

COMMON AUDIT DEFICIENCIES AND BEST PRACTICES
Last Updated April 2021

MAJOR FINDING TOPIC	COMMON FINDINGS	LOCAL ASSISTANCE PROCEDURES MANUAL (LAPM) AND/OR FEDERAL REQUIREMENT	REQUIREMENT REFERENCE	BEST PRACTICE TO MITIGATE FINDING
PROCUREMENT	Lack of Independent Cost Estimate	LAPM Chapter 10.1.5	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch10.pdf	Adopt LAPM Chapter 10 as Architectural & Engineering (A&E) Procurement policy for State and federal transportation funded projects.
	Lack of Profit Negotiations	LAPM Chapter 10.1.2		Pertinent staff must take the A&E Training:
	Lack of Record Retention			https://www.youtube.com/watch?v=Dif3qdXKRco
CONTRACT MANAGEMENT	Lack of Controls and/or Practices and Procedures	LAPM Chapter 5 and Chapter 10.1.8	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch05.pdf	Update grant or contract management procedures to include, but not be limited to verifying: 1) Only eligible costs are invoiced to Caltrans; 2) Correct rates and reimbursement ratios are invoiced to Caltrans, and 3) Invoices must be submitted at least once every six months to Caltrans.
	Ineligible Costs Billed		https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch10.pdf	
	Inaccurate Rates-Ratios Used	LAPM Chapter 5.5	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch05.pdf	
	Invoices Not Submitted Timely			
INDIRECT COST RATE PROPOSAL (ICRP)	Ineligible Costs in Indirect Cost Pool	Title 2 Code of Federal Regulations Section 200 (2 CFR 200) and LAPM Chapter 5.3	https://www.law.cornell.edu/cfr/text/2/part-200	Update indirect cost rate procedures to include, but not be limited to verifying: 1) Costs are in compliance with 2 CFR 200 and are properly segregated between direct, indirect, and unallowable costs, and 2) Detail steps for the ICRP rate calculation model to ensure rates are accurate and in compliance with 2 CFR 200.
	Ineligible Costs in Direct Cost Pool			
	Ineligible Costs-Carry Forward			
FINANCIAL MANAGEMENT SYSTEM (FMS)	The FMS Cannot Segregate and/or Aggregate Costs	LAPM Chapter 5.3	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch05.pdf	implement a project costing system that can segregate and aggregate project costs, and perform adequate timekeeping.
	Inadequate Labor Tracking			Require project managers to review and track all labor costs prior to billing Caltrans to mitigate future occurrences of double- and over-billed labor costs.
	Labor Estimates Used Rather Than Actual Rates			Update FMS procedures to verify all labor costs are accurate prior to billing Caltrans.

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FINAL DELIVERY REPORT (FDR)	FDR Not Submitted Timely	Paragraph D, Senate Bill 1 Accountability and Transparency Guidelines	https://catc.ca.gov/-/media/ctc-media/documents/090418-final-amended-accountability-transparency-guidelines-a11y.pdf	Update grant or contract management procedures to include, but not be limited to: 1) Reading and reviewing grant guidelines for a schedule of deliverables and requirements, and 2) Ensuring project benefits/outcomes and deliverables are adequately supported and met.
	FDR Performance Not Met			
	FDR Outcomes Not Supported			
CONSTRUCTION	Unsupported, Ineligible Construction Contract Change Orders (CCOs)	LAPM Chapter 16.10	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch16.pdf	Update construction management procedures to include, but not be limited to: 1) Administration of CCOs that describes cost analysis, negotiations, approvals and retaining CCO documentation pursuant to Chapter 16.10 of the LAPM; 2) Only eligible costs are claimed on invoices submitted to Caltrans, and 3) Billing is reviewed and approved prior to invoicing Caltrans.
	Ineligible Costs	LAPM Chapter 5.3	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch05.pdf	
	Inaccurate Billing			
RIGHT OF WAY (ROW)	Lack of Controls and/or Practices and Procedures	LAPM Chapter 13	https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch13.pdf	Update ROW procedures to ensure they comply with Chapter 13 of the LAPM. The procedures must include, but not be limited to: 1) Ensuring only eligible costs are claimed, and 2) Documentation is retained to support claims on invoices.
	Ineligible Costs			
	Lack of Documentation Retention			
MISCELLANEOUS	Scope Revision Unapproved	Paragraphs A & B, Senate Bill 1 Accountability and Transparency Guidelines	https://catc.ca.gov/-/media/ctc-media/documents/090418-final-amended-accountability-transparency-guidelines-a11y.pdf	Update grant or contract management procedures to ensure a project amendment is approved by Caltrans and the California Transportation Commission prior to implementing a scope change.
	Policies not updated to include all elements as required by the Uniform Procurement Guidance.	2 CFR 200.318-200.327	https://www.law.cornell.edu/cfr/text/2/part-200/subpart-D	Update procurement policies to include compliance with the Uniform Procurement Guidance in 2 CFR 200.318 through 200.327: https://www.law.cornell.edu/cfr/text/2/part-200/subpart-D