

Independent Office of Audits and Investigations

INSPECTOR GENERAL

Annual Summary of Findings and Recommendations

July 1, 2021 - June 30, 2022





For questions concerning the contents of this report, please contact
(916) 323-7111 or email ioai.admin@dot.ca.gov



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

December 7, 2022

Governor Gavin Newsom
Members of the Legislature
California Transportation Commission

ANNUAL SUMMARY OF FINDINGS AND RECOMMENDATIONS

Government Code Section 14460(d)(2) requires a summary report of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the California Transportation Commission. Please find the enclosed Annual Summary of Findings and Recommendations for the period July 1, 2021, to June 30, 2022.

During this reporting period, the Independent Office of Audits and Investigations published 23 audits and performed over 330 reviews, resulting in 72 recommendations that are intended to promote performance improvements and increased accountability and transparency. The financial impact of these audits and reviews could potentially be as much as \$21 million.

If you have any questions on this report, please contact our office at IOAI.admin@dot.ca.gov.

Sincerely,

Bryan Beyer, CIG
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations

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<https://oig.dot.ca.gov>

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HIGHLIGHTS

INVESTIGATIONS

New Allegations	218
Closed Allegations	104
Allegations Substantiated	11

IG HOTLINE

Total Complaint Contacts Received	109
Inspector General Hotline Phone Number 1-844-283-8442	13*
Inspector General Hotline Email Address ask.investigations@dot.ca.gov	79
Inspector General Admin Email Address ioai.admin@dot.ca.gov	11
Letters Independent Office of Audits and Investigations P.O. Box 942874, MS-2 Sacramento, CA 94274	6

AUDITS

Audit Reports Issued	23
Recommendations	72
Potential Financial Impact	\$20,577,965

REVIEWS

Reviews of Architectural & Engineering Cost Proposals	220
Reviews of Local Agency Indirect Cost Rates	115
Reviews of Local Agency Single Audit Findings' Corrective Action	16

*The IG Hotline number was unavailable between August 2021 to August 2022 – inquiries were redirected to the IG Hotline and IOAI email addresses.

BACKGROUND

Pursuant to Government Code Section 14460, the Independent Office of Audits and Investigations (IOAI) conducts audits and investigations to ensure the California Department of Transportation (Caltrans) and external entities that receive state and federal transportation funds from Caltrans are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements. External entities include, but are not limited to, private for profit and nonprofit organizations, local transportation agencies, and other local agencies that receive transportation funds either through a contract with Caltrans or through an agreement or grant administered by Caltrans.

Additionally, pursuant to Government Code Section 14110.1, Caltrans is required to undertake several activities to increase procurement opportunities for small/micro enterprises, disabled veteran-owned, and new and limited contracting small businesses, as well as underrepresented, disadvantaged, formerly incarcerated, and LGBTQ business enterprises or individuals. This code also directs the Inspector General to review, audit, and report on Caltrans' outreach efforts required by this section. In addition, the Inspector General is also required to audit businesses as appropriate to ensure that persons associated with entities that do not meet the definition of a new or limited contracting small business enterprise do not create a new associated entity that would meet the definition of new or limited contracting small business enterprise and thus subvert the purposes of this section.

In accordance with Government Code Section 14460(d)(2), the Inspector General provides an annual summary of investigation and audit findings and recommendations to the Governor, the Legislature, and the California Transportation Commission.

Communication Strategies

In addition to an annual report, Government Code Section 14460 requires the Inspector General to report all audit and confidential investigation findings to the Secretary of the California State Transportation Agency (CalSTA) and to the Director and Chief Deputy Director of Caltrans on a regular and ongoing basis.

Additionally, to promote transparency and provide clear and concise information to the public, the IOAI website continues to provide access to reports issued, including final audit reports of Caltrans programs and external entities. The website also includes resources for consulting firms and local agencies.



Established Communications

- Monthly meetings with Secretary of CalSTA.
- Monthly meetings with Director and Chief Deputy Director of Caltrans.
- Monthly reports provided to CalSTA and the Director and Chief Deputy Director of Caltrans regarding new and ongoing audits and investigations.
- Ongoing communications with Legislative staff, California Transportation Commission staff, federal agency representatives, local agency representatives, and other external entities as needed.

IOAI Activities

Pursuant to Government Code Section 14460, IOAI provides a full scope, independent, and objective audit and investigation program. As such, IOAI develops an annual plan outlining audit and investigative priorities and identifies specific engagements to be performed during the coming year. Performance audits provide objective analysis and conclusions to assist management and those charged with governance and oversight with improving program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability. Performance audits vary widely depending on the audit objectives and scope. The most common audits conducted by our office include the following:

- **Performance/Program Audits** assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage the programs. These audits are performed under government auditing standards.
- **Compliance/Project Audits** determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions, state and federal laws and regulations, and to determine whether project deliverables (outputs) and benefits (outcomes) are completed as described in executed project agreements or approved amendments. Additional compliance audits include audits of contractor and consultant contracts. These audits are performed under government auditing standards.

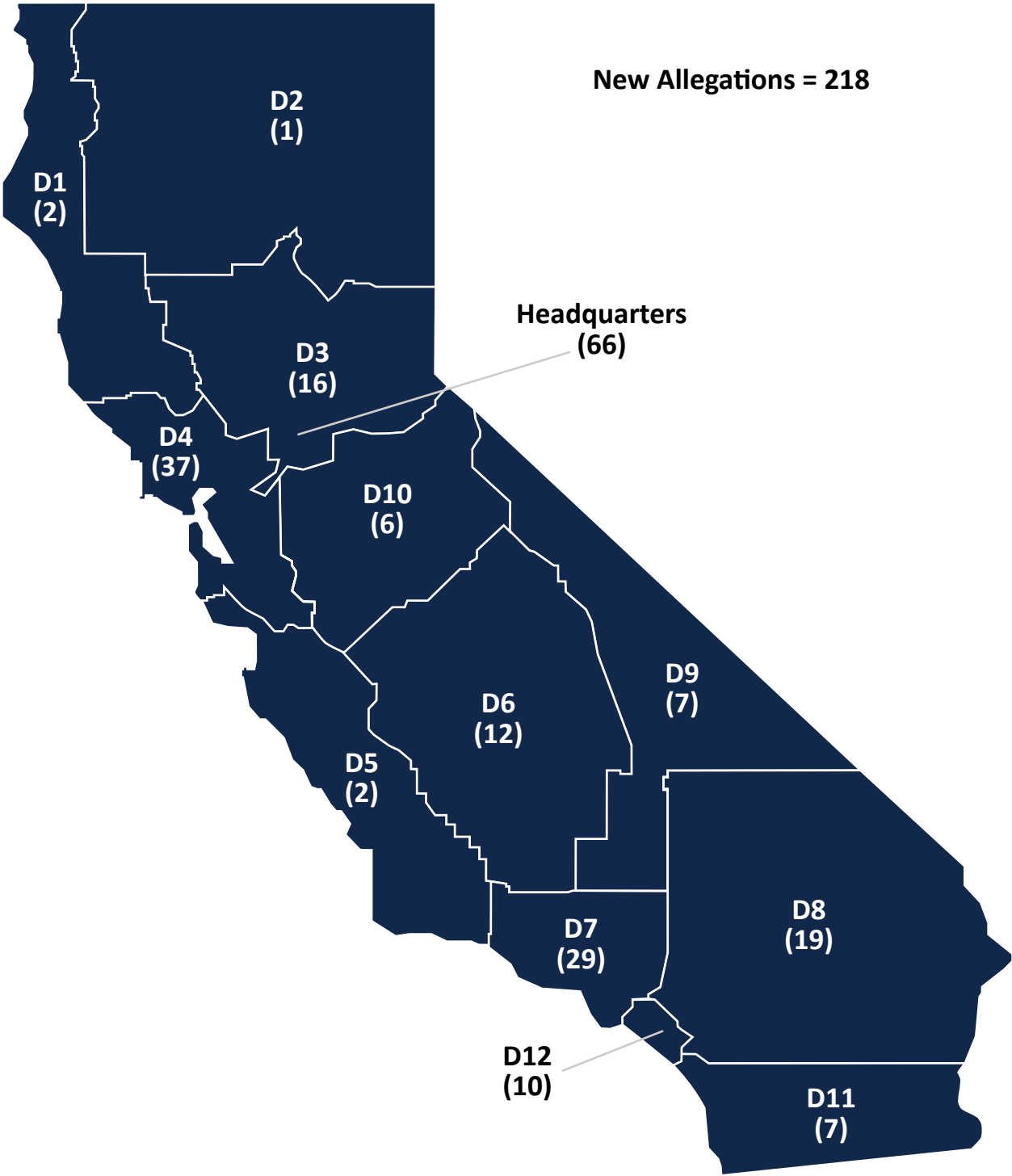
IOAI also performs review activities including, but not limited to, reviews of architectural and engineering cost proposals and reviews of local government indirect cost rate proposals. See the Glossary for a more detailed description.

Pursuant to Government Code Section 14110.1, IOAI has a dedicated unit that reviews the programs, policies, and procedures related to diversity and small business development efforts by Caltrans. The unit provides recommendations and shares best practices that assist Caltrans in expanding its diversity efforts and small business development opportunities.

IOAI's Investigations Unit conducts independent administrative investigations involving allegations of employee misconduct and assists external entities, such as the California State Auditor and law enforcement entities, with their investigations. This unit also administers the Inspector General Hotline, which is available 24 hours per day, 7 days per week to receive allegations of employee misconduct or of fraud, waste, and abuse.

NEW ALLEGATIONS BY DISTRICT (D)

For four complaints, the district is unknown.





INVESTIGATIONS

INVESTIGATIONS

New Allegations	218
Closed Allegations	104
Allegations Substantiated	11

Allegations Substantiated

Incompatible Activities / Conflict of Interest	3
Falsification	3
Health and Safety	2
Misuse of State Resources	2
Hiring Violations	1



Report a Concern:
1-844-283-8442

The Investigations Unit conducts independent administrative investigations of alleged employee misconduct. The unit maintains the Inspector General Hotline (Hotline), which is available 24 hours per day, 7 days per week to receive allegations of employee misconduct or of fraud, waste, and abuse. Administrative investigations can result from complaints received from various sources including:

- Caltrans' employees
- Members of the public
- Contractors
- Law enforcement and other governmental entities
- Internal and External audit findings

The Investigations Unit reviews reported allegations to determine the appropriate course of action, which may include:

- An administrative investigation
- Referral to Caltrans management for potential supervisory action or progressive discipline
- Referral to law enforcement/governmental entity due to potential criminal misconduct

For administrative investigations, the unit works collaboratively with all levels of Caltrans' management statewide. IOAI refers completed cases to the appropriate Caltrans' Hiring Authority and Caltrans' Office of Discipline Services to determine the appropriate level of corrective discipline. Discipline can include, but is not limited to, corrective action, such as counseling or a written warning, or adverse action, including a temporary salary reduction, temporary suspension without pay, demotion, or termination. The Investigations Unit also assists external entities, such as the California State Auditor and law enforcement entities, with their investigations.

New Complaints of Misconduct represent complaints received during fiscal year 2021-22. Complaints closed and substantiated during 2021-22 include complaints received from previous fiscal years.



PERFORMANCE AUDITS 3

Performance audits assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved, and determine if Caltrans has adequate controls in place to manage its programs.

Construction Zone Enhanced Enforcement Program and Maintenance Zone Enhanced Enforcement

P4000-0412

Issue Date: 7/16/21

Results in Brief

The purpose of this audit was to determine if Construction Zone Enhanced Enforcement Program (COZEED) and Maintenance Zone Enhanced Enforcement Program (MAZEED) had adequate internal controls over the administration of the contracts with the California Highway Patrol (CHP) and make recommendations for improvement. The audit did not include a review of the CHP process over COZEED and MAZEED programs.

The objectives of the audit were to determine whether:

- Adequate internal controls were in place over the administration of COZEED and MAZEED contracts.
- COZEED and MAZEED policy and procedures were followed when requesting CHP services and were in accordance with the contract agreement.
- Payment for services were supported and processed in accordance with contract agreement.

The audit determined that Caltrans overpaid CHP for services by not consistently validating source documents. Additionally, current COZEED and MAZEED forms to request and validate CHP services could be improved and should be maintained to support invoice payments.

Key Recommendations

Headquarter Divisions of Construction and Maintenance should:

- Ensure transactions billed statewide are reviewed to determine if additional duplicate payments were made and if so, seek reimbursement; develop and implement written standard invoice review procedures to reconcile CHP invoices properly; and verify that the published billing rate is reasonable and based on actual costs.
- Obtain necessary information from CHP to determine if hourly rates included overhead and benefits costs and seek reimbursement; update the Cancellation Form to include a field for mileage; and update the Daily Report Forms to include a justification for increase and/or changes to the hours and signature of Caltrans' official's acknowledgment.

✓ Caltrans has implemented 7 of 10 audit recommendations and is developing corrective actions for the remaining recommendations. See pages 24 and 25 for more details.

Baseline for Senate Bill 1 Performance Outcomes – Bridges

P3010-0658

Issue Date: 1/31/22

Results in Brief

The Road Repair and Accountability Act of 2017 (also known as Senate Bill 1) requires Caltrans to “fix not less than an additional 500 bridges” over a 10-year period ending in 2027. The audit objectives were to determine whether Caltrans had:

- An established process and documentation to support the revised baseline of 114 bridges per year.
- A well-established and consistent process to account for, and support, the reported number of bridges it fixed each year.
- Documented and implemented policies and procedures to track, monitor, and report on bridge improvements to achieve the Senate Bill 1 requirement.

The audit determined that while Caltrans defined a “fixed bridge” performance metric, specific project milestones were not identified to calculate the baseline nor to report annual accomplishments. As a result, this led to inconsistencies in reporting. Additionally, the number of fixed bridges reported in the annual Performance Benchmark Reports were overstated in early years. For example, the reports include projects that were reported as a “fixed bridge” on the date a contract was awarded – meaning no construction had begun, yet the bridge was reported as “fixed”. Further, due to the milestones used, the audit identified 34 bridge fixes included in the baseline that were also included in the annual benchmark reports.

Although the findings do not affect Caltrans’ ability to meet the Senate Bill 1 targets by 2027, Caltrans has an opportunity to adopt performance measurement best practices and implement process improvements to increase reporting accuracy and transparency.

Key Recommendations

Caltrans should revise subsequent Annual Performance Benchmark Reports, or issue an interim report if requested by the California Transportation Commission. Future reports should:

- Separately account for and report Highway Maintenance and SHOPP fixed bridge accomplishments, including a clear description of the methodology and milestone dates used to report fixed bridges.
- Use the Contract Completion Acceptance milestone to report Highway Maintenance and SHOPP bridge accomplishments, or an alternate milestone that is formally implemented. If an alternate milestone is used, such as “open to traffic” or Expected Construction Work Completion (ECWC), the milestone should be formally established and implemented as a project delivery milestone that requires a resident engineer to validate and document project performance.

To ensure accuracy, Caltrans should:

- Remove the 34 duplicate SHOPP bridges from the reported accomplishments in subsequent Performance Benchmark Reports.
- Establish and implement data quality controls to ensure data accuracy and mitigate duplicate fixed bridge reporting.

- ✓ Caltrans is developing corrective actions for the audit recommendations. See page 25 for more details.

Senate Bill 1 2019-20 Efficiencies Audit

P3010-0669

Issue Date: 6/14/22

Results in Brief

Senate Bill 1 requires Caltrans to, among other things, implement efficiency measures with the goal of generating at least \$100 million per year in savings to invest in the maintenance and rehabilitation of the state highway system. In its 2019-20 Senate Bill 1 Efficiencies Report, Caltrans reported that it achieved well beyond its goal and saved \$194.8 million due to various efficiencies it implemented during the fiscal year.

The purpose of this audit was to determine if the \$194.8 million savings reported in the 2019-20 Annual Efficiencies Report was supported and available for investment into the maintenance and rehabilitation of the state highway system. The audit focused on the three largest efficiency savings areas, 1) \$85.7 million related to Stormwater Permit Credits, 2) \$40.2 million related to Project Bundling, and 3) \$37.0 million related to Pavement Research, Long-Life Pavement. The three efficiency areas reviewed totaled \$162.9 million and represented 84 percent of the total reported savings.

We determined that Caltrans did, in fact, achieve its goal of at least \$100 million in savings during the year. Specifically, we determined that Caltrans adequately supported that it saved \$120.3 million of the \$162.9 million that we reviewed and that this amount would be available for investment into the maintenance and rehabilitation of the state highway system.

However, our audit also revealed that Caltrans did not adequately support \$42.6 million of the \$162.9 million in reported savings during the fiscal year that we reviewed. The unsupported savings is summarized as follows:

- \$5.6 million related to Project Bundling: Bundling projects is the practice of combining several smaller projects into one larger project under a single contract. Caltrans calculated that it saved \$5.6 million for 10 projects that it bundled into four contracts; however, Caltrans did not provide individual cost estimates for the projects to compare with the bundled contract award amounts. Without individual project cost estimates, Caltrans could not demonstrate whether it realized the savings it reported directly because of its project bundling effort.
- \$37.0 million related to Long-Life Pavement: While long life pavement is an industry recognized efficiency measure, the reported cost savings of \$37 million will not be generated (or realized) until the distant future and, should therefore, not be counted in fiscal year 2019-20. Specifically, using Caltrans' cost savings methodology, initial savings of \$221,289 would not be realized until 2036 and the balance of the reported savings (\$34.7 million, or more than 93 percent) would not be generated until 2051—more than 30 years from now. As a result, these reported savings would not be readily available to reinvest into the state highway system. Although we determined that the cost savings were unsupported for the fiscal year 2019-20, we do recognize the future potential savings.

Key Recommendations

- Caltrans should ensure that it reports savings using a consistent methodology and maintains proper supporting documentation.
- Clearly demonstrate and document when the savings will be generated and report the savings in the appropriate annual efficiency report.
- ✓ Caltrans is developing corrective actions for the audit recommendations. See page 26 for more details.

LOCAL AGENCY AUDITS & REVIEWS

As noted in the following page, IOAI completed nine local agency related audits and 131 local agency reviews in fiscal year 2021-22. Pursuant to the Stewardship and Oversight Agreement between the Federal Highway Administration (FHWA) and Caltrans, various monitoring activities are performed to assess local agencies' internal controls. Specifically:

Incurred Cost (Project) Audits are performed to determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions, established guidelines, and state and federal laws and regulations, and to determine whether project deliverables (outputs) and outcomes are reasonable in comparison with the project cost, scope, schedule, and benefits described in executed project agreements or approved amendments. These audits are performed under government auditing standards.

Indirect Cost Reviews and Audits are conducted to ensure compliance with Title 2 Code of Federal Regulations (CFR) Part 200 requirements. Indirect rates are reviewed by IOAI and acceptance letters are issued to the local agency, which allows them to bill Caltrans for indirect costs. Audits may also be performed on a risk basis. The audits are performed under government auditing standards.

Local Agency Corrective Actions for Single Audit Findings Reviews are performed to determine if local government agencies, universities, and non-profit entities have implemented corrective actions for single audit findings. In accordance with the Single Audit Act of 1984 (amended in 1996) and the OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, non-federal entities that expend \$750,000 or more in federal awards in a single year are required to undergo an annual audit.



LOCAL AGENCY AUDITS 9

Incurring Cost Audits	4
Total Projects	16
Total Project Expenditures	\$58,509,243
Total Questioned Costs	\$3,524,260

Indirect Cost Audits	5
Total Indirect Cost Rates	12
Questioned Costs	3 of 5 Entities
Rate Recalculations	7 of 12 Rates

LOCAL AGENCY REVIEWS 131

Reviews of Local Agency Indirect Cost Rates	115
Fringe and Indirect Cost Rates Reviewed	330

Reviews of Local Agency Corrective Actions for Single Audit Findings	16
Findings Reviewed	17

Dollars shown are amounts reported to Caltrans management. Actual amounts recovered may differ during final resolution by Caltrans.



PROPOSITION 1B AUDITS 4

The California Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) dedicated \$19.925 billion over a ten-year period for transportation projects. Under Government Code Sections 8879.2(c) and 8879.50, audits are required of bond project expenditures and outcomes. IOAI is responsible for conducting audits to determine if Proposition 1B bond fund recipients complied with federal and state procurement requirements, project costs reimbursed were allowable, and to ensure project deliverables and outcomes were met. IOAI contracts with the California Department of Finance to perform the majority of these audits.

Proposition 1B Projects	15
Total Project Expenditures	\$378,583,348
Total Questioned Costs	\$3,422,451

Key Results

- 3 of the 4 audited entities did not adequately report project benefits or could not support that project benefits were achieved.
- 3 of the 4 audited entities did not submit their required Financial Delivery Reports timely. Specifically, within six months of the project becoming operable, implementing agencies must provide a Financial Delivery Report to the Commission detailing the project's completed scope of work, including performance outcomes as compared to those described in the project baseline agreement.
- 1 of the 4 audited entities was reimbursed \$3,154,412 in unsupported and unallowable expenditures. Specifically, the entity was unable to provide support to demonstrate whether \$3,090,615 in construction expenditures were accurate and project related. Additionally, the entity's incurred cost for the right of way engineering phase exceeded the approved budget by \$63,797.
- 1 of the 4 audited entities claimed and was reimbursed \$250,000 in unsupported construction contract change order expenditures. Specifically, the entity was reimbursed the \$250,000 as an estimate paid in advance. However, there was no audit trail, such as a reconciliation, between the advanced amount and actual invoiced amount for service activities performed.
- 1 of the 4 audited entities incurred \$18,039 in ineligible indirect cost expenditures. Specifically, the entity did not apply the correct indirect cost rates to allocate indirect costs to the project.
- 1 of the 4 audited entities should improve its oversight to ensure agencies administering state funds adhere to Caltrans and applicable laws related to record retention for contract procurements.



CONTRACT COMPLIANCE AUDITS 7

IOAI’s oversight activities include, but are not limited to, performing contract compliance audits. In general, the audit objectives include determining whether a contractor’s expenditure claims are adequately supported and in compliance with contract provisions, Caltrans’ standard specifications, and state and/or federal regulations. These audits can vary in type and size and are selected based on our risk assessment or upon special request by Caltrans. These audits are performed under government auditing standards.

Contract Compliance Audits	6	Architectural & Engineering Contract Compliance Audit	1
Construction Contracts	17	Construction Contracts	2
Total Claimed Project Costs	\$32,933,223	Total Contract Amount	\$2,129,702
Total Avoided Costs	\$274,596		



REVIEWS OF ARCHITECTURAL & ENGINEERING COST PROPOSALS

220

As a service to Caltrans, architecture and engineering (AE) cost proposal bid documents submitted to the contracting agency are reviewed to determine if proposed indirect cost rates and direct costs are supported, reasonable, and in compliance with the cost principles and administrative requirements set forth in 48 CFR Part 31 and 23 CFR Part 172. A contracting agency can either be Caltrans or a local agency.

Valued at	\$883,092,308
≈ Avoided Costs	\$13,356,658

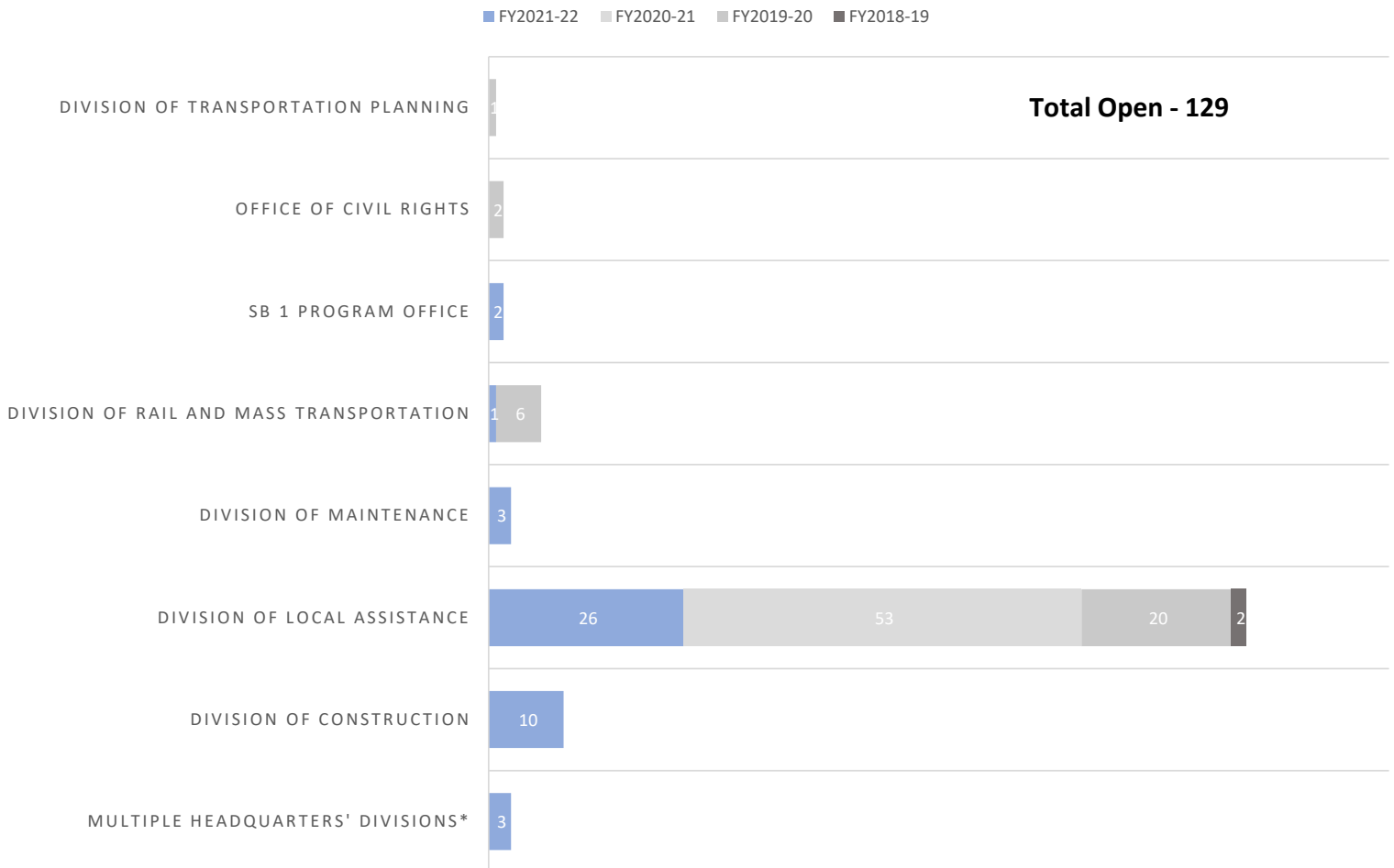
Between Caltrans and AE Consultants

Contracts	66
Valued at	\$385,817,160
≈ Avoided Costs	\$11,551,441

Between Local Agencies and AE Consultants

Contracts	154
Valued at	\$497,275,148
≈ Avoided Costs	\$1,805,217

OPEN AUDIT RECOMMENDATIONS, BY CALTRANS' RESPONSIBLE ENTITY AND FISCAL YEAR



**Three open recommendations were directed to the Division of Construction and the Division of Maintenance.*

Open Recommendation

A recommendation is opened on the date the audit report is issued. The recommendation remains open until Caltrans completes the corrective action and provides IOAI with sufficient supporting evidence of the actions taken.

Closed Recommendation

A recommendation is closed after Caltrans submits a Corrective Action Plan, takes appropriate corrective action and provides IOAI with sufficient supporting evidence to demonstrate that the action was taken.

STATUS OF AUDIT RECOMMENDATIONS

2021-2022

72 - Total Recommendations

45 - Open Recommendations

27 - Closed Recommendations

PERFORMANCE AUDITS

Construction Zone Enhanced Enforcement Program and Maintenance Zone Enhanced Enforcement

P4000-0412
Issue Date: 7/16/2021

Entity Responsible:
Division of Construction / Division of Maintenance

Recommendations	Status
Review transactions billed statewide and determine if additional duplicate payments were made and seek reimbursement.	Open
Develop and implement written standard invoice review procedures to reconcile CHP invoices properly. Procedures should include retaining Caltrans source documents for Coordinator's invoice reconciliation.	Closed
Consider scanning source documents or establishing an automated system to document and complete required forms.	Closed
Ensure Coordinators responsible for processing invoices are trained on procedures.	Closed
Work with CHP to obtain necessary information (i.e., payroll records) to determine if the hourly rate billed included overhead and benefits and seek reimbursement if overpayments were made.	Closed

Recommendations	Status
Division of Construction and Division of Maintenance Contract Managers should ensure the published rate is reasonable and based on actual costs.	Open
Update the Cancellation Form (CEM-2103) to include instructions for filling out the form and a field to include mileage.	Closed
Revise the Daily Report Form (CEM-2101 and MTC0107) to include a justification for increases/changes to the hours on the Task Order and signature of a Caltrans official as acknowledgment.	Closed
Include CHP officer's shift information (regular or overtime shift) on the Daily Report Form (CEM-2101 and MTC0107).	Open
Develop instructions to complete the forms and communicate the changes to Caltrans staff.	Closed

Baseline for SB 1 Performance Outcomes – Bridges

P3010-0658
Issue Date: 1/31/2022

Entity Responsible:
Division of Maintenance

Recommendations	Status
Caltrans should revise subsequent Annual Performance Benchmark Reports, or issue an interim report if requested by the Commission. Future reports should:	
A. Separately account for and report HM and SHOPP fixed bridge accomplishments, including a clear description of the methodology and milestone dates used to report fixed bridges.	Open
B. Use the CCA milestone to report HM and SHOPP bridge accomplishments, or an alternate milestone that is formally implemented. If an alternate milestone is used, such as "open to traffic" or ECWC, the milestone should be formally established and implemented as a project delivery milestone that requires a resident engineer to validate and document project performance.	
Caltrans should remove the 34 duplicate SHOPP bridges from the reported accomplishments in subsequent Performance Benchmark Reports.	Open
Caltrans should establish and implement data quality controls to ensure data accuracy and mitigate duplicate fixed bridge reporting.	Open

SB 1 2019-20 Efficiencies Audit

P3010-0669
Issue Date: 6/14/2022

Entity Responsible:
SB1 Program Office

Recommendations	Status
Ensure savings are reported using a consistent methodology and maintain proper supporting documentation.	Open
Clearly demonstrate and document when the savings will be generated and report the savings in the appropriate annual efficiency report.	Open

INCURRED COST AUDITS**Kern County**

P1575-0068
Issue Date: 8/12/2021

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$18,716 to Caltrans for unallowable consultant costs.	Closed
Develop, implement, and maintain adequate consultant contract management policies and procedures to ensure consultant costs are within the scope of work based on the executed agreement prior to submitting reimbursement claims to Caltrans.	Closed
Update and implement procurement policies and procedures to conform with state and federal requirements, including the issuance of task orders, and train employees on the updated requirements.	Closed
Require key County staff involved with procurement to take Caltrans Division of Local Assistance's consultant procurement training.	Closed
Remit \$6,490 to Caltrans for the unallowable fringe benefits and labor costs.	Closed
Develop policies and procedures to address adjusting labor costs and to review invoices for unallowable costs prior to submitting invoices to Caltrans.	Closed

City of Woodland

P1575-0067
Issue Date: 1/6/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$131,435 to Caltrans for unsupported construction costs. Caltrans will determine the final disposition of questioned costs.	Open
Comply with Caltrans' LAPM requirements by adequately supporting the City's payments to contractors with construction records. Specifically, ensure a clear audit trail exists and documentation is maintained to support contractor invoices. The audit trail should facilitate the tracing of costs billed to the source documents.	Open
Implement reconciliation procedures to ensure non-participating costs are not billed to Caltrans.	Open
Remit \$33,039 to Caltrans for questioned indirect costs. Caltrans will determine the final disposition of questioned costs.	Open
Develop and implement policies and procedures on chargeback costs to ensure indirect costs are not billed as direct costs and provide training to responsible staff.	Open
Receive an approved indirect cost rate from Caltrans if indirect costs are to be billed in the future.	Open
Work with Caltrans to review prior billings to determine if additional chargeback costs were reimbursed and should be repaid.	Open
Remit \$6,324 to Caltrans for unallowable consultant costs. Caltrans will determine the final disposition of questioned costs.	Open
Review the consultant contract to ensure compliance, specifically in the areas about approved consultant billing rates and making key personnel changes for the project.	Open

City of Sacramento

P1575-0069
Issue Date: 6/30/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the City to develop a corrective action plan to resolve and close the findings identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$1,072,862, if applicable.	Open
Caltrans should review construction costs for project BRLS-5002 (164) that it reimbursed to the City subsequent to the period covered in this audit report to ensure all reimbursed costs are documented with adequate supporting records.	Open
The City should design and implement a review process to ensure project files include all relevant source documents, including, but not limited to, Q sheets, weight tickets, and complete daily reports. This process should ensure that the City maintains a clear audit trail to support project costs and to facilitate the tracing of incurred expenditures to source documents.	Open
The City should provide training to staff on all applicable construction record completion and retention requirements.	Open

Placer County

P1575-0071
Issue Date: 6/30/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Caltrans should coordinate with the County to develop a corrective action plan to resolve and close the findings identified in this audit. We also recommend that Caltrans determine the allowability of the questioned costs and recover \$2,255,394, if applicable.	Open
The County should design and implement a review process to ensure expenditures are eligible and allowable based on executed agreements.	Open
The County should ensure the records are retained to ensure a clear audit trail is maintained to support project costs. The audit trail should facilitate the tracing of incurred expenditures to source documents.	Open

PROPOSITION 1B AUDITS

Orange County Transportation Authority

P2500-0008
Issue Date: 8/13/2021

Entity Responsible:
Division of Rail and Mass Transportation

Recommendations	Status
Remit \$250,000 to Caltrans.	Open
Ensure a clear audit trail exists for claimed contract change order expenditures. The audit trail should facilitate the tracing of claimed expenditures to the source documents and include clearly documented explanations for corrections and revisions.	Closed
Review project agreements and program guidelines to ensure a clear understanding of the reporting requirements.	Closed
Submit FDRs for completed projects to Caltrans within the specified time frames as required by developing and implementing appropriate project reporting processes.	Closed
Review project agreement and program guidelines to ensure a clear understanding of the reporting requirements and to ensure data is available to report actual project benefits/outcomes in FDRs.	Closed
Report the actual benefits/outcomes based on traffic studies/data in the projects' FDRs.	Closed
Strengthen oversight procedures to ensure administering agencies comply with LAPM and applicable laws on procurement document retention, including:	
Maintain records of negotiations for a minimum of three years after final payment and as required by Master Funding Agreements.	Closed
Develop and implement procurement policies and procedures to ensure compliance with the LAPM and applicable laws.	

District 7

P2500-0026
Issue Date: 9/17/2021

Entity Responsible:
Division of Construction

Recommendations	Status
Transfer \$18,039 to the Corridor Mobility Improvement Account Proposition 1B Fund.	Closed
Implement procedures that ensure only approved indirect cost rates are used to allocate indirect costs to Proposition 1B funds.	Closed
Design and implement controls to ensure timely project reporting requirements are not impacted by personnel turnover.	Closed
Submit FDRs for completed projects to Caltrans/CTC within the specified time frames as required by developing and implementing project reporting processes.	Closed
Maintain documents to support expected project benefits/outcomes in accordance with guideline requirements.	Closed

District 6

P2500-0003
Issue Date: 2/24/2022

Entity Responsible:
Division of Construction

Recommendations	Status
Coordinate with Caltrans to reimburse the Proposition 1B State Route 99 Corridor Account fund for the \$3,154,412 (\$3,087,904 + \$63,797 + \$2,711) of unsupported and ineligible Proposition 1B expenditures.	Open
Ensure a clear audit trail is established and documentation is maintained to support project costs. The audit trail should facilitate the tracing of incurred expenditures to the accounting records and source documents.	Open
Develop, implement, and maintain an adequate review process to ensure expenditures are allowable based on executed agreements and program guidelines.	Open
Review program guidelines to ensure a clear understanding of the reporting requirements.	Open
Submit FDRs for future completed projects to Caltrans/CTC within the specified time frames as required.	Open
Submit Supplemental FDRs for all projects addressing all benefits/outcomes.	Open
Ensure future FDRs address all project benefits/outcomes.	Open
Ensure total project expenditures are accurately reported in future FDRs and Supplemental FDRs.	Open

INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

City of Chico

P1594-0114
Issue Date: 12/15/2021

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2019-20 and 2020-21 billings using the audited rates and reimburse Caltrans for any over payments.	Open
Review all ICRP indirect costs pool accounts to ensure costs comply with 2 CFR 200.	Open

Association of Monterey Bay Area Government

P1594-0111
Issue Date: 2/24/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2019-20 and 2020-21 indirect cost billings using the audited rates and reimburse Caltrans for any over payments.	Open
Implement a review process to ensure leave balances are removed from indirect salaries prior to the allocation of fringe benefits costs.	Open
Implement a reconciliation process to ensure actual indirect costs used in the carry forward calculation, such as depreciation costs, trace and agree to the accounting system.	Open

Riverside County

22A.ICAP02
Issue Date: 5/26/2022

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2020-21 and 2021-22 billings using the audited rates and resolve any over and under payments with Caltrans.	Open
Ensure Caltrans's Independent Office of Audits and Investigations approved carry forward amounts and rates are used to prepare future ICRP submissions. Obtain documented approvals from Caltrans's IOAI for adjustments to rates and amounts previously accepted by Caltrans's IOAI.	Open
Design, document, and implement policies and procedures for a secondary level review to ensure the accuracy of ICRPs submissions.	Open
Review all ICRP indirect costs pool account categories to ensure costs comply with 2 CFR 200 and are properly segregated between direct and indirect costs.	Open
Design, document, and implement policies and procedures to ensure costs in the indirect costs pool accounts are adequately documented and supported.	Open

CONTRACT COMPLIANCE AUDITS**C.A. Rasmussen**

P1210-0002
Issue Date: 9/23/2021

Entity Responsible:
Division of Construction

Recommendation	Status
Determine the number of compensable days and calculate the payment due to the Contractor based on a combined home and field overhead rate per day of \$2,125 (\$1,462 in home overhead costs and \$663 in field overhead costs).	Closed

Granite Rock Company

P1200-2708
Issue Date: 12/3/2021

Entity Responsible:
Division of Construction

Recommendation	Status
Ensure Daily Extra Work Reports are signed and approved to comply with Caltrans Standard Specifications 9-1.04A.	Closed

Kiewit/Mason AJV

P1200-2693
Issue Date: 12/10/2021

Entity Responsible:
Division of Construction

Recommendation	Status
Remit \$11,607 in questioned partnering and rental sign costs. Alternatively, work with Caltrans to determine the final disposition of questioned costs.	Open

C.A. Rasmussen

22A.CSRC01
Issue Date: 12/30/2021

Entity Responsible:
Division of Construction

Recommendation	Status
Determine the number of compensable days and calculate the payment due to the Contractor based on a combined home and field office overhead rate per day of \$636 (\$587 in home overhead costs and \$49 in field overhead costs). In addition, Caltrans should disallow \$25,425 for the claimed independent CPA report costs.	Closed

Sierra Mountain Construction

P1200-2688
Issue Date: 5/5/2022

Entity Responsible:
Division of Construction

Recommendation	Status
To strengthen contract compliance, SMCI should ensure a clear audit trail is established and documentation is maintained to support billed costs. The audit trail should facilitate the tracing of billed costs to the accounting records and source documents.	Open

STATUS OF AUDIT RECOMMENDATIONS*

2020-2021

139 - Total Recommendations

53 - Open Recommendations

86 - Closed Recommendations

INCURRED COST AUDITS

Yuba County

P1575-0061

Issue Date: 8/19/2020

Entity Responsible:

Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$196,935 of disallowed costs for unsupported construction costs.	Open
Develop and implement written procedures to conduct an independent verification of the quantity in the construction calculation sheets and to reconcile the quantities in the calculation sheets to the construction records (i.e., material quantity used) before payments are made to the contractor.	Open
Include the required construction contract provisions in current and future construction contracts to comply with the Federal Master Agreement requirements.	Open
Amend the construction contract provision to correct Article V, on the performance of the contract, to read, in part, "the County shall exercise general supervision."	Open
Establish and maintain an accounting system that properly accumulates and segregates costs by project phase and by eligible or non-eligible project costs as required by the grant agreement.	Open
Establish and implement written procedures for developing proper equipment usage rates and perform periodic updates to ensure the rate reflects the most current equipment costs.	Open
Establish and implement written procedures for obtaining an approved indirect cost rate prior to billing Caltrans.	Open
Comply with the travel mileage rate requirements for not exceeding the state allowable mileage reimbursement rate on consultant contracts.	Open

**Following pages reflect only open recommendations.*

Recommendations	Status
Update and implement written purchasing policy and procedures to require the names of key personnel and to specify that no contingencies are allowed on cost proposals.	Open
Include the missing contract provisions in agreements.	Open
Adhere to the County's procurement policies and procedures that align with state and federal procurement requirements.	Open
Document and maintain procurement records for every project procurement.	Open
Submit semi-annual reports timely to Caltrans.	Open
Develop and implement written right-of-way procedures for requiring documentation of the negotiations for all real property acquisitions.	Open

City of Perris

P1575-0060
Issue Date: 10/13/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$686,526 in disallowed costs due to issues related to the responsible charge.	Open
Designate a City employee as the responsible charge to comply with the requirements of Local Assistance Procedures Manual (LAPM) Chapter 20 and the Federal Master Agreement and regulations.	Open
Reimburse Caltrans for the \$304,441 in disallowed construction costs identified.	Open
Develop and implement policies and to ensure reimbursement requests and semi-annual reports are submitted timely and comply with state and federal requirements, and train staff accordingly.	Open

City of Wasco

P1575-0059
Issue Date: 11/2/2020

Entity Responsible:

Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$168,584 for the disallowed costs associated with the conflict of interest.	Open
Reimburse Caltrans \$45,492 for total disallowed labor cost.	Open
Reimburse Caltrans \$10,623 for disallowed procurement costs.	Open

City of Montebello

P1560-0025
Issue Date: 11/10/2020

Entity Responsible:

Division of Local Assistance

Recommendations	Status
Reimburse Caltrans \$77,075 in disallowed costs due to the procurement deficiencies identified.	Open
Update procurement guidelines and policies to conform with the requirements stipulated in the Caltrans agreements and state and federal procurement regulations.	Open
Reimburse Caltrans \$402,064 in disallowed construction costs due to issues with the Person in Responsible Charge.	Open
Implement the requirements of California GC section 4526, 23 CFR 172, and the LAPM Chapter 10, to ensure compliance with applicable laws on procuring consultant contracts and potential conflict of interest. Mitigate conflicts of interest and train staff accordingly to ensure compliance with established procurement policies and procedures.	Open
Implement the requirements of LAPM Chapter 20, 23 CFR 172, and the Caltrans and City agreement to ensure a full-time City employee(s) acts as a Person in Responsible Charge and train staff accordingly.	Open
Require staff to take the DLA's Architecture and Engineering consultant procurement training.	Open
Include state and federal regulations, Caltrans and City agreements, and LAPM required language in all third-party contracts.	Open

Recommendations	Status
Require staff to submit and comply with the LAPM Exhibit 10-C requirements before executing a consultant contract.	Open
Require Contract Administer and City employees involved with contract administration to attend DLA's Federal Aid Series training, specifically on Federal Rules for Contract Administration and Project Completion.	Open
Prior to contract award, verify and document that the construction contractor is not suspended or debarred.	Open
Revise Article XI of the contract to require that all records are maintained for a minimum period of three years from the date of submission of the final expenditure report to Caltrans.	Open
Remove Article XII from the contract or modify the language to ensure that project responsibility resides with the City and remove language that the state has the right to assume full and direct control of the contract.	Open
Update the Municipal Code Policy to include advertising for a minimum of three weeks.	Open
Submit invoices to Caltrans at least every six months.	Open

City of Santa Ana

P1575-0062

Issue Date: 11/23/2020

Entity Responsible:

Division of Local Assistance

Recommendations	Status
Remit \$504,283 in questioned costs. Alternatively, work with Caltrans and the Federal Highway Administration to determine any allowable amounts that may be included in the \$504,283 questioned costs.	Open
Comply with the master agreements and the LAPM Chapter 5.3, and submit an ICRP for approval annually moving forward and prior to billing Caltrans for any indirect costs.	Open
Develop and implement policies and procedures to address the roles and responsibilities over labor billing practices, and a consistent methodology in billing labor costs according to applicable state and federal regulations.	Open
Caltrans should also review billings on other projects to determine if indirect costs were reimbursed.	Open
Require managers and staff involved with procurement take Caltrans DLA's consultant procurement training.	Open
Require billings to Caltrans be submitted at least once every six months per project.	Open
Comply with the reporting guidelines outlined in the LAPG.	Open
Implement the Caltrans Interim Active Transportation Program (ATP) Count Methodology Guidance issued on September 16, 2019, for future ATP project scoping and planning purposes.	Open

PROPOSITION 1B AUDITS

City of San Marcos

P2500-0013
Issue Date: 6/3/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Review the project agreements and the program guidelines to ensure an understanding of the reporting requirements.	Open
Develop and implement processes to ensure sufficient monitoring of projects to meet all necessary deadlines, including the timely submittal of FDRs.	Open
Complete and submit project 1100020258's FDR to Caltrans by April 2021.	Open

Merced County

P2500-0012
Issue Date: 12/18/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$140,672 to Caltrans.	Open
Develop, implement, and maintain an invoice review process to ensure claimed expenditures are Proposition 1B funding eligible based on agreement terms and program guidelines prior to submitting reimbursement claims to Caltrans.	Open

INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

City of Redding

P1594-0107
Issue Date: 12/31/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Develop and document ICRP and Geographic Information System (GIS) cost allocation procedures to ensure future ICRPs and GIS cost allocations are properly supported, prepared, and reviewed.	Open
Reconcile the 2017-18 and 2018-19 billings using the audited rates and reimburse Caltrans for any over payments.	Open

Kings County Association of Governments

P1594-0104
Issue Date: 4/20/2021

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Reconcile the 2018-19 and 2019-20 billings using the audited rates and reimburse Caltrans for any over payments.	Open
Review all ICAP indirect costs pool accounts to ensure costs are in compliance with 2 CFR 200 and applicable CalHR policies.	Open
Develop and document ICAP policies and procedures to comply with CFR 200 and applicable CalHR policies.	Open

STATUS OF AUDIT RECOMMENDATIONS*

2019-2020

223 - Total Recommendations

29 - Open Recommendations

194 - Closed Recommendations

PERFORMANCE AUDITS

Good Faith Efforts

P3010-0652
Issue Date: 6/29/2020

Entity Responsible:
Office of Civil Rights

Recommendations	Status
Caltrans should update its Standard Specifications and Statement of Qualification Submittal Instructions for bidders to state that appropriate North American Industry Classification System (NAICS) codes are required to count for Disadvantaged Business Enterprises (DBE) participation work on contracts.	Open
Office of Civil Rights should expand operational procedures to include steps that ensure DBEs are certified for the NAICS code(s) applicable to the kind of work performed on the contract so that DBEs are properly counted towards DBE participation goals.	Open

PROPOSITION 1B AUDITS

Riverside County

P2525-0073
Issue Date: 10/4/2019

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Submit supplemental FDRs that accurately address all project benefits/outcomes, including pre and post comparable metrics.	Open

*Following pages reflect only open recommendations.

City of Ontario

P2525-0064
Issue Date: 1/13/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$67,428 to Caltrans.	Open
Collaborate with Caltrans to identify additional ineligible consultant personnel costs and remit total ineligible costs to Caltrans.	Open
Review the LAPM to ensure an understanding of all contracting requirements.	Open
Revise current procedures for the review of consultant invoices to ensure compliance with contract requirements.	Open
Maintain documentation to support benefits/outcomes reported in the FDRs.	Open
If necessary, submit Supplemental FDRs to accurately report benefits/outcomes achieved for the projects.	Open

Port of Los Angeles

P2525-0049
Issue Date: 2/28/2020

Entity Responsible:
Division of Rail and Mass Transportation

Recommendations	Status
Remit \$1,043,684 to Caltrans.	Open
Submit Supplemental FDRs for projects 0013000261, 0700000494, and 0712000072, that address all project benefits/outcomes, including pre and post comparable metrics. Additionally, ensure future FDRs address all project benefits/outcomes, including comparable pre and post metrics.	Open

City of Commerce

P2525-0053
Issue Date: 2/28/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Remit \$1,625,386 to Caltrans.	Open
Develop and Implement policies and procedures to ensure invoices and CCOs are properly and consistently reviewed for accuracy and compliance with the project baseline agreement prior to submitting for reimbursement.	Open
Review all requirements as outlined in the project baseline agreement and ancillary documents and use these documents as a guide to develop policies and procedures.	Open
Maintain records of negotiations for a minimum of three years after final payment.	Open
Develop and implement procurement policies and procedures to ensure compliance with the LAPM and applicable laws.	Open

City of Dinuba

P2535-0128
Issue Date: 6/10/2020

Entity Responsible:
Division of Local Assistance

Recommendation	Status
Remit \$157,239 to Caltrans.	Open

City of Fairfield

P2525-0054
Issue Date: 5/22/2020

Entity Responsible:

Division of Rail and Mass Transportation

Recommendations	Status
Strengthen and review the invoice process to ensure reimbursement claim costs are supported.	Open
Review project agreements and program guidelines to ensure a clear understanding of the requirements.	Open
Conduct a post-assessment study of the intended benefits/outcomes and develop a mechanism to track and maintain documentation to support the project benefits/outcomes reported in the FDR.	Open
Submit a Supplemental FDR listing the pre- and post-comparable benefits/outcomes.	Open

INDIRECT COST ALLOCATION PLAN / INDIRECT COST RATE PROPOSAL AUDITS

City and County of San Francisco

P1594-0096
Issue Date: 3/30/2020

Entity Responsible:

Division of Local Assistance

Recommendations	Status
Reconcile the 2017-18 billings using the audited ICRP rates and reimburse Caltrans for any overpayments.	Open
Adjust the 2015-16 actual indirect costs pools by \$2,445,621 for the unallowable costs and ensure these costs are not included in future indirect costs pools.	Open
Reconcile the 2017-18 billings using the audited rates and reimburse Caltrans for any overpayments.	Open

Kern Council of Governments

P1580-0024
Issue Date: 4/14/2020

Entity Responsible:
Division of Transportation Planning

Recommendation	Status
Ensure all billed costs are eligible for reimbursement.	Open

Humboldt County

P1594-0103
Issue Date: 9/20/2020

Entity Responsible:
Division of Local Assistance

Recommendations	Status
Adjust the 2015-16 actual indirect costs pools by \$270,093 for the unallowable costs and ensure these costs are not included in future indirect costs pools.	Open
Adjust the 2015-16 actual direct cost bases by \$152,026 and ensure these costs are included in future direct cost bases.	Open
Review all indirect accounts to ensure costs are in compliance with 2 CFR 200 and properly segregated between direct, indirect, and unallowable costs.	Open
Reconcile the 2015-16 billings using the audited rates and reimburse Caltrans for any overpayments.	Open

STATUS OF AUDIT RECOMMENDATIONS*

2018-2019

208 - Total Recommendations

2 - Open Recommendations

206 - Closed Recommendations

PRE-AWARD AUDITS

Chemehuevi Indian Tribe

P1560-0029

Issue Date: 4/8/2019

Entity Responsible:

Division of Local Assistance

Recommendations	Status
Adopt the Caltrans LAPM Chapter 10. In addition, we recommend the Tribe take the Caltrans, DLA, AE Procurement training.	Open
Ensure procurement procedures are in place to comply with Caltrans, state, and federal procurement requirements and train staff accordingly for Caltrans funded projects.	Open

**Following pages reflect only open recommendations.*

Architectural & Engineering Cost Proposal Reviews

Architectural and engineering cost proposals are submitted to Caltrans as part of a bid proposal. The review's purpose is to determine whether financial documents support the contract cost proposal and indirect cost rate(s). These reviews are performed as a service to Caltrans and are conducted prior to contract execution.

Avoided Costs

Costs Caltrans avoided paying as a result of an audit or review that identified unallowable or ineligible costs per statute or agreement. For example, ineligible costs may be identified during a review of architectural & engineering cost proposals. Since IOAI notifies Caltrans prior to the contract execution, Caltrans avoids paying the ineligible costs.

Closed Recommendation

A recommendation is closed after Caltrans submits a Corrective Action Plan, takes appropriate corrective action and provides IOAI with sufficient supporting evidence to demonstrate that the action was taken.

Code of Federal Regulations

The Code of Federal Regulations (CFR) is the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject to Federal regulation. Each volume of the CFR is updated once each calendar year and is issued on a quarterly basis. United States National Archives <https://www.archives.gov/federal-register/cfr/about.html>

Government Auditing Standards

Government Auditing Standards (commonly referred to as the "Yellow Book") are produced by the United States Government Accountability Office. "The Yellow Book is used by auditors of government entities, entities that receive government awards, and other audit organizations performing Yellow Book audits. It outlines the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports." United States Government Accountability Office, <https://www.gao.gov/yellowbook>

Indirect Cost Reviews and Audits

Reviews and audits are performed to determine whether a local government's Indirect Cost Rate Proposal is prepared in accordance with federal requirements. Pursuant to the Stewardship and Oversight Agreement between the Federal Highway Administration and Caltrans, Caltrans is responsible for approval of indirect cost allocation plans. IOAI performs the reviews as a service to Caltrans. Any department, division or other organization unit within the local agency that seeks reimbursement of their indirect costs, must receive an Approval/Acceptance Letter of its Indirect Cost Rate Proposal (ICRP) prior to billing for any indirect costs. ICRPs are reviewed to determine compliance with the requirements of Title 2 Code of Federal Regulations Part 200 (2 CFR 200). Audits may also be performed on a risk basis. The audits are performed by either IOAI or the California Department of Finance through an inter-agency agreement.

Incurred Cost (Project) Audits

Audits are performed to determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions, established guidelines, and state and federal laws and regulations, and to determine whether project deliverables (outputs) and benefits (outcomes) are reasonable in comparison with the project scope, schedule, and benefits described in executed project agreements or approved amendments. These audits are performed under government auditing standards.

Open Recommendation

A recommendation is opened on the date the audit report is issued. The recommendation remains open until Caltrans completes the corrective action and provides IOAI with sufficient supporting evidence of the actions taken.

Performance (Program) Audits

Audits performed to assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage the programs. Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; and compliance. Audit objectives may also pertain to the current status or condition of a program. These audits are performed under government auditing standards.

Proposition 1B Bond Audits

The California Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) dedicated \$19.925 billion over a ten-year period for transportation projects. Under Government Code Sections 8879.2(c) and 8879.50, audits are required of bond project expenditures and outcomes. The audits are performed to determine the allowability of costs and to assess whether deliverables and outcomes were met.

Questioned Costs

“Questioned cost means a cost that is questioned by the auditor because of an audit finding: (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used as to match Federal funds; (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.” Title 2 CFR 200.84

Questioned costs included in this report may include state and/or federal funds and are reported to Caltrans management. The actual amounts recovered may differ during final resolution by Caltrans.

Single Audit

Pursuant to Title 2 Code of Federal Regulations Part 200, a Single Audit is required for an entity that expends \$750,000 or more of federal funds. The audit's primary objective is to provide assurance to the federal government that funds are properly managed by recipients such as states, cities, universities, non-profit organizations, and Indian Tribes. The audit is typically performed by an independent certified public accountant.

AE

Architecture and Engineering

CalSTA

California Transportation Agency

Caltrans

California Department of Transportation

CAP

Corrective Action Plan

CCO

Contract Change Orders

CFR

Code of Federal Regulation

CTC

California Transportation Commission

DLA

Division of Local Assistance

FHWA

Federal Highway Administration

FDR

Financial Document Report

IOAI

Independent Office of Audits and Investigations

ICAP

Indirect Cost Allocation Plan

ICRP

Indirect Cost Rate Proposal

Proposition 1B

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006

SB 1

Senate Bill 1, the Road Repair and Accountability Act of 2017

SB 103

Senate Bill 103, Chapter 95, Statutes of 2017



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