

MEMORANDUM

TAB 21

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: May 14-15, 2026

From: STEVEN KECK, Chief Financial Officer

Reference Number: 4.16, Information Item - ***YELLOW MEETING HANDOUT***

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Division of Right of Way and Land Surveys

Subject: **CALTRANS AIRSPACE PROGRAM AUDIT PART 2**

SUMMARY:

In April 2026, the California Department of Transportation (Caltrans) submitted to State Audits and Investigations the Corrective Action Plan for the statewide audit (Phase 2 Audit). This second phase stemmed from a significant fire that occurred beneath the Interstate 10 freeway in Los Angeles County in November 2023.

Caltrans will provide a presentation to the California Transportation Commission (Commission) outlining the draft Corrective Action Plan in response to the audit findings. Caltrans is submitting the attached Corrective Action Plan to the Commission for review.

BACKGROUND:

The Phase 2 Audit included three areas for improvement for Caltrans. These recommendations were:

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 Airspace sites.

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.

Attachment:

60-Day Corrective Action Plan – Caltrans Airspace Program (Part 2)

#	IOAI Audit Recommendations (Verbatim languages from IOAI audit report)	Planned Corrective Actions	Responsible Entity	Target Completion	Status/Comments
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					
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.	A Contract for Delivery will be developed by the Districts, identifying all hold-over leases and the date by which the Districts 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 Districts information.	Districts	7/31/26	
		HQ RW representative(s) will attend all District auctions as necessary.	HQ RWLS-RPS	as of 12/04/25	
		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)	HQ RWLS-RPS	7/1/26	
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.	Districts will input information into ROWMIS to track expiration dates of all leases within the District's inventory.	Districts	as of 05/01/24	
		HQ RW will provide quarterly report to notify district of expired leases.	HQ RWLS-RPS	as of 02/12/26	
		At the quarterly meeting with the District Directors, HQ RW will provide an accountability report on all outstanding holdovers in the district.	HQ RWLS-RPS	10/29/25	
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.	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.	HQ RWLS-RPS	1/1/27	
		Tenants will be notified by the Districts at least 6 months before the lease expires that the lease will terminate on the expiration date.	Districts	6/1/2026	
		Guidance on how to prepare for upcoming lease expiration will be provided to the districts.	HQ RWLS-RPS	12/31/26	
1.4	Integrate a management-level approval and justification process when district staff decide to directly negotiate with a prospective tenant	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.	HQ RWLS-RPS	4/6/26	

#	IOAI Audit Recommendations (Verbatim languages from IOAI audit report)	Planned Corrective Actions	Responsible Entity	Target Completion	Status/Comments
Finding 2 - Caltrans' Inspection and Monitoring Practices Failed to Adequately Protect the Public from the Storage of Potentially Dangerous Materials at Certain Airspaces					
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 action.	HQ RWLS-RPS	as of 2/12/26	
		Districts will send completed external inspection State Fire Marshal Reports to HQ RW completed within the month, along with a monthly inspection response report on all outstanding safety violations. Districts will utilize an updated ROWMIS tracking system to monitor, elevate, and track safety violations for both internal and external inspections.	Districts	12/31/26	
		HQ RW will complete a training on File Completion Components, which all staff must take. Training will be recorded and all new staff assigned to Airspace must take the training.	HQ RWLS-RPS	3/31/27	
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. Districts will be required to update and maintain a statewide unlawful detainer action spreadsheet until a ROWMIS tracking system has been completed.	Districts	6/1/26	
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					
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 will be evaluated every 5 years by HQ RW and will be based on regional areas.	HQ RWLS-RPS	2/1/27	
		Districts will audit all records for escalation terms and cross-reference the results with what is being billed in the accounting system by December 31, 2026. 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.	Districts	6/30/28	
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.	HQ RWLS-RPS	3/1/27	

Acronyms

RWLS - Right-of-Way and Land Surveys (division) **RPS** - Real Property Services (office) **HQ RW** -Headquarter Right of Way (office)