

Contracts Manager Reference Guide

July 2022

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Chapter 2: Grant Management (GM)

2.1: Introduction

Chapter 2: Grant Management (GM) provides the main processes involved in administering State and federal grant funds passed-through Caltrans that are awarded to Local Public Agencies (LPAs) by the California Transportation Commission (CTC) or the Federal Highway Administration (FHWA). These grant funds are generally allocated by the CTC and the FHWA on a project-by-project basis. Please note special programs such as the Clean California Local Grant Program that are enacted by California's General Fund will be exceptions to the rules of allocation and master agreements. Please refer directly to the guidelines issued for these programs.

For additional guidance and processes not published in this chapter, please refer to the procedures for general contract management in **Chapter 1: Architectural and Engineering Contracts**.

2.2: Responsibilities

LPAs, grant managers, project managers, and project engineers have the responsibility to understand the requirements and procedures of administering State and federal grant funds passed-through Caltrans. Grants and guidelines must be reviewed to understand the reporting requirements such as project deliverables, and to develop a process to track and maintain documentation to support reporting requirements in the following areas:

- The Baseline Agreement/Engineer's Report
- Evaluating the benefits
- Developing the scope
- Forecasting the project costs and budget
- Developing the schedule consistent with:
 - Program objectives
 - Project applications
 - Executed agreements
- Estimating benefits and outcomes
- Achieving project deliverables and reporting actual project benefits/outcomes

LPAs will be responsible to coordinate any changes to project amendments, agreements, and program guidelines to understand deliverables and the timely submittal of the final delivery reports for future State and federal funded projects.

SB 1 Accountability and Transparency Guidelines

The [SB 1 Accountability and Transparency Guidelines \(SB 1 Guidelines\)](#) are intended to communicate the CTC's expectations and emphasize program and project accountability. As described in the [SB 1 Guidelines](#), the CTC intends to exercise programmatic oversight for the delivery of

SB 1 Program projects with regard to benefits, scope, cost, and schedule consistent with the program objectives, project applications, and executed agreements.

The [SB 1 Guidelines](#) are applicable to and are intended to supplement the CTC's programmatic guidelines for each of the following **SB 1 Program funded projects**:

- Active Transportation Program (ATP)
- Local Partnership Program (LPP)
- Solutions for Congested Corridors Program (SCCP)
- Trade Corridor Enhancement Program (TCEP)

2.3: Development of Grant Procedures

For an effective internal control system, it is highly recommended for the LPA to develop and update policies, guidelines, and procedures for GM. GM procedures should align with the LPA's organizational structure and operations. GM procedures are to supplement and be universally applied to each of the grant programs that are administered by the LPA. GM procedures should include, but not be limited to:

- Reviewing the grant guidelines
- Understanding deliverables
- Tracking and reconciling the project budget and expenditures
- Scheduling the deliverables to meet deadlines through a project management or calendar system
- Including a scope amendment process when implementation of the baseline plan is discovered to be infeasible including the need to notify the District Local Assistance Engineer (DLAE) and submitting a request for CTC approval
- Construction Change Orders; refer to [Section 16.10: Change Order \(CO\) in the Local Assistance Procedure Manual \(LAPM\)](#)
- Progress payments and billings
- Tracking and reporting on benefits and outcomes
- Final/Supplemental Delivery Reports for Proposition 1B-Transportation Bond Program (Prop 1B) grant-funded projects
- Completion Reports and Final Delivery Reports (FDRs) for SB1 and ATP grant funded projects
- Final Report of Expenditures (project closeout)

The benefits of a good system of internal controls through GM procedures include, but are not limited to:

- Allowing for reliable accounting and financial reporting of information
- Maintaining compliance with applicable laws and regulations
- Mitigating risk of future audit findings
- Adding value and improving the LPA's operations and activities

- Helping the LPA accomplish its objectives by bringing a systematic, disciplined approach to evaluate, monitor, and improve the effectiveness of risk management and controls

2.4: Reviewing the Grant and Program Agreements

The [Local Assistance Program Guidelines \(LAPG\)](#) were developed to provide local project sponsors with a complete description of the State and federal programs available for financing local public transportation-related facilities. Each program is discussed in detail and addresses such topics as: project eligibility, project selection process, funding levels, key decision-makers, significant dates, relevant statutory references, and related publications.

[Chapter 25: State Programs for Local Agency Projects in the LAPG](#) covers a broad spectrum of necessary guidance and information needed by the implementing agency to successfully deliver their projects programmed. The chapter covers the:

- State Transportation Improvement Program (STIP), which may be federal funded as well
- ATP (may be federal funded as well)
- Proposition 1B Program
- The SB 1 Program

[Section 25.2: Eligible Applicants and Projects in the LAPG](#) discusses the criteria and the eligibility requirements in order to receive State transportation funds. LPAs must enter into the appropriate Local Administering Agency Master Agreement (Master Agreement or MA); normally processed once with the implementing agency when it begins its first federal-aid or State funded project.

2.5: Project Reports and Baseline Agreements

Projects on the State highway system and/or projects implemented by Caltrans require a Caltrans approved Project Initiation Document if requesting funds for a Project Approval and Environmental Documentation (PA&ED) component, and a Caltrans approved Project Report for all other components. Caltrans also requires an approved Project Report before moving to the final design stage (Plans, Specifications, and Estimates). The Project Study Report (PSR), PSR equivalent, or Project Report must be submitted with the Regional Transportation Improvement Program (RTIP) or a link may be provided to view the document electronically.

The [Baseline Agreement](#) (often referred to as the Engineer's Report) is typically submitted prior to allocation and is an agreement between the CTC, Caltrans, and LPA. Baseline agreements establish the agreed-upon expected benefits, project scope, schedule, and cost of a project for

which the CTC has approved funding. These agreements provide a foundation for project monitoring and reporting and identify the agency responsible for reporting on the progress made towards the implementation of the project.

Project [Baseline Agreements](#) are required for programs listed below meeting the following thresholds regardless of funding source:

- ATP projects with a total project cost of \$25 million or greater or a total programmed amount of \$10 million or greater
- LPP- Competitive projects with a total project cost of \$25 million or greater or a total programmed amount of \$10 million or greater
- All projects programmed in SCCP and TCEP

If a project that initially falls below the aforementioned threshold later increases to equal or exceed the threshold requirements, a Baseline Agreement will be required within 60 days of when the change is identified.

As applicable, the Baseline Agreement is:

- Considered the front-end document that forms the foundation for the CTC's in-progress and follow-up accountability
- Is submitted six (6) months after the implementing agency files for a notice of exemption or a notice of determination pursuant to the California Environmental Quality Act (CEQA)
- Is due four (4) months after CEQA is completed on ATP projects
- Is required prior to the beginning of work on the Plans, Specifications and Estimates, right-of-way and construction phases

Baseline Agreement submissions should reflect project scope, project cost, project schedule, and anticipated benefits and outcomes as set forth in the project application and if programmed by the CTC. **Please note** the benefits and outcomes will need to be initially forecasted and measured again after the project is operational or after contract acceptance. Project costs reimbursed are to be only made for costs arising to carry out the project scope, project costs, and project schedule as programmed by the CTC.

Before completing the Baseline Agreement, it is imperative to ensure the amounts and financial resources match to the Project Programming Request (PPR) and the Project Report. If these amounts do not reconcile, it will be necessary to document within the Baseline Agreement why these financial statements do not match.

If the project is large in size and/or complex, it is recommended for LPAs to request a longer term for project development, contract award, construction completion as needed and justified by the Baseline Agreement or project application.

A Baseline Agreement will be amended if a project receives additional State funds in a subsequent programming cycle, if there is a change in the responsible parties, or at the discretion of the CTC. Each Baseline Agreement must be signed by a duly authorized officer (e.g. board chair, executive director) of the applicant and the implementing agency, Caltrans Director, and the CTC Executive Director. CTC may delete a project when no Baseline Agreement is executed.

2.6: Project Allocation

Programmed projects become eligible for reimbursement through the CTC allocation process, and execution of a Program Supplement Agreement or other alternate agreement. Each program has specific requirements beyond those listed in [Section 25.5.1: General Requirements and Procedures for All Programs in the LAPG](#), and it is the implementing agency's obligation and responsibility to comply with all the related codes, regulations, policies, guidelines, and procedures when implementing State and/or federally-funded projects.

Funding Allocation

The [SB 1 Guidelines](#) state that the CTC will allocate funds only when the implementing agency requests an allocation that has been prepared in accordance with the respective programmatic guidelines.

A funding allocation request can be submitted after a project is adopted or amended into the program by submitting a request for funding allocation to the DLAE [Exhibit 25-A: Allocation/Time Extension Form in the LAPG](#). If the project will be implemented by an agency other than the applicant, the allocation request must include a copy of the Memorandum of Understanding or Interagency Agreement between the project applicant and the implementing agency.

The implementing agency is the lead agency under CEQA and provides CEQA approvals and clearances. Caltrans is only involved in the review of local agency CEQA documents that impact a State Route through the Intergovernmental Review planning process. Caltrans Environmental may delegate CEQA lead back to the LPA.

Implementing agencies requesting State funds must provide the following information in the Request for Funding Allocation as detailed in [Section 25.5.1: General Requirements and Procedures for All Programs in the LAPG](#):

- Project identification
- Description of proposed improvement
- Outputs/outcomes
- Fund allocation summary
- Project funding plan by fiscal year
- Request for additional time if needed beyond the extensions listed in [Table 1 – Summary of Time Extensions in Chapter 25 of the LAPG](#)
- Status of project
- Estimations of milestones by date

Before submitting the allocation request, it is imperative to ensure the amounts and financial resources match to the PPR, the Project Report, and the Baseline Agreement as applicable. If these amounts do not reconcile, it will be necessary to determine what has changed leading up to the request for project allocation. Please consult with the DLAE on any changes to funding as this may require the amendment of the Baseline Agreement when it is used.

It is encouraged to submit a Request for Authorization to Proceed package concurrently with a request for CTC allocation of federal funds when both will be used for the project.

Project Amendment Requests

If a CTC approved project application or baseline was submitted, the implementing agency is required to complete the project as programmed and represented in the scope of work identified. This holds true unless an amendment request has been discussed with the LPA's District, submitted to Caltrans for review and recommendation, and approved by the CTC. Amendment requests include scope changes, cost changes, schedule changes, programming a new project, deprogramming fund-matching project(s) from a programmed project, and deleting a programmed project. The District Local Assistance Engineer may require the LPA to amend the Baseline Agreement as well.

Receiving the Construction Program/Award

Project Contract Award – construction contracts must be awarded within six (6) months of the construction and construction non-infrastructure allocations. [Exhibit 25-O: Award Information in the LAPG](#) for State-funded projects should be completed and the Caltrans District notified when construction contracts are awarded. Notification is required within 60 days of contract award. Refer to [LAPM Chapter 15: Advertise and Award Project](#) for more details. Projects **not** awarded within four (4) months are required to be reported to the CTC on a monthly basis.

2.7: Scope, Cost, and Schedule Changes

Scope Changes

Caltrans should be notified immediately of any change in project scope. Scope changes rise to three (3) distinct levels: design modifications, minor scope changes, and significant and/or major scope changes.

- If the proposed changes do not impact the project's benefits and vary slightly from the original scope, they may be deemed a **design modification** (e.g. same terms and project length, similar traffic calming measures, etc.). These will have to be documented and kept in the project file once Caltrans staff approves the changes.
- If there is a **minor scope change** (e.g. the scope change has minimal impact to the project benefits, or the scope change increases the benefits of the project), the CTC staff may approve it for ATP projects. For other programs, CTC staff will present recommended changes to the CTC as a part of the project allocation request.
- If the change is significant, and the project benefits decrease, then the request will be considered a **major scope change**. CTC staff will evaluate the proposed changes and present the request to the CTC to make a determination to continue funding the project or to delete the project from the program through a formal amendment.

Cost Changes

No State programs except STIP will participate in cost increases to projects. If there is a change in the cost estimate, the CTC should be notified as soon as possible in writing explaining the change and the plan to cover the increase. A revised PPR form identifying the source of funding must also be included in the amendment request. Savings at contract award may be used to expand the scope of the project only if the expanded scope provides additional quantifiable benefits. The expanded scope must be approved by CTC staff prior to contract award.

Schedule Changes

Implementing agencies must receive the approval of all the project partnering agencies before submitting amendment requests to Caltrans. All amendment requests should be submitted to the appropriate Caltrans District at least eight (8) weeks prior to each CTC meeting and include documentation that supports the requested change and its impact on the scope, cost, schedule and benefits.

Schedule changes to a project will not be considered unless a time extension ([Table 1 – Summary of Time Extensions in the LAPG](#)) was approved by the CTC. A complete request should include, but is not limited to, the following:

- A cover letter from all the project partnering agencies with a summary of the proposed change(s).

- An explanation from the implementing/responsible agency clearly identifying the need and/or reason for the programming change(s), and the extraordinary circumstances that led to the request with a detailed background of the project.
- The consequences if the request is not approved.
- Assurances of full-funding for the project and/or an explanation of future funding needs, if applicable.
- The impact the proposed change(s) would have on the project.
- An estimate of the impact the proposed change(s) would have on the potential of the project to deliver the project benefits as compared to the benefits identified in the project application (increase or decrease in benefits), and an explanation of the methodology used to develop the aforementioned estimate.
- An updated and completed PPR form, including the Project Programming Number (PPNO).
- Location map(s).

Caltrans will review the proposed amendment change and forward it with Caltrans' written analysis and recommendation to CTC for final approval.

Change Orders (COs) at a minimum must include, but not be limited to ensuring the CO request is within the original project scope. Refer to [Section 16.10: Change Order in the LAPM](#).

2.8: Monitoring the Project

Project Reporting

The purpose of all required reports is to ensure the project is executed on time and is within the scope and budget identified at the time of programming. All reporting provisions specified in the [SB 1 Guidelines](#) apply to the projects programmed in ATP, LPP, SCCP, and TCEP, including the report content, submission timeline, and consequences for noncompliance. For all programs subject to the Baseline Agreement requirement (ATP, TCEP, SCCP, and LPP Competitive), the progress report as detailed in [Section 25.5.1: General Requirements and Procedures for All Programs in the LAPG](#) is required.

Reimbursement and Invoice

All State programs are reimbursement programs for eligible costs incurred. An LPA may incur eligible costs after allocation. However, reimbursement for expenditures is dependent upon entering into an agreement with Caltrans. **Costs incurred prior to CTC allocation and federal project authorization (if federally-funded) are not eligible for reimbursement.** Reimbursement may be affected if the implementing agency does not complete the project as indicated in the original application. Refer to [LAPM Chapter 5: Invoicing](#).

Generally, the earliest date when work may be reimbursed is the date project funds are allocated by the CTC unless the LPA has previously submitted a project allocation request that includes a notice of the LPA's intent to expend its own funds for the project prior to the allocation approval ([LAPG Exhibit 25-M: Notice of SB 184 Project Start for Local STIP Projects](#)).

[The SB 1 Guidelines](#) stipulate the requirements for **invoicing Caltrans at least once every six (6) months**. The implementing agency must invoice Caltrans for reimbursement in accordance with the timely use of funds deadlines described in [Section 25.5.1: General Requirements and Procedures for All Programs in the LAPG](#). Invoices must be submitted no more frequently than monthly to minimize the administrative costs to the State and local agency.

Progress invoices must be submitted to the appropriate DLAE for review and approval to pay. The implementing agency must invoice Caltrans for eligible project development and right of way costs no later than 180 days after the end of the last eligible fiscal year of expenditure.

For construction costs, the implementing agency has 180 days after project completion to make the final payment to the contractor and prepare the Final Report of Expenditures and final invoice and submit to Caltrans for verification and payment. These requirements are also referenced in [Section 4.2: General Agreements in the LAPM](#). Extension of the deadline for submittal of the final invoice may be approved by Caltrans to accommodate the settlement of contract claims.

Federal Project Inactivity

Once federal funds for a project are encumbered, implementing agencies are expected to submit an invoice at least once every six (6) months for federal funds. This is regulated through [23 Code of Federal Regulations 630.106 \(23 CFR 630.106\)](#). Failure to do so will result in the project being deemed "inactive" and subject to de-obligation and deallocation if proper justification is not provided. It is the implementing LPA's responsibility to work in collaboration with their respective DLAE to ensure their federal-funded projects are invoiced timely. The LPA is to follow the procedures provided in [LAPM Chapter 5: Invoicing](#) to obtain reimbursement of State or federal funds.

For further information regarding the invoice processing, please refer to [Section 5.5: Invoice Guidelines, Format, and Checklist in the LAPM](#), [Figure 5-1: Invoice Flowchart](#) and [LAPM Chapter 17: Project Completion](#).

Timely Use of Funds

The timely use of funds provisions are intended to encourage local and regional agencies to accurately program, monitor, and deliver projects in a timely manner.

Caltrans will provide reports to the CTC on a regular basis for projects that have not been awarded, or transferred to the Federal Transit Administration (FTA) within six (6) months of the date of the construction allocation approval. All allocations that are unencumbered, non-transferred, and unexpended, will be de-allocated and reprogrammed appropriately.

Caltrans will review extension requests and forward them to the CTC for approval. Implementing agencies must use [Exhibit 25-A: Allocation/Time Extension Form in the LAPG](#) to submit time extension requests for allocation, contract award, expenditure, and project completion. The amount of additional time an implementing agency may request for their project is limited to what is permitted in the CTC Guidelines, which is up to 12 months and is dependent upon the allocation phase and program. Refer to [Table 1 – Summary of Time Extensions in Chapter 25 in the LAPG](#).

For specific project implementation requirements and guidelines refer to the following links and click on the most recent guidelines:

- [ATP](#)
- [LPP](#)
- [SCCP](#)
- [STIP](#)
- [TCEP](#)

2.9: Program Implementation and Reporting

Implementing LPAs shall be responsible for the reporting approach and will ensure all backup information/data is collected and retained prior to preparation and submittal of the Final Delivery Report or Completion Report to Caltrans.

In-Progress Accountability

Implementing LPAs are responsible for oversight and accountability that foster transparency and efficient use of resources to assist in maintaining public confidence. During the course of the project, the following in-progress accountability requirements will be monitored by the LPA:

- Satisfactory progress toward project completion, including:
 - Maintaining the approved schedule
 - Performing work as described in the approved scope of work
 - Maintaining the approved project budget
 - Achieving expected benefits

- Retention of financial records that document and support all expenditures.
- Accurate and timely reports and reimbursement requests.
- Timely and complete responses to any communication and requests for information by the CTC and/or Caltrans.

Program Reporting **and Annual Reports**

All FDRs, Supplemental FDRs, Completion Reports, and benefits/outcomes must be reconciled with the Baseline Agreement to report on the actual totals after contract acceptance or once the project is open to the public.

Completion Reports

Within six (6) months of construction contract acceptance or the project becoming operable (open to the public), whichever comes sooner, the implementing LPA will provide consistent and uniform project-user data and a Completion Report to Caltrans detailing:

- The scope of the completed project
- Its estimated final cost
- Estimated schedule
- Project benefits/outcomes as compared to those included in the executed project and Baseline Agreement
- Explanations for significant differences between the actual project benefits/outcomes and the Baseline Agreement estimates

Final Delivery Reports

An FDR must be submitted for SB1 and ATP-funded projects at the conclusion of all remaining project activities to reflect final project expenditures, and any changes after submittal of the Completion Report.

The FDR must be submitted within 180 days of the conclusion of all remaining project activities to reflect:

- Final report of project expenditures
- All changes that occurred after submittal of the Completion Report
- An updated evaluation of the benefits and outcomes

2.10: Project Completion Closeout Process

LPAs are responsible for preparing and submitting to the DLAE the final report documents which collectively constitute the Final Report of Expenditures. The closeout process is implemented by the timely submittal of an FDR (Prop 1B) or a Completion Report for (SB1 and ATP) for grant-funded projects along with the Final Report of Expenditures during the closeout process.

Upon acceptance of a completed project and within 180 days, the implementing agency is responsible for preparing and submitting to Caltrans the final report documents. If the submittal deadline occurs in the year funds will lapse according to State Budget Authority regulations, the Final Report of Expenditures must be submitted to the DLAE by April 1 of that year. If timely submittals are not received, Caltrans may initiate actions discussed under [Section 17.6: Consequences for Non-Compliance in the LAPM](#). The Final Report of Expenditures must be signed by the LPA employee (non-consultant) in responsible charge of the project.

[Section 25.6: Project Completion in the LAPG](#) states the closeout process to be followed must be consistent with existing processes now in place for ongoing transportation programs. Several actions must take place during the project closeout process:

1. Final Inspection by the LPA: the implementing agency representative or his/her staff must make the final inspection, and the inspection of work performed under contract must be made sufficiently in advance of contract acceptance to allow time for possible corrective action.
2. Project Verification: if deemed necessary, Caltrans will perform a field review and verify the project was constructed in accordance with the scope and description of the project authorization document.
3. Final Project Deliverables: the implementing agency submits the final invoice and report, etc. These deliverables provide key information required to initiate timely project closure and payment.
4. Caltrans Approval: Caltrans will review the final deliverables and the project will be closed once the final deliverables are approved. Refer to [Chapter 25 State Programs for Local Agency Projects in the LAPG](#). If a project utilizes federal-aid funds, the [Federal Report of Expenditures](#) must be completed, and the federal completion process must be followed; refer to [Section 17.5: Final Report of Expenditures in the LAPM](#).
5. For State-only funded projects, LPA shall refer to [Section 17.5: Final Project Expenditure Report in the LAPM](#) for final closeout reporting. The report with the final invoice attached will be submitted to the DLAE.

In addition, for further information regarding the completion process, refer to [LAPM Chapter 17: Project Completion](#) and the specific close out process for the following types of projects:

- [ATP](#)
- [LPP](#)
- [SCCP](#)
- [STIP](#)
- [TCEP](#)

2.11: Consequences for Noncompliance

The implementing agency must construct the project in accordance with the scope of work presented in the application or Baseline Agreement and approved by the CTC. Any changes to the approved project scope without prior expressed approval of the CTC are ineligible for reimbursement and may result in the entire project becoming ineligible for reimbursement.

Sanctions may be imposed by Caltrans on agencies that are found in noncompliance with the reporting requirements. If there is a discrepancy between the Final Invoice and the Final Detail Estimate, the implementing agency will be notified by phone that a discrepancy exists, and their payment will be delayed until it is resolved. If the problem cannot be resolved within 180 days, Caltrans Local Program Accounting will bill the implementing agency for all expenditures made on this project. If the implementing agency does not pay the accounts receivable bill within 30 days, Caltrans Local Program Accounting will initiate actions with the State Controller Office to offset funds due the LPA.

The Independent Office of Audits and Investigations (IOAI) ensures external entities that receive State and federal transportation funds passed-through Caltrans, are spending funds efficiently, effectively, economically, and in compliance with applicable State and federal requirements. The IOAI is required to review policies, practices, and procedures; and conduct audits and investigations of activities involving all State transportation funds. Refer to [Section 20.2: The Independent Office of Audits and Investigations \(IOAI\) in the LAPM](#) for specifics.

The CTC expects that audits will be conducted on a representative sample of projects from each of the respective SB 1 Programs and provide a finding on the following:

- Whether project costs incurred and reimbursed comply with the executed project agreements or approved amendments; State and federal laws and regulations; contract provisions, and CTC guidelines.
- Whether project deliverables (outputs) and outcomes are reasonable in comparison with the project cost, scope, schedule, and benefits described in executed project agreements or approved amendments.

If reimbursed funds are determined to have been misappropriated upon finalization of an audit, the IOAI will recommend for these funds to be repaid from the LPA to Caltrans.