



Expires – Upon Issuance of LPP

## LOCAL AGENCY MINIMUM QUALIFICATIONS

### I. BACKGROUND

Caltrans Division of Local Assistance (DLA) is responsible for ensuring local agencies have the necessary financial management and project delivery systems to carry out government requirements outlined in 23 USC 106(g) and 2 CFR 200. As the designated recipient of transportation funds from the federal government, Caltrans is required to comply with 23 USC 106(g)(4), which states that it is responsible for determining sub-recipients (local agencies) have:

- a. adequate project delivery systems for projects approved under 23 USC 106(g).
- b. sufficient accounting controls to properly manage such federal funds.

Caltrans accomplishes this by establishing a set of Local Agency Minimum Qualifications (MQs) that an agency must meet before administering a federal, state, or federal and state funded project within the Local Assistance Program (LAP). If agencies cannot meet these MQs, they may partner with an established agency that will agree to administer the project on their behalf. All local agencies are responsible to maintain MQs as they continue to administer and deliver projects. Caltrans ensures that local agencies are meeting these MQs to comply with 23 USC 106(g)(4).

Identifying these MQs and associated forms gives local agencies the opportunity to become more informed and aware of the many regulations and procedures they must understand, abide by, and navigate through while delivering their projects. New local agencies can educate themselves about what requirements they will need to meet in order to administer a project before applying for funds. They will also gain an understanding of the benefits of partnering with established local agencies that maintain the MQs. Moreover, existing local agencies will be able to perform a self-check to see if they are continuing to meet the MQs.

DLA's goal is to improve local agency performance in conformance with requirements when delivering federal/state funded transportation projects. This will help reduce and minimize the occurrence of mistakes and future audit findings, which may require agencies to pay back funds.

### II. POLICY

All local agencies must meet the MQs before they are allowed to administer a federal, state, or federal/state funded project within the Local Assistance Program (LAP). DLA uses the MQs to evaluate a local agency's overall ability to administer and deliver a federal/state funded transportation project. This evaluation involves DLA enlisting the services of the Independent Office of Audits & Investigations (IOAI) to conduct a pre-award audit to assess the fiscal health of a particular agency. IOAI examines the agency's fiscal management system and evaluates its ability to properly manage the financial elements involved with administering a federal/state funded project, i.e., financing, accounting, and reimbursements. Any findings discovered during these audits must be resolved in order for the local agency to meet the MQs and continue

delivering projects within the LAP.

Additionally, all local agencies are evaluated regarding their ability to successfully deliver a project, i.e., develop project elements from preliminary engineering through construction completion while complying with all the applicable federal and state rules and regulations.

The MQs are described within the Local Agency Minimum Qualifications Questionnaire Form and Local Assistance Minimum Qualifications Interview Form. All agencies are expected to answer the questions in the Questionnaire Form and Interview Form satisfactorily. If not satisfactorily answered, a Review Finding will be created to help the local agency address any gaps. If DLA determines a local agency still cannot meet the MQs, the local agency would not be permitted to administer a project within the LAP. The local agency always has the option of partnering with another established local agency to deliver the project on their behalf.

### Tribes

For tribes to meet the MQs, they, too, must follow the process outlined below. Moreover, being a sovereign nation, they must sign a Master Agreement (MA) that contains an additional article that requires them to waive their Sovereign Immunity. If waiving Sovereign Immunity is not feasible for the tribe, then two other options are available to use: 1) the tribe may partner with an existing agency, or 2) the funds can be transferred to the Bureau of Indian Affairs (BIA) and the tribe would then administer/deliver the project through the BIA.

### Non-Profit and Private Entities

Partnering is the only option available for non-profit and private entities. 23 CFR 635.105(c)(4) and 23 CFR 172.9(d) require that a full-time public employee (of a local public agency) be in responsible charge of a project. As these entities do not meet this requirement, they must use the partnering option. Certain programs allow these types of agencies to apply for the funds. To administer these funds and deliver the project, however, they must partner with an established agency.

### Partnering with a Local Agency

Partnering with a local agency is when an agency enters into an agreement with another established local agency that helps administer and deliver the project. This established local agency is one that maintains MQs and is identified by DLA as an agency that has the necessary project delivery and financial management systems in place to administer a project within the LAP. It is also an agency with whom Caltrans already has executed agreements in place which allow it to administer and deliver transportation projects and certify that it is following all the applicable rules, regulations, and procedures while doing so. The established agency would help implement the project on the first agency's behalf, would be the one with whom Caltrans would interact and execute agreements, and who DLA would hold responsible for overseeing and ensuring the timely and proper delivery of the project. Moreover, if anything were to go wrong during the project's delivery, DLA would hold the established agency responsible for resolving/rectifying those situations.

For a local agency new to administering and delivering a federal/state funded transportation project, partnering is a highly recommended option to pursue, particularly if that agency has little to no experience and/or the project in question involves a tight delivery schedule. The partnering option lends itself more readily to timely delivery of the project with the aid of an experienced existing local agency. Additionally, if the agency foresees that it may only rarely decide to

undertake delivering a project, then partnering would again be the recommended option.

### III. PROCEDURE

#### **Local Agencies that have an executed MA with DLA**

All agencies that currently have a MA with DLA will have already completed a pre-award audit and demonstrated their ability to deliver projects. Therefore, they are deemed to have already initially met the MQs. DLA may use the Questionnaire Form and Interview Form to periodically survey agencies to make sure they maintain the MQs. During this process, if issues are identified that need to be corrected, DLA will issue a review finding to address the issues. DLA may also decide to involve IOAI to conduct an audit to assess the fiscal health of a particular agency.

These periodic checks are different than the local agency Incurred Cost Audits or other audits that IOAI randomly performs on local agencies.

#### **Local Agencies that do not have an executed MA with DLA**

The procedure for meeting the MQs for local agencies that do not have an executed MA with DLA is outlined below. The local agency must complete all the steps in order to meet the MQs. Before beginning this process, projects must be awarded funding and that federal/state funding must be programmed in the Federal Statewide Transportation Improvement Program (FSTIP). Local agencies can contact their program manager to ensure these conditions have been met.

1. Local Agency Initiates MQ process:
  - a. Local agency contacts the appropriate Caltrans District Local Assistance Engineer (DLAE) who will help the local agency begin the process. The DLAE will be the local agency's main contact (Click [here](#) for list of CT Districts. Click [here](#) for list of DLAEs).
  - b. After contacting the DLAE, local agency completes the following forms, and submits them to the DLAE:
    - i. Local Agency MQs Questionnaire form (and all attachments)
    - ii. Local Agency MQs Interview form
    - iii. New Locode/MA Request form
2. CT District Local Assistance Review/Evaluation:
  - a. Upon receipt of the above completed forms, the DLAE will begin the evaluation process. After performing initial review of all forms, the local agency may be asked to provide additional information.
  - b. Once the DLAE has determined that the information provided is complete and accurate, the DLAE will contact the local agency to schedule an interview.
  - c. After scheduling the interview, the DLAE will submit the Locode Request form to HQ Division of Local Assistance (HQ DLA) Locode Coordinator. While the DLAE continues their evaluation, the Locode Coordinator will process the Locode Request form.
  - d. DLAE coordinates and conducts an interview with the local agency.
  - e. After the interview, and subsequent review and assessment of the local agency's documentation, the DLAE will submit its evaluation/recommendation to HQ.

3. HQ Division of Local Assistance (HQ) coordinates pre-award audit:
  - a. HQ Locode Coordinator:
    - i. Upon receipt of a complete and accurate Locode Request form, the HQ Locode Coordinator will begin reviewing submitted information.
    - ii. After completing the review, the Locode Coordinator will submit a request to HQ Audit Coordinator to initiate the pre-award audit process with the IOAI.
  - b. HQ Audit Coordinator:
    - i. Requests IOAI to perform a pre-award audit of the local agency.
    - ii. Provides to HQ Project Implementation monthly status updates of pre-award audits in progress.
    - iii. Ensures that HQ Project Implementation (Locode Coordinator and respective Area Engineer) and DLAE receive a copy of pre-award audit report upon its issuance.
    - iv. If there are findings, corrective actions will be expected through the normal audit process.
  - c. Independent Office of Audits & Investigations (IOAI)
    - i. After receiving a pre-award audit request from HQ Audit Coordinator, IOAI assigns the task to a lead auditor.
    - ii. The lead auditor will contact the local agency to schedule pre-award audit.
    - iii. Auditors meet with local agency on scheduled date and conduct the audit.
    - iv. Auditors compile information from field work and produce final report with any audit findings identified. This final report is delivered to the local agency, HQ Audit coordinator, and DLAE.
4. Addressing any findings from pre-award audit.
  - a. Upon receiving final audit report from IOAI, if any findings, DLAE notifies local agency that Locode and provisional MA processing are on hold.
  - b. Local agency must address and resolve all findings to the satisfaction of DLA and IOAI. This must be accomplished before any further steps can be taken.
  - c. Once all findings have been documented as being satisfactorily resolved and the audit is closed, the MQs process continues.
  - d. The DLA Audits Coordinator notifies DLAE and HQ that findings are resolved.
  - e. HQ generates Locode and issues a provisional MA.
5. Provisional MA review and execution:
  - a. After the Locode is generated, HQ issues a provisional MA and transmits it to local agency for review and execution. The local agency can find a sample of the provisional MA [here](#).
  - b. Local agency executes and returns to HQ the signed provisional MA and Board/Council resolution which identifies the individual who is authorized to execute the agreement on the agency's behalf.
  - c. After receiving the local agency's executed provisional MA, HQ signs and returns fully executed copy to local agency.
  - d. Local agency is now recognized by DLA as a new local agency and can now submit a Request for Federal Authorization (RFA)/CTC Allocation (Allocation) to begin work on the Pilot Project to DLAE.

6. Local Agency Delivery of Pilot Project with DLAE oversight:
  - a. **LOCAL AGENCY TO DELIVER PILOT PROJECT.** It is understood that for the purposes of this procedure that the local agency is responsible for the successful delivery of the federal/state funded transportation pilot project and as such has sufficient knowledge and is capable of doing so. The local agency further recognizes that the DLAE is a resource for guidance and oversight purposes only and is not responsible for the delivery of the pilot project.
  - b. Initiate project funding:
    - i. Agency submits first RFA/Allocation request to proceed with work for PE, R/W, or CON (PA&ED, PS&E for State-only projects) as outlined in the LAPM/LAPG. NOTE: Agency needs to be aware of all documents required for the applicable phase of work being requested. Please make sure to contact your DLAE for additional guidance on these submittals.
  - c. Develop project:
    - i. Along with the normal oversight that the DLAE performs, the local agency will be required to have the DLAE review its project development progress at the 30%, 60%, and 90% completion stages and provide feedback on performance.
    - ii. DLAE to perform mandatory 100% PS&E review prior to advertising project and provide feedback on performance.
  - d. Construct project:
    - i. CT Construction Oversight Engineer (COE) performs:
      1. Pre-Construction meeting/review and provide feedback on performance.
      2. Mid-Construction meeting/review at 50% completion and provide feedback on performance.
      3. Pre-Project Acceptance meeting/review at 95% completion and provide feedback on performance.
  - e. Project Completion:
    - i. DLAE conducts final inspection of pilot project with local agency staff to ensure compliance with federal/state requirements.
7. DLAE Pilot Project Compliance Review:
  - a. DLAE schedules meeting with local agency to review its overall performance and compliance with federal/state requirements during completion of Pilot Project.
    - i. DLAE discusses with local agency any deficiencies regarding its performance that occurred during the delivery of the Pilot Project.
    - ii. DLAE creates Review Findings as needed for the agency to address any deficiencies identified during delivery of the Pilot Project.
    - iii. Agency addresses and resolves deficiencies to the satisfaction of DLA.
8. Standard MA review and execution:
  - a. HQ DLA issues standard MA to local agency for review and execution using same procedure as outlined above for provisional MA.

- b. After standard MA has been executed by all parties, the Local Agency has completed the MQ process and is now permitted to administer future projects under regular conditions.

#### IV. APPLICABILITY/IMPACTS

This policy applies to all local agencies who choose to administer and deliver a project within the LAP. For agencies with whom DLA already has an executed MA, there will be minimal impacts to project delivery as the local agency continues to maintain the MQs. If an agency does not maintain the MQs, there could be delays to that agency's project delivery schedule depending on how complicated the issues/findings are and how long it takes the local agency to address and resolve those items.

For agencies with whom DLA does not have has an executed MA, it is anticipated that (A through G below) leading up to meeting the MQs will take 7 to 15 months to complete before the Pilot Project can even begin. The local agency will need to take this time frame into account when deciding how it will affect the schedule for delivering its pilot project.

This process includes completing/submitting the following major elements:

- A. The Local Agency Minimum Qualification Questionnaire form with attachments.
- B. The New Locode/MA Request form.
- C. The interview with the Caltrans District Local Assistance Engineer (DLAE).
- D. The Pre-Award Audit conducted by IOAI.
- E. Resolving all findings resulting from Pre-Award Audit.
- F. DLA issuance of Location Code (Locode - 4-digit numerical agency identifier) and provisional Local Agency-State MA.
- G. Execution of a provisional Local Agency-State MA with Caltrans.
- H. Delivery of a Pilot Project with DLAE/COE oversight.
- I. DLAE evaluation of the local agency's Pilot Project delivery performance (compliance review).
- J. Local Agency completion of any Pilot Project compliance review findings as required (compliance action plan).
- K. Execution of standard Local Agency-State MA with DLA.

Completing steps A - E above will take about 6 - 12 months. Most of this time is related to the pre-award audit that an agency must go through and the resolution of all resulting findings (if any). Successful completion of items A - E listed above will allow DLA to issue the agency a Locode and a provisional Local Agency-State MA for the agency to review and execute. MA execution by the Local Agency and Caltrans is required prior to an authorization or allocation of funds.

Completing steps F - G above will take about 1 - 3 months. Most of this time is related to a local agency going through its own agreement review and execution process. Successful completion of items A - G will allow the agency to submit its Request for Authorization/Allocation (RFA) to begin the Pilot Project. The DLAE will monitor and evaluate the agency's performance through the delivery and completion of the Pilot Project and conduct a compliance review upon its completion. Only after successfully completing all the items listed above will a Local Agency meet the MQs, be issued a standard MA, and be allowed to administer future transportation



projects under the normal process.

If a local agency is not able to meet the MQs, they have the option of partnering with a local agency, which already meets the MQs and is identified by DLA as an agency that has the necessary project delivery and financial management systems in place to administer a project within the LAP

Approved:

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Felicia Haslem, Office Chief  
Office of Project Implementation - North

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Date

Attachments:

Attachment 1: Local Agency Minimum Qualifications Questionnaire Form

Attachment 2: Local Agency Minimum Qualifications Interview Form

Attachment 3: New Locode/Master Agreement Request Form

For terms and definitions, please refer to Chapter 1 of the Local Assistance Procedures Manual [here](#).