • Continue updating project risk registers quarterly, in coordination with the Federal Railroad Administration – In Progress • Established project controls allowing construction performance monitoring of Get To Work plans – In Progress • If, by July 2019, progress is not tracking to plans, Authority will consult with Federal Railroad Administration in evaluating options and the necessity of seeking an amendment to the federal grant deadline – In Progress

Chapter 2 – Progress Update (1/2)

The Authority is currently undertaking work to address the state audit’s key recommendations on contract management. Significant progress has already been achieved as the Authority considers contract management transformation a major organizational priority for 2019.

State Audit Recommendation	Status	Key Progress Items to Date
Prioritize contract management efforts and establish formal process for hiring experienced contract managers	In Progress	<ul style="list-style-type: none"> Formal process has been drafted emphasizing contract management experience / skills Duty statements for contract managers and supervisors reviewed and modified Contract manager supervisor training is being created
Require CMSU to establish monitoring schedule and be composed of state staff	In Progress	<ul style="list-style-type: none"> Schedule developed to review contract manager compliance Authority staff temporarily assigned to CMSU. Staff augmentation request drafted Budget Change Proposal for FY 2020/2021 being prepared to staff CMSU with state staff
Hold contract managers accountable for performing duties; supervisors should require and review evidence	In Progress	<ul style="list-style-type: none"> 23 assessments performed Corrective actions are tracked to closure/resolution
To prevent inappropriate use of contractors, develop new procedures on assignment of administrative duties	In Progress	<ul style="list-style-type: none"> Procedures drafted to evaluate whether existing administrative duties should be assigned to contractor or state staff

Chapter 2 – Progress Update (2/2)

The Authority is currently undertaking work to address the state audit’s key recommendations on contract management. Significant progress has already been achieved as the Authority considers contract management transformation a major organizational priority for 2019.

State Audit Recommendation	Status	Key Progress Items to Date
Amend procedures to require contract managers to document their review of invoiced rates and expenses	In Progress	<ul style="list-style-type: none">• Invoice review procedures will be drafted in January/February to require contract managers to document their review of invoiced rates and allowability of expenses
Develop formal methodology for using the performance evaluation tool	In Progress	<ul style="list-style-type: none">• Policy and procedure created for the Project Construction Management (PCM) firms performance evaluation dashboard• Contract managers and the quality team has evaluated the PCM’s compliance with PCM Contract Management Manual.
Develop formal process for tracking out-of-scope work the oversight forms perform, and process for amendments	In Progress	<ul style="list-style-type: none">• PCM Manual revised to reflect responsibility to identify, manage, and request amendments for out-of-scope work

Chapter 3 – Progress Update

All recommendations are in progress

1. Revisions to Poli Plan 03, Sustainability Policy, are underway and scheduled for review by the Authority Program Delivery Committee for February, prior to presentation to the Board
2. A quality assurance review of existing sustainability data quality controls is scheduled for Q1 2019
3. The Authority has prepared a quarterly report that:
 - Summarizes contractor compliance with contract requirements,
 - Analyzes greenhouse gas, air quality, waste diversion, and water use rates
 - Compares rates of actual emissions, diversion, and usage against relevant estimates
4. The Authority is testing its construction environmental estimation model to enable illustration and comparison of different construction contracts
5. The Authority is modifying its annual small business report to reflect quarterly information and drafted a policy

Audit findings relate to system reporting, data assurance and analytic functions and do not affect program budget or schedule