

Corrective Action Plan (CAP)
Draft Review
Airspace Audit Part 2

May 2026

Key Points

01

Significant compliance issues were identified

02

Corrective Actions (CAP) Require operational changes Statewide

03

Increased Oversight, staffing and training are essential elements of the CAP

04

Safety and compliance enforcement will be strengthened through new reporting requirements

05

Audit #2 Timeline is set through April 2027

Statewide

- Selection of 13 properties from Districts 3, 4, 7 & 11
- Open Storage and Parking uses ONLY
- Leases varied in age from 6 years to 32 years



Audit #2 Result Summary

- **FINDING 1**
 - Caltrans Circumvented the State's Competitive Bidding Laws and the California Transportation Commission's Guidelines When It Improperly Entered Into or Extended Several Airspace Leases
- **FINDING 2**
 - Caltrans' Inspection and Monitoring Practices Failed to Adequately Protect the Public from the Storage of Potentially Dangerous Materials at Certain Airspaces
- **FINDING 3**
 - Caltrans Did Not Always Enforce the Financial Terms of Its Lease Agreements; Its Underbilling of Several Tenants Calls into Question the Fairness of Its Billing Practices



Audit Part 2, Finding 1

Caltrans Circumvented the State's Competitive Bidding Laws and the California Transportation Commission's Guidelines When It Improperly Entered Into or Extended Several Airspace Leases

IOAI Audit Recommendations	Caltrans Draft Corrective Actions	Target Completion
<p>1.1 Identify all expired leases that have entered into a hold-over period and immediately place those properties up for auction, or if the circumstances and terms are consistent with the Commission's Resolution, directly negotiate a new lease with the respective tenants.</p>	<ul style="list-style-type: none">✓ A Contract for Delivery will be developed by the Districts, identifying all hold-over leases and the date by which the District will be in compliance. All holdovers shall be resolved within 12 months. District Directors and the Caltrans executive team will be given quarterly updates on the progress of the Contract for Delivery by HQ Right of Way based on District information.✓ HQ RW representative(s) will attend all District auctions as necessary.✓ HQ RW will request additional staff to act as Regional Coordinators (RCs) in the districts. These Coordinators will be HQ Corporate staff but reside in respective districts to provide in-person oversight, overview of departmental policy and procedure compliance.✓ (PENDING Department of Finance Approval)	<p>07/31/2026</p> <p>As of 12/4/2025</p> <p>07/01/2026</p>
<p>1.2 Develop a tracking process to notify management when leases are nearing expiration and take the necessary steps to ensure those properties are subject to an auction in accordance with the law and the Commission's Resolution.</p>	<ul style="list-style-type: none">✓ Districts will input information into ROWMIS to track expiration dates of all leases within the District's inventory. HQ will provide a quarterly report to notify districts of expired leases.✓ HQ RW will provide an accountability report on all outstanding holdovers in the district.✓ At the quarterly meeting with the District Directors, HQ RW will provide an accountability report on all outstanding holdovers in the district.	<p>As of 5/1/2024</p> <p>As of 02/12/2026</p> <p>10/29/2025</p>

Audit Part 2, Finding 1 (continued)

Caltrans Circumvented the State’s Competitive Bidding Laws and the California Transportation Commission’s Guidelines When It Improperly Entered Into or Extended Several Airspace Leases

IOAI Audit Recommendations	Caltrans Draft Corrective Actions	Target Completion
<p>1.3 Unless expressly authorized by the Commission, ensure future lease agreements do not include a “hold-over” clause allowing tenants to remain on property when their leases expire.</p>	<ul style="list-style-type: none">✓ HQ RW will request that the Commission change its Resolution to allow for a 6-month holdover period at the maximum. After 6 months of holdover, the tenancy must be terminated.✓ Tenants will be notified by the Districts at least 6 months before the lease expires that the lease will terminate on the expiration date.✓ Guidance on how to prepare for upcoming lease expiration will be provided to the districts.	<p>01/01/2027</p> <p>06/01/2026</p> <p>12/31/2026</p>
<p>1.4 Integrate a management-level approval and justification process when district staff decide to directly negotiate with a prospective tenant.</p>	<ul style="list-style-type: none">✓ Delegation for executing ALL Airspace leases will be modified. All leases will be reviewed and approved by HQ RW. HQ RW will complete Quality Enhancement Joint Reviews (QEJRs) on each district. Delegations will be returned to the Districts on a case-by-case basis after robust reviews, and continual demonstration of policy compliance.	<p>04/06/2026</p>

Audit Part 2, Finding 2

Caltrans' Inspection and Monitoring Practices Failed to Adequately Protect the Public from the Storage of Potentially Dangerous Materials at Certain Airspace

IOAI Audit Recommendations	Caltrans Draft Corrective Actions	Target Completion
2.1 Develop a tracking process for safety violations identified in internal and external inspections, including notifying higher-level managers and appropriate legal staff when tenants fail to address such problems.	✓ HQ RW will send the District a Monthly reminder of outstanding internal inspections for the future 2 months and will include outstanding safety violation.	As of 02/12/2026
	✓ Districts will send completed external inspections State Fire Marshal Reports to HQ RW completed within the month, along with a monthly inspection response report on all outstanding safety violations.	12/31/2026
	✓ Districts will utilize an updated ROWMIS tracking system to monitor, elevate, and track safety violations for both internal and external inspections.	12/31/2026
	✓ HQ RW will complete a training on File Completion Components, which all Airspace staff must take. Training will be recorded and all new staff assigned to Airspace must take the training.	03/31/2027
2.2 Ensure timely and decisive administrative or legal actions are pursued to protect public safety and the transportation system.	✓ Within the monthly inspection report submitted to HQ RW, the information pertaining to administrative or legal actions will be noted and concurrences from all levels of management will be required via signature.	06/01/2026
	✓ Districts will be required to update and maintain a statewide unlawful detainer action spreadsheet until a ROWMIS tracking system has been completed.	06/01/2026

Audit Part 2, Finding 3

Caltrans Did Not Always Enforce the Financial Terms of Its Lease Agreements; Its Underbilling of Several Tenants Calls into Question the Fairness of Its Billing Practices

IOAI Audit Recommendations	Caltrans Draft Corrective Actions	Target Completion
3.1 Develop a process to ensure that districts keep track of and apply the appropriate escalation rate to leases based on the terms of the executed agreements.	✓ HQ RW will develop annual escalation rates, which will be evaluated every 5 years by HQ RW and will be based on regional areas.	02/01/2027
	✓ Districts will audit all records for escalation terms and cross-reference the results with what is being billed in the accounting system by June 30, 2026. Districts will be required to receive back rent owed. All tenants shall be noticed by February 1, 2027, of balances that are due as a result of incorrect billing and escalation rates. All tenancies that are underpaying rent must be on a repayment plan by May 31, 2027, with final payment received by June 30, 2028. Any extensions of a repayment plan will be on a case-by-case basis as approved by HQ RW.	06/30/2028
3.2 Ensure all future lease agreements have an appropriate escalation rate.	✓ All future leases will include a flat rate of annual escalation that will be noted in the rent section of the agreement. The agreement will include the date the escalation will take place and the amount of rent due at that time.	03/01/2027

Timeline for Audit Part 2

Feb 12, 2026

**Audit Part 2
Released**

April 13, 2026

CAP submittal to IOAI

April 13, 2027

**CAP
Completion**

Feb 12, 2026

**District Director Pre-
Briefing**

**Oct 10,
2026**

**1st CAP
Status
Report to
IOAI**

Airspace Reporting Requirements

Caltrans Reporting To:	Frequency:
1. Caltrans Staff	Weekly Hot-Topics
2. CTC	Quarterly (Per Resolution G-24-14)
3. District and HQ Executives	Quarterly
4. Independent Office of Audits and Investigations (IAOI)	Biannual and Annual (August 2026, February 2027)

A group of workers in high-visibility vests and hard hats are seen from behind, looking towards a demolition site. In the background, a large structure is being dismantled, with thick plumes of dust and debris rising into the air. A bridge or overpass structure is visible in the middle ground.

What's Next?

- Building Demolition
- Lease Buyouts
- Direct Negotiations
- Auctions
- Training of staff

Thank you

Any Questions?

