

# Memorandum

*Making Conservation  
a California Way of Life.*

**To:** MARSUE MORRILL, CPA  
Chief  
External Audits–Local Governments  
Audits & Investigations

**Date:** May 25, 2017

**File:** P1594-0001  
P1594-0002

**From:** JOHN HOOLE  
Acting Chief  
Division of Local Assistance

**Subject:** **DIVISION CORRECTIVE ACTION PLAN–WESTERN SHASTA RESOURCE  
CONSERVATION DISTRICT–INDIRECT COST RATE PROPOSAL**

This memorandum serves as the Division of Local Assistance (DLA) Corrective Action Plan for findings described in the State Controller's Office audit of the Western Shasta Resource Conservation District (Conservation District) dated April 2017. We thank you and your staff for the efforts in completing this audit, and for helping the Conservation District improve their financial management system.

The DLA concurs with the Audit findings:

**Finding 1–Unallowable “Field” Supplies” Expenses Included in the Indirect Cost Rate Proposal**

The Conservation District overstated the indirect cost of “field supplies” expenses by \$1,983 because no source documentation was presented to support the expenses. By including unsupported indirect costs relating to field supplies, the Conservation District overstated the proposed indirect cost rate.

**A&I Recommendation**

The Conservation District should develop and implement procedures to ensure that adequate supporting documents are maintained.

**Corrective Action**

District 2 will work with the Conservation District to revise and resubmit the ICRP for Fiscal Year (FY) 2012–13 and FY 2013–14. Any resulting overpayments are to be repaid to Caltrans by October 1, 2017.

**Finding 2–Unallowable “Outside Contractors” Expenses Included in the Indirect Cost Rate Proposal**

The Conservation District overstated the indirect cost of “outside contractors” expenses by a total of \$52,111. Of the \$52,111, no evidence was presented to support \$19,547 in expenses. In addition, the Conservation District misclassified \$32,564 of the \$52,111 as indirect costs when the costs were associated with a direct project and should have been claimed as direct cost.

**A&I Recommendation**

The Conservation District should develop and implement procedures to ensure that adequate supporting documents are maintained and costs are properly classified between direct and indirect costs.

MARSUE MORRILL

May 25, 2017

Page 2 of 2

**Corrective Action**

District 2 will work with the Conservation District to revise and resubmit the ICRP for FY 2012–13 and FY 2013–14. Any resulting overpayments are to be repaid to Caltrans by October 1, 2017.

**Finding 3–Unallowable “Transportation and Travel” Costs Included in the Indirect Cost Rate Proposal**

The Conservation District claimed \$25,687 in fuel costs in its ICRP; however, it received mileage reimbursement as a direct charge in grants. A duplicate reimbursement was created and, as the amount was paid directly by a grant, could not be claimed as an indirect cost.

**A&I Recommendation**

The Conservation District should develop and implement procedures to ensure that adequate supporting documents are maintained and costs are properly classified between direct and indirect costs.

**Corrective Action**

District 2 will work with the Conservation District to revise and resubmit the ICRP for FY 2012–13 and FY 2013–14. Any resulting overpayments are to be repaid to Caltrans by October 1, 2017.

If you have any questions, please contact Phyllis Nahale, Division of Local Assistance, at (916) 651-8257 or by email sent to [phyllis.nahale@dot.ca.gov](mailto:phyllis.nahale@dot.ca.gov).

- c: Veneshia Smith, Financial Program Manager, Federal Highway Administration
- Kara Magdaleno, Administrative Officer, Federal Highway Administration
- Roberto Rodrigues, F.I.R.E. & Program Review Coordinator, Federal Highway Administration
- Erwin Gojuangco, Acting Chief, Policy Development & Quality Assurance, Division of Local Assistance, Caltrans
- Ian Howat, District Local Assistance Engineer, District 2, Caltrans
- Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
- Tami Gill, Audit Manager, External Audits–Local Governments, Audits & Investigations, Caltrans
- Phyllis Nahale, Audits Liaison, Office of Policy Development and Quality Assurance, Division of Local Assistance, Caltrans