

Memorandum

*Making Conservation
a California Way of Life.*

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

Date: July 21, 2017

File: P1594-0029 –
P1594-0035

From: JOHN HOOLE
Acting Chief
Division of Local Assistance



Subject: **DIVISION CORRECTIVE ACTION PLAN-INDIRECT COST RATE PROPOSAL AUDIT-CITY OF MODESTO, DEPARTMENT OF PUBLIC WORKS, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**

This memorandum serves as the California Department of Transportation's (Caltrans) Division of Local Assistance (DLA) Corrective Action Plan for findings described in Audits and Investigations (A&I) Audit of the City of Modesto, Department of Public Works, Department of Community and Economic Development (City) dated May 2017. We thank you and your staff for your efforts in completing this audit and for helping the City improve their financial management system.

The DLA concurs with the audit findings:

Finding 1–Unallowable Indirect Salaries

The ICRPs for four divisions included unallowable indirect salary costs.

A&I Recommendation

It is recommended that the City implement defining program codes in Oracle financial software to correctly identify and support indirect activities.

Corrective Action

District 10 will work with the City to reconcile all reimbursements using the audited rates for Fiscal Years (FY) 2008–09 through 2014–15. Any resulting overpayments are to be repaid to Caltrans by December 28, 2017.

Finding 2–Unallowable Indirect Cost-Liability Insurance

The Liability Insurance cost category included a surcharge related to civil suits brought due to alleged discrimination in the workplace.

A&I Recommendation

The City should review 2 CFR 225 and exclude from its ICRPs any civil suits against the City in subsequent years.

MARSUE MORRILL, CPA
July 21, 2017
Page 2 of 2

Corrective Action

District 10 will ensure that the City excludes from its ICRPs any liability surcharges related to civil suits.

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

- c: Veneshia Smith, Financial Manager, Federal Highway Administration, California Division
- Kara Magdaleno, Administrative Program Assistant, 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
- Winton Emmett, Chief, Project Implementation, North, Division of Local Assistance, Caltrans
- Parminder Singh, District Local Assistance Engineer, District 10, Caltrans
- Bruce Sumida, Disadvantaged Business Enterprise Coordinator, District 10, Caltrans
- Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
- MarSue Morrill, CPA, Chief, External Audits–Local Governments, Audits & Investigations, Caltrans
- Tami Gill, Audit Manager, External Audits–Local Governments, Audits & Investigations, Caltrans
- Carmen Wills, Audits Analyst, Policy Development & Quality Assurance, Division of Local Assistance, Caltrans