



Expires – Upon Issuance of LPP

\$1 Million Pre-award Audit Threshold

I. BACKGROUND

Pre-award audits are performed to 1) determine whether the draft Agreement between a local agency and its consultant includes the required fiscal provisions, 2) assess whether the financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable costs for billing purposes to meet criteria set forth in the draft Agreement, 49 Code of Federal Regulations (CFR) 18 and 48 CFR 1.31, and 3) determine whether the proposed costs are reasonable in relation to actual historical costs and estimating procedures. In the past, the Local Assistance Procedures Manual (LAPM) required all State and federally funded Architectural & Engineering (A&E) consultant contracts of \$250,000 or more to have a pre-award audit conducted prior to contract award. However, with the vast number of State and federally funded local projects and other factors, this threshold is no longer feasible or appropriate. Therefore, effective immediately, the pre-award audit threshold is increased to \$1 million.

II. POLICY

A pre-award audit is required for all State and federally funded A&E consultant contracts of \$1 million or more prior to contract award. This threshold also applies to individual and cumulative amendments. Caltrans and local agencies reserve the right to require a pre-award audit on those A&E firms previously identified as a “high-risk” as described in 49 CFR, Part 18 Section 12.

III. PROCEDURE

All pre-award audit procedures documented in the LAPM remain in effect as stated with this one exception: **All incidences of the term “\$250,000” shall be understood to mean “\$1 million” when referring to pre-award audits.**

IV. APPLICABILITY/IMPACTS

This policy, effective immediately, is applicable to all State and federally funded A&E contracts. This policy change will be reflected in future update of Chapters 2, 3, 10 and others of the LAPM.

Recommended: Original Signed By _____ 11/15/10
Christina Jimenez, Committee Chair Date

Approved: Original Signed By _____ 11/15/10
Mohsen Sultan, Office Chief Date
Office of Policy Development and Quality Assurance