



# INSPECTOR GENERAL

California Department of Transportation

## California Department of Transportation's Review of Reimbursement Requests from Local Public Agencies

Performance Audit



**Independent Office of Audits and Investigations**

**Bryan Beyer**, Inspector General  
**Matt Espenshade**, Chief Deputy

March 2026  
25A.PROG01



# Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Matt Espenshade, Chief Deputy

March 20, 2026

Dina El-Tawansy  
Director  
California Department of Transportation  
1120 N Street  
Sacramento, CA 95814

## **Final Report — California Department of Transportation's Review of Reimbursement Requests from Local Public Agencies, Performance Audit**

Dear Ms. El-Tawansy:

On behalf of the Independent Office of Audits and Investigations (IOAI), the California Department of Finance, Office of State Audits and Evaluations (Finance), completed its audit of the California Department of Transportation's (Caltrans) review of reimbursement requests from local public agencies.

Enclosed is the final report, which includes your response to the draft report and Finance's evaluation of your response. The final report is a matter of public record and will be posted on IOAI's website.

A Corrective Action Plan (CAP) addressing the recommendations is due May 19, 2026. Please send the CAP to [ioai.reports@dot.ca.gov](mailto:ioai.reports@dot.ca.gov). Thereafter, IOAI will collaborate with Caltrans twice a year to assess the corrective actions taken on audit recommendations.

If you have any questions regarding this report, please contact our office at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG  
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations  
P.O. Box 942874, MS-2 (916) 323-7111  
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Dina El-Tawansy  
March 20, 2026  
Page 2

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Marlon Flournoy, Deputy Director, Planning and Modal Programs, Caltrans  
Dee Lam, Division Chief, Local Assistance, Caltrans  
Sergio Aceves, District Director, District 3, Caltrans  
David Ambuehl, Acting District Director, District 4, Caltrans  
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25A.PROG01



**California Department of Transportation**  
Performance Audit

Report No. 25-2660-050  
March 2026

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Final reports are available on our website at <https://oreports.dof.ca.gov/report.html>.

You can contact our office at:

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March 13, 2026

Bryan Beyer, Inspector General  
Independent Office of Audits and Investigations  
California Department of Transportation  
1304 O Street, Suite 200  
Sacramento, CA 95814

**Final Report—California Department of Transportation, Districts Performance Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Department of Transportation (Caltrans) Districts' reviews of reimbursement requests from local public agencies.

The enclosed report is for your information and use. Caltrans's response to the report findings and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

If you have any questions regarding this report, please contact Rick Cervantes, Manager, or Joshua Mortimer, Supervisor, at (916) 322-2985.

Sincerely,

Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations

cc: Matt Espenshade, Chief Deputy Inspector General, Independent Office of Audits and Investigations, California Department of Transportation  
Fabiola Torres, Deputy Inspector General, Independent Office of Audits and Investigations, California Department of Transportation

# Background, Scope, and Methodology

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## BACKGROUND

The California Department of Transportation's (Caltrans) mission is to improve lives and communities through transportation. Caltrans manages more than 50,000 miles of California's highway and freeway lanes, provides inter-city rail services, permits more than 400 public-use airports and special-use hospital heliports, and works with local public agencies (LPA). Caltrans carries out its mission with six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.<sup>1</sup>

In addition to the six primary programs, Caltrans operates a Local Assistance Program, which oversees more than \$1 billion annually available to over 600 cities, counties, and regional agencies. These funds support local efforts to improve transportation infrastructure and enhance transportation services across California. Funding comes from various federal and state programs specifically designed to assist the transportation needs of LPAs. Annually, over 1,200 new projects are authorized through the Local Assistance Program, of which approximately 700 are construction projects. Caltrans Division of Local Assistance administers the Local Assistance Program and provides implementation and procedure guidance on federal and state funded local transportation projects.<sup>2</sup>

Caltrans is comprised of 12 Districts, each of which maintains an Office of Local Assistance to provide oversight of LPA's transportation projects within their respective geographic areas.<sup>3</sup>

We selected three Districts to focus our audit as follows:

District 3	Oversees the work performed in the counties of Butte, Colusa, El Dorado, Glenn, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo, and Yuba. <sup>4</sup>
District 4	Oversees the work performed in the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. <sup>5</sup>
District 8	Oversees the work performed in the counties of Riverside and San Bernardino. <sup>6</sup>

See Appendix A for a map that depicts the Caltrans Districts selected for review.

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<sup>1</sup> Excerpts obtained from <https://dot.ca.gov/about-caltrans>.

<sup>2</sup> Excerpts obtained from <https://dot.ca.gov/programs/local-assistance>.

<sup>3</sup> Excerpts obtained from <https://dot.ca.gov/programs/local-assistance/other-important-issues/local-assistance-contacts>.

<sup>4</sup> Excerpt obtained from <https://dot.ca.gov/caltrans-near-me/district-3/d3-popular-links/d3-about>.

<sup>5</sup> Excerpt obtained from <https://dot.ca.gov/caltrans-near-me/district-4/d4-programs/d4-transplanning-local-assistance/d4-office-of-local-assistance>.

<sup>6</sup> Excerpt obtained from <https://dot.ca.gov/caltrans-near-me/district-8/district-8-popular-links/about-caltrans-district-8>.

## Reimbursement Request Review Process Overview

LPAs are required to submit project reimbursement requests (referred to by the Districts as “invoices” but will be referenced as reimbursement requests in this report), including supporting documentation to the Districts.

Before 2014, Caltrans Districts performed detailed reviews of supporting documentation for costs claimed by LPAs. This process was determined to be labor-intensive, as LPAs and Districts expressed concerns regarding the amount of effort, including calendar days and resources involved in preparing and processing the reimbursement requests. As a result, the Caltrans Division of Local Assistance issued Office Bulletin DLA-OB 14-05 on July 1, 2014, providing a streamlined and consistent statewide process that reduced the minimum supporting documentation required for the Districts to review. This new review process was referred to by the Districts as Risk-Based Invoicing (RBI) and became effective October 1, 2014. RBI introduced a Local Agency Invoice Review Checklist and established that the District Local Assistance Engineer is responsible for ensuring work performed is eligible for reimbursement, appropriate costs are billed, and contract award packages comply with federal and state requirements.

On August 25, 2016, the Division of Local Assistance issued the RBI 2.0 Memorandum to further streamline the process. RBI 2.0 requires Districts to continue following the process outlined in the Local Agency Invoice Review Checklist and Local Assistance Procedures Manual (LAPM) Chapter 5 for the first LPA reimbursement request and LPA reimbursement requests totaling \$100,000 or more. However, RBI 2.0 explicitly allowed Districts to perform cursory reviews of critical items for all other invoices and required the use of the Local Agency Invoice Review Checklist and Billing Summary.

Critical items Districts are required to verify in each reimbursement request include confirming that it:

1. Appears on LPA letterhead with the LPA's address.
2. Is certified and signed by the appropriate LPA representative with a current date.
3. Is sequential with previous invoice numbers and dollar amounts consistent with prior requests.
4. Includes a complete Local Agency Invoice Review Checklist and Billing Summary as required by the LAPM, Chapter 5.

District reviewers may request additional documentation from LPAs beyond the minimum documentation listed in RBI 2.0, and LPAs are required to make all documentation available for inspection by Caltrans upon request. The need for additional review is determined on a case-by-case basis by the reviewer.

The intent of RBI and RBI 2.0 was to establish consistent procedures to clarify and streamline the Districts' review process of reimbursement requests, which led to the issuance of the Standard Operating Procedure for Caltrans District Local Assistance Invoice Reviewers (SOP) in April 2019. The SOP provides detailed instructions for Districts to achieve statewide consistency, reduce errors, and save time for reviewing LPA reimbursement requests.

## **SCOPE**

As requested by Caltrans's Independent Office of Audits and Investigations, the California Department of Finance, Office of State Audits and Evaluations, audited the Caltrans Districts described in the Background section of this report for the period July 1, 2024 through March 31, 2025.

The audit objectives were to determine whether Caltrans Districts' reviews of reimbursement requests from LPAs were:

- Consistent across Caltrans Districts.
- Performed and approved by appropriate Caltrans personnel.
- Effective at ensuring claimed costs are allowable, supported, and in compliance with relevant criteria.

Our audit did not include an assessment of Caltrans Local Programs Accounting's reviews of the LPAs reimbursement requests.

## **METHODOLOGY**

To plan the audit, we gained an understanding of Caltrans's Local Assistance Program, and identified relevant criteria, by interviewing Division of Local Assistance personnel, reviewing relevant sections of the SOP, LAPM, State Administrative Manual (SAM), and Government Code.

We conducted a risk assessment, including evaluating whether each District's key internal controls significant to our audit objectives were properly designed and implemented. Key internal controls evaluated focused on the review and approval processes for reimbursement requests and performed onsite walkthroughs of the reimbursement review process for one LPA project at each District. Our assessment included interviews, demonstrations of the reimbursement request review process, and reviews of reimbursement requests submitted by the LPAs.

We determined verification of the reliability of data from Caltrans's financial management system, CGI Advantage, and the Districts' LP 2000 Database, was not necessary because other sufficient evidence was available to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies.

### Table of Methodologies

Audit Objectives	Methods
<p>To determine whether Caltrans Districts' reviews of reimbursement requests from LPAs were:</p> <ul style="list-style-type: none"> <li>• Consistent across Caltrans Districts.</li> <li>• Performed and approved by appropriate Caltrans personnel.</li> <li>• Effective at ensuring claimed costs are allowable, supported, and in compliance with relevant criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• Determined whether the Districts' reviews were consistent across the three Districts and performed and approved by appropriate Caltrans personnel. Specifically, we performed the following:               <ul style="list-style-type: none"> <li>○ Conducted interviews with key personnel from each District.</li> <li>○ Reviewed relevant policies and procedures, including the LAPM, SOP, Office Bulletin, and RBI Memorandum.</li> <li>○ For each District, compared personnel used to perform reimbursement request reviews by identifying employee classifications and the respective education, work experience, knowledge, and abilities.</li> </ul> </li> <li>• Selected projects based on qualitative and quantitative factors. Specifically, we selected three LPA projects for each District and reviewed all the reimbursement requests for those projects submitted between July 1, 2024 through March 31, 2025.</li> <li>• Determined whether procedures were operating effectively to ensure claimed costs were approved by appropriate Caltrans personnel, allowable, supported, and in compliance with relevant criteria by verifying that key documents supported the reimbursement requests. Specifically, we reviewed the following:               <ul style="list-style-type: none"> <li>○ LAPM 5-A section 4 reviewer checklists, Finance Letters, E-76 forms, Indirect Cost Rate Approval Letters, California Transportation Commission allocation funding letters, Exhibit 10-C forms, Exhibit 10-K forms, Dispute Letters, Cooperative Work Agreements, and other documentation submitted by LPAs such as contractor pay estimates and Exhibit 15-L forms. See Appendix B for a list of documents reviewed.</li> </ul> </li> </ul>

Except as described in the following paragraph, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Finance and Caltrans are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under generally accepted government auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

## CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance that Caltrans Districts' reviews of reimbursement requests from LPAs are generally consistent across Caltrans Districts, performed and approved by appropriate Caltrans personnel, and effective at ensuring claimed costs are allowable, supported, and in compliance with relevant criteria. However, opportunities exist to improve the Districts' reviews of reimbursement requests from LPAs as noted in Findings 1 through 3.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Reimbursement Request Review Inconsistencies with SOP Requirements

Reimbursement request reviews were not consistently completed in compliance with the SOP at each District. Specifically:

SOP Step Number	Observation
4 and 14	One District approved construction engineering and construction costs that were incurred after the project end date had lapsed.
6	One District approved costs that were incurred during ineligible periods in which funding had lapsed.
11 and 13	One District approved consultant costs without verifying the existence of the required Architectural and Engineering (A&E) Consultant Contract Form (formerly Exhibit 10-C) and information in the LP2000 database.
14	One District signed the reviewer checklist without filling in all check boxes to indicate the review was complete.
14	Two Districts were unable to produce evidence to support the verification of award of consultant contracts, and all three Districts could not provide the required Consultant Annual Certification of Indirect Costs and Financial Management System (formerly Exhibit 10-K) for approved consultant indirect cost rates.

These inconsistencies resulted from nonadherence to all SOP steps, and the District's reliance on the LPA's submissions without sufficient independent review to ensure claimed costs were allowable, supported, and compliant.

The SOP contains reviewer instructions to mitigate each of the observations noted above. Specifically, Section (step) 4 of the checklist requires the reviewer to verify that work performed is prior to any lapsing/expiring funds, and step 6 requires the reviewer to check the LP2000 database to verify possible expired, lapsed, or de-obligated funds. Step 11 requires the reviewer to verify award information in LP2000 for first construction and/or consultant invoices, and step 13 requires the reviewer to verify that Exhibit 10-C is received before the LPA submits its reimbursement request. Step 14 requires the reviewer to complete the review checklists to indicate concurrence or nonconcurrence with the LPA reimbursement request. Finally, step 14 of the LAPM 5-A checklist requires the reviewer to concur with the LPA that reimbursable work claimed is incurred during the approved period of performance and to verify that the required consultant documents are accepted and on file with the appropriate parties.

Reimbursement request reviews that are not consistently completed in compliance with SOP requirements can result in the payment of unallowable, unsupported, or noncompliant costs, thereby placing a greater financial burden on taxpayers and negatively impacting Caltrans' ability to effectively fulfill its mission.

**Recommendations:**

- A. Ensure all SOP steps are complete before recommending payment of each reimbursement request.
- B. Corroborate all claims made by the LPAs with the required supporting documentation.

**Finding 2: Personnel Assigned to Conduct Reimbursement Request Reviews are Not Consistent**

Each District utilizes different employee classifications for reviewers involved in the reimbursement request review process. For example, one District designates Transportation Planners as the reviewer. Another District designates Transportation Engineers. And the third District designates Transportation Engineers for the first reimbursement request of a given project phase (e.g., the first billing period of the construction phase), and then to Associate Governmental Program Analysts (AGPA) for subsequent billings within the same project phase, and then to the Transportation Engineers for the final invoice. All classifications mentioned differ in required education, experience, knowledge, and abilities. For example, Transportation Engineers are required to graduate from a four-year curriculum in Civil Engineering. Transportation Planners are required to have a bachelor's degree in various fields such as Urban Studies, Public Policy, and Public Administration, while AGPAs are not required to have a college degree.<sup>7</sup> See Appendix C for the different education, work experience, knowledge, and ability requirements for the three employee classifications.

These inconsistencies in classifications exist because the LAPM, RBI 2.0 Memorandum, or SOP, do not specify which employee classifications should conduct reimbursement request reviews after the reimbursement request is submitted to the Districts.

Government Code sections 13400 through 13407 describe the responsibility of state agency heads and all levels of state agency management to establish and maintain a system of internal control and to assess and strengthen the systems of internal control to minimize fraud, errors, abuse, and waste of government funds. Government Code section 13403 subdivision (b) further specifies elements of a satisfactory system of internal control, including a system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements; personnel of a quality commensurate with their responsibilities; and an effective system of internal review. Additionally, RBI 2.0 Memorandum establishes the responsibility for reviews of the reimbursement request to the District Local Assistance Engineers and their staff but does not specify the appropriate employee classification.

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<sup>7</sup> Subsequent to our audit fieldwork, the California Department of Human Resources (CalHR) revised and re-titled the service-wide Staff Services series, including the AGPA classification, effective January 1, 2026.<sup>7</sup> The AGPA title was retitled Analyst II. Information obtained from the CalHR website: <https://www.calhr.ca.gov/about-calhr/divisions-programs/personnel-management/generalist-class-consolidation/>.

Inconsistencies in the employee classifications assigned to review reimbursement requests increase the risk that approved reimbursement requests contain costs that are not allowable, supported, or in compliance with relevant criteria because employee classifications have different education, knowledge, and ability requirements.

**Recommendations:**

- A. Reassess the current classifications performing reimbursement request reviews, and work with Caltrans Division of Local Assistance Headquarters to establish a policy for the appropriate classifications that have the necessary education, work experience, knowledge, and abilities to conduct reimbursement request reviews.
- B. Implement the new policy consistently at all districts.

**Finding 3: Reimbursement Request Reviews Can Be Strengthened**

Reimbursement request reviews performed by the Districts can be strengthened as follows:

Non-Construction Costs

For non-construction costs, District reviewers perform a cursory review of the Billing Summary in the LAPM 5-A reimbursement requests by reviewing the consultant names listed, dates of work performed by consultants and LPA in-house labor, and comparing that information against the previous Billing Summary to determine the reasonableness and accuracy of costs claimed. However, District reviewers do not review supporting documentation, such as consultant invoices and in-house labor reports. Under existing policies and procedures, District reviewers are not specifically required to request or review source documentation for non-construction costs.

Mid-Construction Reviews

As part of the oversight process, each District has a Caltrans Construction Oversight Engineer (COE) who performs Mid-Construction Reviews (MCR) on some federally funded LPA-implemented projects during the construction phase. The COE assesses the LPA's compliance with the federal aid construction contract administration requirements and evaluates areas that may impact claimed expenditures. After the MCR is complete, the COE informs the LPA and the relevant District of the results via email or phone call.

However, during our fieldwork, two of the three Districts could not provide copies of the requested MCRs and had to request them from the COEs. The Districts stated they typically do not retain copies of MCRs. The Districts also stated that their responses to MCR results vary because there are no formalized procedures that instruct Districts to review, evaluate, and address MCR results. Additionally, the COE Program Manager stated that there is no requirement for the Districts to be involved in addressing MCR results requiring corrective action, as the MCR is intended to improve LPA's compliance with applicable guidelines.

Government Code section 13403, monitoring systems and processes are vital to (1) ensure that routine application of internal controls does not diminish their efficacy over time and (2) provide timely notice and opportunity for correction of emerging weaknesses with established internal controls. Additionally, SAM section 8422.050 requires state agencies to determine that invoices are valid and correct prior to payment,

including verifying that goods or services have been received or provided, as evidenced by stock received reports or similar documents or staff verification. This SAM section also requires invoices to comply with provisions of purchase orders, contracts, leases, service agreements, and grants. Lastly, LAPM section 2.12 states LPAs must retain project records for three years upon final voucher and make those records available to Caltrans upon request.

LAPM section 16.18 states that the purpose of the construction oversight reviews is to verify the LPA's compliance with federal aid construction contract administration. The review may be conducted before the start of the construction contract (preliminary construction review), during construction (mid-construction review), and/or after completion of the construction contract (post-construction review). LAPM section 16.18.2 requires the results of the review to be forwarded to the LPA and District Local Assistance Engineer within two weeks. Any major deficiency identified during a review will require the development of a corrective action plan by the LPA in consultation with the district within 30 days of receipt of the major deficiency notification.

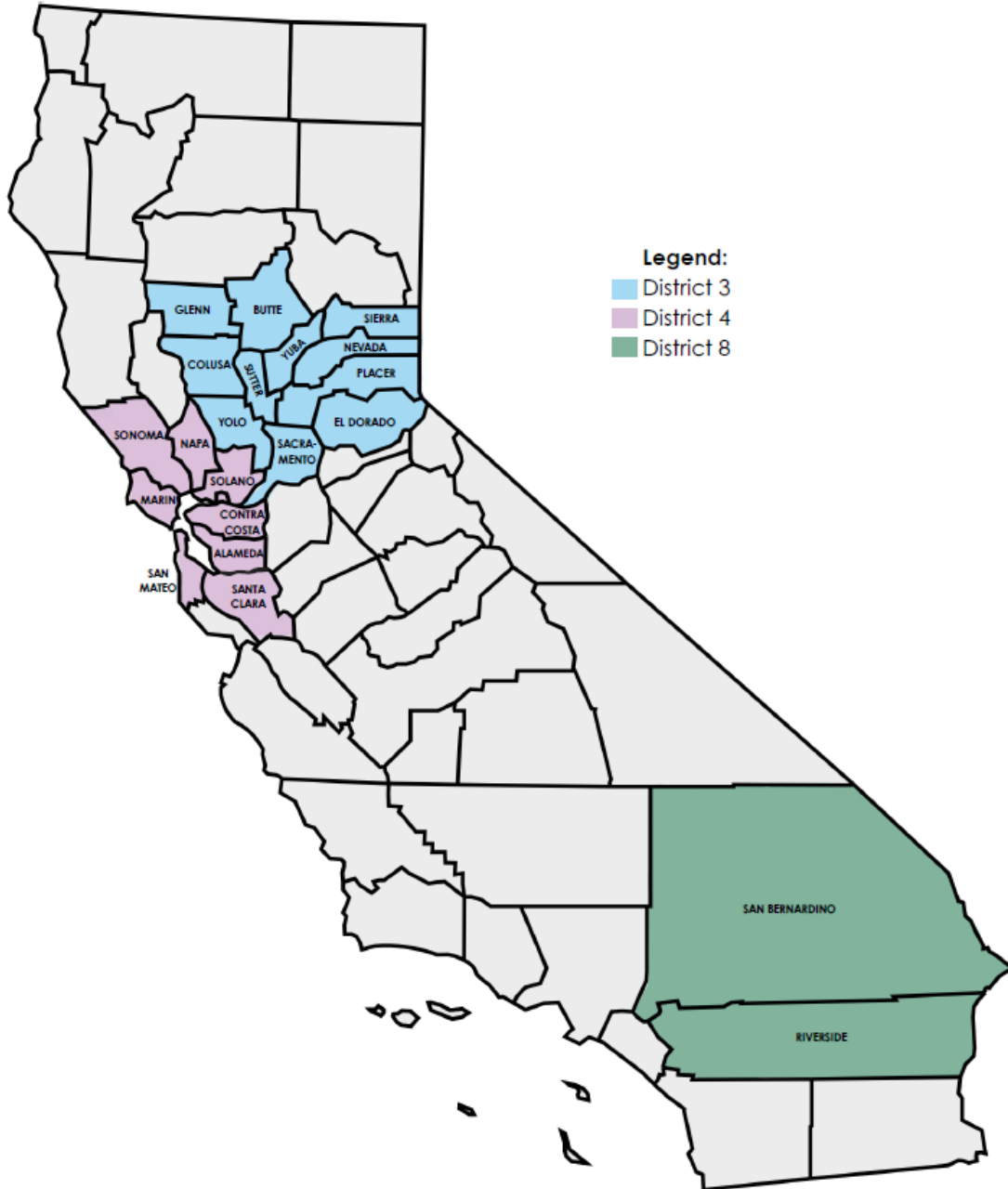
Performing cursory reviews of claimed costs that do not include supporting documentation of costs claimed increases the risk of reimbursing costs that are not allowable, supported, or in compliance with relevant criteria. A more robust review process, including reviewing invoices from consultants or other non-construction activities for significant costs claimed, would provide more effective oversight of public funds, help ensure compliance, and reduce the risk of errors and fraud. In addition, by not retaining or effectively utilizing the MCR results, Districts forego the opportunity to adapt their oversight procedures. This includes implementing additional procedures during the review and approval of reimbursement requests to mitigate identified risks.

**Recommendations:**

- A. Revise the SOP to establish the types of supporting documentation reviewers should obtain from LPAs to enhance accountability over claimed non-construction costs.
- B. Develop and implement policies and procedures that require Districts to document the receipt of the construction oversight reviews, including corrective action plans, evaluate the results, and determine if additional oversight procedures are necessary.

# Appendix A

The following map depicts the Caltrans Districts selected for review.<sup>8</sup>



<sup>8</sup> Map obtained from <https://dot.ca.gov/caltrans-near-me>.

## DOCUMENTS REVIEWED

Document	Definition
Architectural and Engineering (A&E) Consultant Contract Form (formerly Exhibit 10-C)	Checklist submitted by LPAs to provide support that the consultant contract was awarded in compliance with the LAPM requirements. The Form must be submitted before the first reimbursement request.
Billing Summary	Refers to the page of LAPM 5-A with the summary of all billed costs for a specific period by phase (e.g., Right of Way, Construction, Construction Engineering.)
California Transportation Commission Funding Allocation Letter	For state-funded projects, provides the allocation date, or the initial date on which costs can be claimed, for a project.
Consultant Annual Certification of Indirect Costs and Financial Management System (formerly Exhibit 10-K)	Provides evidence that the LPA complied with the LAPM A&E for the consultant's indirect costs rate approval for contracts at or over \$1 million.
Contractor Pay Estimate/Progress Payment	Provided by the LPA listing the construction estimated cost and percentage of completion for bid items.
Cooperative Work Agreement	An agreement between Caltrans and the LPA to extend the budget authority life (liquidation period on local projects up to two years).
Dispute Letter	Sent to the LPA by the District reviewer if a dispute arises during the invoice review process.
E-76 Form	Provides the authorization date, or the initial date on which costs can be claimed, for a project that was awarded federal funding.
Exhibit 15-L Contract Award Checklist	Construction contractor award checklist to determine if the contractor is eligible to work on the project. The reimbursement request will be returned to the LPA if the construction award package is not complete.
Finance Letter	Provides the project agreement end date, or the final date on which costs can be claimed, for a project that was awarded either federal funding and/or state funding.
Indirect Cost Rate Approval Letter	This letter is required if the LPA requests reimbursement for indirect costs. It confirms that the Caltrans Internal Audits Office accepted and approved the LPA's indirect cost rate.
LAPM 5-A (Local Agency Invoice)	The reimbursement request submitted by LPAs to the Districts to obtain reimbursement for projects. The LAPM 5-A includes several sections, including the indirect cost allocation, Billing Summary (described in this appendix), and the Local Agency Invoice Review Checklist (described in this appendix).
Local Agency Invoice Review Checklist	Refers to the page of LAPM 5-A where District reviewers concur with LPA on the actions performed and documents received for the invoice.
Mid-Construction Review	Conducted by Caltrans Construction Oversight Program on selected federal aid construction projects awarded to LPAs. The purpose of the reviews is to verify compliance with federal-aid construction contract administration.

## Classifications Reviewing Reimbursement Requests

Education and Work Experience Requirements		
Transportation Engineer (Civil) <sup>9</sup>	Transportation Planner <sup>10</sup>	Analyst II (formerly AGPA) <sup>11</sup>
<p><b>(I)</b> Graduation from a four-year curriculum in civil engineering accredited by the Accreditation Board for Engineering Technology. (Possession of a valid certificate as an Engineer-in-Training issued by the California State Board of Registration for Professional Engineers and Land Surveyors, or issued by another jurisdiction and accepted by the California Board in lieu of the first division of the examination as an engineer may be substituted for the required education.)</p>	<p><b>(I)</b> Bachelor's Degree in Transportation Planning, Urban Planning, City Planning or Regional Planning, or</p> <p><b>(II)</b> Bachelor's Degree in a related field such as: Urban or Regional Studies, Public Policy, Public Administration, Environmental Policy or Studies, Geography, Sociology, Economics, or Civil Engineering, and twelve semester units (or equivalent quarter units) in any of the following subject areas: transportation planning, city, community, regional, rural or urban planning/studies, land use planning and development, or travel analysis and forecasting.</p>	<p>Four years of work experience performing analytical, technical, clerical, and/or customer service duties. Academic education from an accredited college/university may be substituted for the required experience on a year-for-year basis; and an additional year of professional analytical and/or technical experience equivalent to an Analyst I, Range C.</p>

<sup>9</sup> Information obtained from the CalHR website:

<https://eservices.calhr.ca.gov/enterprisehrblazorpublic/Public/ClassSpec/ClassSpecDetail/3135>.

<sup>10</sup> Information obtained from the CalHR website:

<https://eservices.calhr.ca.gov/enterprisehrblazorpublic/Public/ClassSpec/ClassSpecDetail/4768>.

<sup>11</sup> Information obtained from the CalHR website:

<https://eservices.calhr.ca.gov/enterprisehrblazorpublic/Public/ClassSpec/ClassSpecDetail/5393>.

<b>Knowledge and Abilities</b>		
<b>Transportation Engineer (Civil)<sup>12</sup></b>	<b>Transportation Planner<sup>13</sup></b>	<b>Analyst II (formerly AGPA)<sup>14</sup></b>
<p>Knowledge of: Basic principles of physics, chemistry, and mathematics as applied to civil engineering; engineering surveying; hydrology and hydraulics; stress analysis; mechanics; strength of materials; properties and uses of engineering construction materials; methods and equipment of engineering construction; engineering economics.</p> <p>Ability to: Do simple mapping and drafting and make neat and accurate computations and engineering notes; prepare reports; establish and maintain friendly and cooperative relations with those contacted in the course of the work; communicate effectively.</p>	<p>Knowledge of: The planning process and general practices of transportation planning; research methods and techniques including conducting or participating in planning studies, and contemporary transportation, environmental, land use, social, economic, fiscal, legal, and political issues; effective public participation techniques.</p> <p>Ability to: Gather, compile, analyze, and interpret data; reason basically and creatively; develop formats to present and display data; use a variety of analytical techniques to propose solutions to or provide information regarding transportation problems; develop and evaluate alternatives; present ideas effectively orally and in writing; work effectively with others as an interdisciplinary team member; establish and maintain effective and cooperative working relationships with those contacted during the course of the work.</p>	<p>Knowledge of: Principles, practices, and trends of public and business administration, management, supportive staff services, governmental functions and organization, and methods and techniques of effective communication and leadership.</p> <p>Ability to: Reason logically and creatively and utilize a variety of analytical techniques to resolve complex governmental and managerial problems; develop and evaluate alternatives; analyze data and present ideas and information effectively; consult with and advise administrators or other interested parties on a wide variety of subject-matter areas; gain and maintain the confidence and cooperation of those contacted during the course of work, and coordinate the work of others, act as a team leader, and appear before legislative or other committees.</p>

<sup>12</sup> Information obtained from the CalHR website:

<https://eservices.calhr.ca.gov/enterprisehrblazorpublic/Public/ClassSpec/ClassSpecDetail/3135>.

<sup>13</sup> Information obtained from the CalHR website:

<https://eservices.calhr.ca.gov/enterprisehrblazorpublic/Public/ClassSpec/ClassSpecDetail/4768>.

<sup>14</sup> Information obtained from the CalHR website:

<https://eservices.calhr.ca.gov/enterprisehrblazorpublic/Public/ClassSpec/ClassSpecDetail/5393>.



## California Department of Transportation

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February 24, 2026

Ms. Cheryl L. McCormick, CPA  
Chief, Office of State Audits and Evaluations  
California Department of Finance  
915 L Street, 6th Floor  
Sacramento, CA 95814

Dear Ms. McCormick:

This letter serves as the California Department of Transportation's response to the findings contained within the Confidential Draft Report from the Performance Audit of the California Department of Transportation (Caltrans), Report Number: 25-2660-050. Caltrans thanks the Department of Finance, Office of State Audits and Evaluations (OSAE) for conducting this review and recommending improvements to internal controls for the reimbursement request review process.

### **FINDING 1 – Reimbursement Request Review Inconsistencies with Standard Operating Procedure (SOP) Requirements**

Reimbursement request reviews were not consistently completed in compliance with the SOP at each District.

#### **Finding 1 Recommendations**

- A. Ensure all SOP steps are complete before recommending payment of each reimbursement request.
- B. Corroborate all claims made by the Local Public Agencies (LPAs) with the required supporting documentation.

#### **Responses to Finding 1 Recommendations**

- A. Caltrans concurs with Recommendation 1A and will develop and conduct internal invoice review training for Caltrans' 12 District Local Assistance Offices. This is estimated to be completed by September 30, 2026.
- B. Caltrans concurs with Recommendation 1B. As part of the anticipated training in Response 1A above, District Local Assistance Offices will return claims that are unsupported by steps in the SOP checklist to the LPAs for correction.

**FINDING 2 – Personnel Assigned to Conduct Reimbursement Request Reviews are Not Consistent**

Each District utilizes different employee classifications for reviewers involved in the reimbursement request review process.

**Finding 2 Recommendations**

- A. Reassess the current classifications performing reimbursement request reviews, and work with Caltrans Division of Local Assistance Headquarters to establish a policy for the appropriate classifications that possess the necessary education, work experience, knowledge, and abilities to conduct reimbursement request reviews.
  
- B. Implement the new policy consistently at all districts.

**Response to Finding 2 Recommendations**

Caltrans respectfully disagrees with OSAE’s findings and associated recommendations related to Finding 2 and requests consideration for removal from the final audit report.

Sections 13400 through 13407 of the California Government Code (CGC) do not restrict qualified classifications from performing specific functions, such as completing a checklist during invoice review. Section 13403(b)(5) of the CGC states, “The elements of a satisfactory system of internal control, shall include... Personnel of a quality commensurate with their responsibilities.”

Each individual assigned to invoice review has the knowledge, skills, and abilities to implement the responsibilities, whether they are an Analyst II, Associate Transportation Planner, or a Civil Transportation Engineer. We acknowledge the importance of strengthening reimbursement request controls. Accordingly, based on observations in Findings 1 and 3, Caltrans will develop and implement targeted training for staff involved in reimbursement reviews to enhance internal control practices and mitigate the risk of errors.

**FINDING 3 – Reimbursement Request Reviews Can Be Strengthened**

Reimbursement request reviews performed by the Districts can be strengthened for Non-Construction Costs and Mid-Construction Reviews.

**Finding 3 Recommendations**

- A. Revise the SOP to establish the types of supporting documentation reviewers should obtain from LPAs to enhance accountability over claimed non-construction costs.


- B. Develop and implement policies and procedures that require Districts to document the receipt of the construction oversight reviews, including corrective action plans, evaluate the results, and determine if additional oversight procedures are necessary.

**Responses to Finding 3 Recommendations**

- A. Caltrans concurs with Recommendation 3A. District Local Assistance Offices will optimize their review process by incorporating a targeted sampling methodology into the SOP. This approach ensures the timely detection of unsupported reimbursement requests, which will then be returned to the LPA for correction. This methodology is estimated to be completed by August 31, 2026. Response 3A will be incorporated into the training documented in Response 1A.
- B. Caltrans concurs with Recommendation 3B. The Construction Oversight Engineers will establish procedures to draft a letter to the LPA. This letter will document any significant construction administration deficiencies, outline corrective actions, and provide recommendations to the District Local Assistance Office for enhanced oversight if necessary. A copy will also be sent to the District Local Assistance Engineer. Completion of this process is anticipated by August 31, 2026.

Should OSAE have any questions regarding this letter, please contact Ben Shelton, Chief, Caltrans Internal Audits Office, at [ben.shelton@dot.ca.gov](mailto:ben.shelton@dot.ca.gov).

Sincerely,

  
Cory Binns (Feb 24, 2026 14:28:47 PST)

FOR DINA A. EL-TAWANSY  
Director

- c: Rick Cervantes, Manager, Office of State Audits and Evaluations, Department of Finance  
Cory Binns, Chief Deputy Director, Caltrans  
Marlon Flournoy, Deputy Director, Planning and Modal Programs, Caltrans  
Mark Samuelson, Deputy Division Chief, Local Project Management, Division of Local Assistance, Caltrans  
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## Evaluation of Response

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Caltrans's response to the draft report has been reviewed and incorporated into the final report. We acknowledge Caltrans's willingness to implement our recommendations specific to Findings 1 and 3. In evaluating Caltrans's response for Finding 2, we provide the following comments:

### **Finding 2: Personnel Assigned to Conduct Reimbursement Request Reviews are Not Consistent**

Caltrans disagrees with Finding 2 and contends that District personnel involved in the reimbursement request review process have the knowledge, skills, and abilities to implement the assigned responsibilities, whether they are an Analyst II, Associate Transportation Planner, or Civil Transportation Engineer. However, Caltrans's response did not provide support for how it ensures the personnel with different classifications assigned to perform reimbursement request reviews have the appropriate knowledge, skills, and abilities. As noted in Appendix C, the education, work experience, and abilities for the three classifications differ significantly. Additionally, Caltrans did not address whether its policy would be updated to identify the appropriate classification(s) and skill sets necessary to perform reimbursement request reviews. Therefore, the finding and recommendations will remain unchanged.