

Expires – Upon Issuance of LPP

## Revision to Local Assistance Procedure Manual (LAPM) Chapter 20

### I. BACKGROUND

The current LAPM Chapter 20 primarily consists of sample listings of deficiencies and the Local Assistance Dispute Resolution Process (LADRP). The revision to Chapter 20 will eliminate the listings of deficiencies and focus on expectations when an audit is conducted by the Independent Office of Audits and Investigations (IOAI) or their contractor, detail the roles and responsibilities during the audit, potential findings and sanctions, common deficiencies, and recommended internal controls to improve compliance.

The LADRP will be removed from Chapter 20, and can be accessed at:

<https://dot.ca.gov/-/media/dot-media/programs/local-assistance/documents/guide/ladrp-a11p.pdf>

### II. POLICY

In order to reduce the risk of audit findings and deficiencies in the administration of State and federal funding, Local Public Agencies (LPAs) are required to comply with the LAPM as stated in the Master Agreement. The revision to Chapter 20 describes how IOAI performs audits as they review local agencies for compliance, the Division of Local Assistance's (DLA's) assignment of corrective actions, and sanctions in response to the findings.

These changes will prepare LPAs for an IOAI audit, the DLA corrective actions, and the potential for DLA to implement sanctions based on the audit and if the corrective action deadlines are not met.

### III. PROCEDURE

Chapter 20: Audits and Corrective Actions (Attachment 1), provides details when an audit is conducted by IOAI and defines the LPA's roles and responsibilities during the audit. LPAs are expected to attend formal entrance and exit conferences, make audit documentation and resources available to the IOAI, and provide formal comments to the draft and final audit report findings.

The DLA sends a Corrective Action Plan (CAP) letter to the LPA. The LPA must develop and implement timely corrective action(s) to meet deadlines for Caltrans review and approval. If the LPA does not make a good faith effort to meet this deadline, sanctions may be imposed.

In addition, Chapter 20 lists examples of common audit findings and recommended internal controls to improve compliance, and details how LPAs can reduce the risk of audit findings and deficiencies. It also provides guidance to LPAs with details on Caltrans' role during the corrective action process, defines when the LPA may be subject to sanctions and provides examples of sanctions that may be applied.



#### IV. APPLICABILITY/IMPACTS

LAPM Chapter 20 provides guidance to LPAs on the IOAI audit process, common deficiencies, best practices (by developing internal controls) to avoid audit findings, corrective actions, and potential sanctions when local agencies do not implement corrective actions.

Recommended: Original Signature By 05/06/21  
Daniel Burke Date  
Program Reviews & Outreach Branch

Approved: Original Signature By 05/06/21  
Kamal Sah, Chief Date  
Office of Guidance and Oversight

Attachment:  
Attachment 1 – LAPM Chapter 20: Audits and Corrective Actions