



# Overview of Financial Document Review Process

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INDEPENDENT OFFICE  
OF AUDITS AND  
INVESTIGATIONS

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# Topics

Caltrans' Local Assistance Procedures Manual (LAPM)

What are Indirect Cost Rate (ICR) Financial Reviews?

Parties included in the ICR Review Process

Exhibit 10-A (Key Document)

Reasons why the ICR Reviews are Delayed

Process Improvement Changes in the Works

Paycheck Protection Program (PPP) Loan Forgiveness Requirement



# LAPM

## Chapter 10 Consultant Selection

### 10.1.3 A&E Consultant Audit and Review Process

<https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/lapm/ch10.pdf>

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# What are ICR Financial Reviews

All consultants, including primes and subconsultants, on proposed contracts with a dollar value equal to or greater than \$150K are subject to an ICR financial review by IOAI.

IOAI will review the ICR financial documents to either accept or adjust the indirect cost rate prior to contract execution using a risk-based approach.

Currently, IOAI is only focusing on the consultants' ICRs. We no longer review cost proposals and prevailing wage policies. Local Public Agencies (LPAs) are responsible for cost proposals and prevailing wage requirements.

# Parties included in the FDR Process

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LPAs

Prime and  
Subconsultants

IOAI

# LPAs' Responsibilities

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LPAs are responsible for obtaining all required ICR supporting documentation from A&E prime consultants and subconsultants as outlined in Exhibit 10-A.

LPAs should perform a quality check on the documentation to ensure the correct information is provided.

LPAs are responsible for forwarding these documents to IOAI for review.

During IOAI's review, auditors may contact LPAs if requested documentation from consultants is not submitted in a timely manner

## Prime and Subconsultants' Responsibility

- Consultants should refer to Exhibit 10-A and the 10-A Checklist for the ICR financial documents required to be submitted to their LPAs.
- ICR schedules for both prime and subconsultants should be prepared using the accrual basis of accounting and be presented in compliance with the Federal cost principles. Chapter 10, Figure 10-3, provides an example of a Standard Indirect Cost Rate Schedule that consultants can use when preparing their own.
- Consultants are expected to submit additional requested documentation in a timely manner.



1

The ICR financial document packet will be screened to ensure all documentation is complete.

2

If it is complete, it will be forwarded to an auditor for review. If the documentation is incomplete, it will be sent back for correction.

3

IOAI will review the proposed ICRs and supporting documents and notify LPAs in writing whether the proposed ICRs are accepted or adjusted.

## IOAI's Responsibilities



# Exhibit 10-A

Transmittal - Lead Document

Contract Information

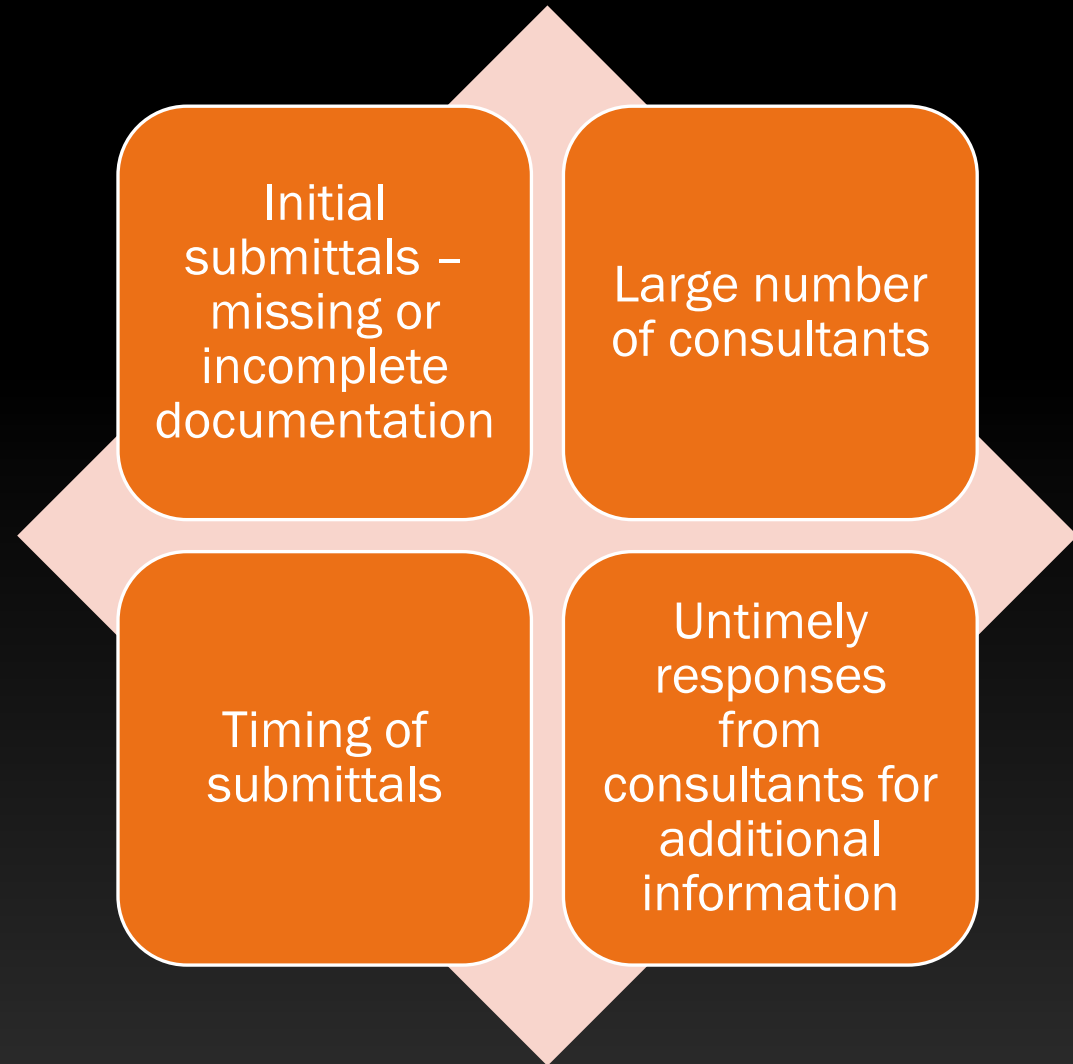
List of Consultants with Estimated Participation Amounts

Consultant Categories drives the Documentation

Requirement

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# Reasons why ICR Financial Reviews are Delayed



# Process Improvement Changes in the Works

Raising the contract submittal threshold

Requiring less documentation from the consultants

Improving our intake process to reduce the number of reviews that are sent back to the LPAs

Focusing on the consultants with higher proposed estimated contract amounts

Notifying the LPAs of the expected completion dates

# PPP Loan Forgiveness Requirement

- When PPP loans are forgiven, appropriate adjustments to consultants accounting records become necessary to comply with applicable federal cost principles.
- Federal Highway Administration and Caltrans' Division of Procurement and Contracts (DPAC) have provided guidance on how to treat PPP funds for A&E consultants.
- IOAI auditors are notifying the consultants of the requirements and verifying whether adjustments to the consultants ICRs are necessary.
- An official Office Bulletin will be issued soon to address this issue in greater detail.

Questions?