

DIVISION OF LOCAL ASSISTANCE



CALTRANS OVERSIGHT INFORMATION NOTICE



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Welcome to the COIN!

This is a Caltrans Oversight Information Notice, or "COIN" for short. These short, single-topic bulletins are intended to provide outreach information and guidance to local agencies on issues pertaining to Federal-aid projects. They cover a wide variety of subjects, including discussions of findings resulting from process reviews by Caltrans and/or FHWA, changes in procedures or regulations, reminders of existing procedures or best practices, and other timely information. The goal is to ensure proper and timely delivery of Federal-aid projects.

TOPIC: Support Documentation for Payments

One area of contract administration that repeatedly triggers Federal Ineligibility Notices (FINs) concerns support documentation for payments. Local agencies should review Section 16.9, "Construction Records and Accounting Procedures," of the Local Assistance Procedures Manual (LAPM) to ensure their own processes and procedures meet or exceed these minimum requirements. Failure to meet these cost accounting requirements can lead to loss of federal funds.

One of the primary responsibilities of contract administrators is to ensure that quantities for elements of the work are measured/calculated, documented, and paid for in a timely manner. Auditors and reviewers will follow an audit trail from the request for reimbursement back to the original source document that identifies how the quantity element was determined (measured/calculated), who from the local agency performed the measurement, calculation and check, and when the determination was made. Absence of these source documents or disconnects in the audit trail may result in loss of funding through issuance of FINs.

A trap local agencies may fall into is utilizing a contractor payment request or a contractor cost estimate for extra work as the source document for payments. There is an inherent conflict of interest in utilizing such an approach, which is why the source document must be produced by the local agency and independent of the contractor's request/estimate. One convenient method of capturing daily records of quantities placed or measured is to record this information on the daily diary. When the progress payment is made, a quantity sheet can be produced for each item that identifies the appropriate diary numbers and associated quantities.

In cases where materials are being delivered to the project, it is important that local agency personnel validate the material as it is delivered. Each day's total should be recorded on a daily diary, placement record or pour record that is signed and dated by the local agency inspector and placed in the project files.

Contract change orders (CCOs) with lump sums or unit prices need to have an independent cost analysis on file that supports the lump sum and unit price. The local agency should perform a time, equipment and materials estimate (e.g. force account analysis) on the proposed change to serve as the independent cost analysis. When CCO work is performed, diaries should capture the quantities of extra work performed to serve as the source document for payment. If CCO work is being performed at force account, a daily record (e.g. daily diary) produced by the local agency inspector needs to capture the labor, equipment and material to be paid. These records need to be filed in the project records to serve as proper support documentation.

Providing proper support documentation for payments will help ensure funding is not jeopardized. Remember, audits can take place up to 3 years after final FHWA billing. Complete, clear and concise project records are the best means to withstand payment audits.