

CALTRANS COGNIZANT AGENCY AUDIT PROGRAM (CAAP)

Status Update
as of September 2009



Caltrans
Cognizant Agency Audit Program

Overview

- Background
- AASHTO Audit Guide – Update
- Next Steps –Risk Based Model
- Questions

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Caltrans
Cognizant Agency Audit Program

Background

- US Office of Inspector General (OIG)
Audit of Architectural & Engineering Firm
Overhead Cost billed to Federal-aid
Highway Program
 - Initiated in 2004 and Report issued Feb 2009
 - Audit Found
 - Significant unallowable costs in A&E firms' OH rates
 - CPA audit of A&E firms' indirect rates did not consistently identify unallowable costs
 - Improvement need in FHWA and State DOTs oversight and monitoring of A&E firms' claimed costs to ensure FAR compliance

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Background (cont'd.)

- American Association of State Highway Transportation Organizations (AASHTO), in conjunction with FHWA initiated a review of Audit Guidance to address OIG audit as well as consistency in approach (Cognizance) across State DOTs.
- Collaborative Effort involving
 - 14 State DOTs
 - FHWA
 - ACEC
 - AICPA
- Result – Revised Audit Guide [Multiple open comment periods – April through August 2009]

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AASHTO Audit Guide - Goals

- Consistent interpretation and application of federal acquisition regulation (FAR) cost principles - 48 CFR Part 31 by all parties [FHWA, State DOTs, A&E firms, CPA firms]
Result – Several Chapters of the Guide updated to give specific guidance, interpretation of FAR cost principles
- Consistent interpretation of federal-aid program cognizant audit requirements by all parties
Result – Focus of Audit Guide is now on FAR-compliant audits which may lead to, result in a Cognizant approved OH rate.

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AASHTO Audit Guide - Goals (cont'd.)

- Improve the quality and consistency of Audits (CPA and State DOTs)
Result – Guide now includes/incorporates a CPA Audit Review Program (detailed steps to perform and/or review a FAR-compliant audit) and Internal Control Questionnaire (series of questions to be posed to A&E firms)
- Allow each State DOT to utilize a risk-based approach to meet federal-aid program compliance in consideration of each State's unique environment (one size does not fit all)
Result – State's may utilize a variety of factors (contract volume/amounts, A&E firm sizes, past contract and audit experience) and audit approaches (FAR-Compliant audits, CPA reviews, preaward audits, analytical procedures, etc.) to ensure costs claimed by A&E firms are FAR-compliant.

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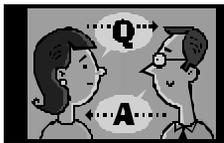
Next Steps

- September 2009- Final version of Audit Guide posted to AASHTO website- Ballot vote by all State DOTs
- October 2009 – AASHTO Board vote/approval of Audit Guide
- August -Dec 2009- Caltrans, in coordination with FHWA -CA, ACEC -CA and Local Governments, will develop California's risk-based approach and obtain FHWA -CA approval
- January 2010 & forward- Initiate California risk-based approach, provide outreach-training

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- **DOT OIG Audit Report**
 - <http://www.oig.dot.gov/item.jsp?id=2418>
- **AASHTO Audit Guide**
 - <http://transportation.org/?siteid=43>

Questions?



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