

**DEPARTMENT OF TRANSPORTATION**

DIVISION OF LOCAL ASSISTANCE

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*Making Conservation  
a California Way of Life.*

September 29, 2017

Ms. Elena Adair, CPA, Director  
Finance Department  
City of Alameda  
2263 Santa Clara Avenue  
Alameda, CA 94501

Dear Ms. Adair:

This letter notifies the City of Alameda (City) of the California Department of Transportation's (Caltrans) determination for corrective actions regarding deficiencies identified by Caltrans' Indirect Cost Rate Proposal Audit, issued on July 24, 2017.

**Finding 1: Indirect Salaries Improperly Based on Estimates of Compensation Time Off**

The audit finds that the City's indirect salaries expense claim was an estimate based on 10% of the total salaries expense, which accounted for non-productive time to cover the Engineering Division's Compensation Time Off (CTO) expense. The City's method of using estimates rather than actuals for CTO is unallowable pursuant to Title 2 Code of Federal Regulations, Part 225 (2 CFR 225).

Corrective Action: The City will follow the provisions of 2 CFR 225 and discontinue using estimates for future final rate Indirect Cost Rate Proposals (ICRP). Caltrans District 4 will assess the City's compliance within six months of the date of this memorandum.

**Finding 2: Billing Unapproved Overhead Rates**

The audit finds that the City used hourly pay rates, which included unapproved overhead costs, to bill Caltrans for project-related direct labor costs instead of using the actual cost rate based on actual salaries, fringe benefits, and an approved overhead rate. The City's billing method is unallowable per Caltrans' Local Assistance Procedures Manual (LAPM), Chapter 5 – Accounting/Invoices.

Corrective Action: Caltrans District 4 will ensure the City trains its staff accordingly on the proper billing method as per the provisions of the LAPM, Chapter 5 – Accounting/Invoices, by the end of this calendar year. In addition, the City is to obtain an approved indirect cost rate prior to billing Caltrans.

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If you have any questions, please contact Carmen Wills, Division of Local Assistance, at (916) 653-3990 or carmen.wills@dot.ca.gov.

Sincerely,



RIHUI ZHANG, Chief  
Division of Local Assistance

- c: Rodney Whitfield, Director of Financial Services, Federal Highway Administration
- Tashia Clemons, Director, Program Development, Federal Highway Administration
- Kara Magdaleno, Administrative Program Assistant, Planning and Finance, Federal Highway Administration
- Roberto Rodrigues, F.I.R.E. & Program Review Coordinator, Federal Highway Administration
- Erwin Gojuangco, Acting Chief, Office of Guidance and Oversight, Division of Local Assistance, Caltrans
- Sylvia Fung, District Local Assistance Engineer, District 4, Caltrans
- James Ogbonna, Chief, Rural Transit and Intercity Bus Branch, Division of Rail and Mass Transportation, Caltrans
- Nick Hernandez, Transportation Planner, Rail Capital Projects, Division of Rail and Mass Transportation, Caltrans
- Ezequiel Castro, Senior Transportation Planner, State Transit Grant Program, Division of Rail and Mass Transportation, Caltrans
- C. Edward Philpot, Jr., Branch Chief, Transportation Equity, Office of Regional Planning, Caltrans
- Erin Thompson, Senior Transportation Planner, Regional and Interagency Planning, Division of Transportation Planning, Caltrans
- Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
- MarSue Morrill, CPA, Chief, External Audits–Local Governments, Audits & Investigations, Caltrans
- Carmen Wills, Audits Analyst, Program Reviews & Outreach, Office of Guidance and Oversight, Division of Local Assistance, Caltrans