

# INSPECTOR GENERAL

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Independent Office of Audits and Investigations

## Presentation of Annual Summary Report

July 1, 2024 – June 30, 2025

Chief Deputy Inspector General – **Matt Espenshade, CFE**





# KEY STATUTORY REQUIREMENTS

(Government Code sections 14110 and 14460–14463)

- Conduct audits and reviews to ensure state and federal transportation funds are spent efficiently, effectively, economically, and in compliance with applicable state and federal requirements.
- Investigate allegations of employee misconduct.
- Review California Department of Transportation's (Caltrans') outreach efforts to increase procurement opportunities for small and disadvantaged business enterprises.
- Provide an annual summary of findings and recommendations to the Governor, Legislature, and California Transportation Commission.



## WHAT WE DO ...

- **Performance audits** – Assess the extent to which legislative, regulatory, or programmatic goals and objectives are being achieved and determine if Caltrans has adequate controls in place to manage its programs.
- **Project compliance audits** – Determine whether project costs claimed and reimbursed are allowable, reasonable, and adequately supported in compliance with agreement provisions and state and federal laws and regulations, and whether projects delivered the expected benefits.
- **Non-audit services** – Perform review activities, including, but not limited to, reviews of architectural and engineering cost proposals to determine if proposed indirect cost rates are supported, reasonable, and in compliance with cost principles.
- **Investigations** – Conduct administrative investigations concerning allegations of employee misconduct and assist external entities with their investigations.



# OVERVIEW OF AUDITS

## AUDITS

Audits and Special Reports Issued	10
Recommendations	55
Total Costs Audited	\$1,283,781,348
<b>Questioned Costs</b>	<b>\$8,906,574</b>

## TYPES OF AUDITS

Project Compliance Audits	9
Compliance and Oversight	1
• Local Agencies	6
• Caltrans Districts	3
• Caltrans Program	1



## OVERVIEW OF NON-AUDIT SERVICES

### NON-AUDIT SERVICES

Reviews of Architectural and Engineering Cost Proposals	213
Value	\$1,994,949,426
<b>Avoided Costs</b>	<b>\$4,939,935</b>

# \$13.8 MILLION

## POTENTIAL FINANCIAL IMPACT



### AUDIT QUESTIONED COSTS

**\$8.9 million**

**Questioned costs** include any amount that is noncompliant or potentially noncompliant with Federal statutes, regulations, or award term; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unreasonable.



### NON-AUDIT SERVICES AVOIDED COSTS

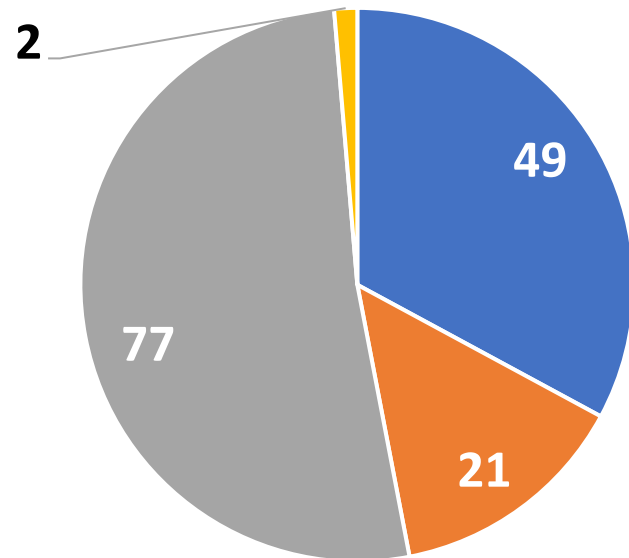
**\$4.9 million**

**Avoided costs** are costs Caltrans avoided paying because of a review that identified unallowable or ineligible costs per statute or agreement. For example, ineligible costs may be identified during a review of architectural and engineering cost proposals. Since the Independent Office of Audits and Investigations notifies Caltrans prior to the contract execution, Caltrans avoids paying the ineligible costs.

# RECOMMENDATIONS FOR CORRECTIVE ACTION

55 New Recommendations From Reports Issued Between July 1, 2024 – June 30, 2025

**149** Status of Recommendations We Reported as Open as of July 1, 2024:



- Fully Implemented
- Partially Implemented
- Not Implemented
- Will Not Implement

## Fully Implemented: 49

Caltrans provided sufficient evidence to demonstrate that the actions required to meet the intent of the recommendation identified in the corrective action plan have been taken.

## Not Implemented: 77

Caltrans provided no evidence of progress or corrective action to address the recommendation.

## Partially Implemented: 21

Caltrans provided evidence to demonstrate some actions have been taken, but additional steps are required to fully meet the intent of the recommendation.

## Will Not Implement: 2

Caltrans decided not to take action on the recommendation.

# QUESTIONS?

## Presentation of Annual Summary of Findings and Recommendations

July 1, 2024 – June 30, 2025

