


Memorandum

*Making Conservation
a California Way of Life.*

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

Date: March 23, 2018

File: P1594-0075 –
P1594-0077

From: RIHUI ZHANG 
Chief
Division of Local Assistance

Subject: **DIVISION CORRECTIVE ACTION PLAN-INDIRECT COST RATE PROPOSAL AUDIT-
COUNTY OF SACRAMENTO, DEPARTMENTS OF GENERAL SERVICES AND
TRANSPORTATION**

The attached serves as the California Department of Transportation's Division of Local Assistance Corrective Action Plan for findings described in the Audits & Investigations' audit of the County of Sacramento (County), Departments of General Services and Transportation, dated February 2018. We thank you and your staff for the efforts in completing this audit and for helping the County improve their financial management system.

If you have any questions or need additional information, please contact Daniel Burke at (916) 654-5854 or daniel.burke@dot.ca.gov.

Attachment

Corrective Action Plan – County of Sacramento, Departments of General Services and Transportation, P1594-0075 – P1594-0077

- c: Rodney Whitfield, Director of Financial Services, Federal Highway Administration
Tashia Clemons, Director, Program Development, Federal Highway Administration
Veneshia Smith, Financial Manager, Financial Services, 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
Chris Schmidt, Chief, Division of Transportation Planning, Caltrans
Mark Samuelson, Assistant Division Chief, Division of Local Assistance, Caltrans
Martin Villanueva, District Local Assistance Engineer, Division of Local Assistance, District 3, Caltrans
Mark Codey, Branch Chief, State Transit Grants, Division of Rail and Mass Transportation, Caltrans
Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
Daniel Burke, Branch Chief, Program Reviews & Outreach, Office of Guidance and Oversight, Division of Local Assistance, Caltrans

*"Provide a safe, sustainable, integrated and efficient transportation system
to enhance California's economy and livability"*

Corrective Action Plan

County of Sacramento – P1594-0075, -0076, -0077
 Indirect Cost Rate Proposal Audit
 Issued: February 27, 2018
 CAP Due: April 6, 2018

Finding	Recommendation	Responsible Program(s)/Division(s)	Proposed Corrective Action (Include Time Lines)
<p>FINDING 1 – The County of Sacramento Departments of General Services and Transportation Do Not Bill Actual Costs.</p> <p>The County of Sacramento (County) Department of General Services, Construction Management Division (CMID) and Department of Transportation (DOT) bill Caltrans using an average labor rate (rate) for each job classification within a division. The rate is applied to each employee by classification to their actual productive hours, which is the total estimated labor costs. CMID and DOT do not reconcile estimated labor cost to actual costs which is necessary to ensure labor costs are actual and allowable.</p>	<p>We recommend the County:</p> <ul style="list-style-type: none"> • Bill actual labor costs and adhere to Local Assistance Procedure Manual 5.2. • Is required to develop and implement written procedures and reconcile billings by comparing what was billed to the actual labor costs annually and at project completion, if continuing to bill Caltrans using an average labor rate. • Complete the reconciliation process and have procedures developed and implemented prior to the County being eligible to receive any future project reimbursements from Caltrans. 	<p>Division of Local Assistance</p>	<p>The Division of Local Assistance (DLA) concurs with the audit finding.</p> <p>Corrective Actions: The County must complete the following actions by September 30, 2018:</p> <ul style="list-style-type: none"> • Evaluate all billings in Fiscal Year (FY) 2014-15 and FY 2015-16, and reconcile the average labor rates used in comparison to the actual labor costs at the completion of the project. Any resulting overpayment should be reimbursed to Caltrans. • The County must develop and implement written policy and procedures for actual labor billing and reconciliation in accordance with the Federal Master Agreement 03-5924R and Local Assistance Procedure Manual, Chapter 5, Section 5.2 – Requirements for Reimbursement. In addition, the County must provide DLA the labor billing policy and procedures for review and approval.
<p>FINDING 2 – Unallowable Costs Included in the Indirect Cost Pool.</p> <p>The County, Department of General Services, Construction Management Inspection Division (CMID) included unallowable costs in the indirect cost pool for fiscal year (FY) 2015/16. The Construction Contract costs of \$373,788, are directly related to a final cost objective and should be identified as a direct cost and not be included in the indirect cost pool.</p>	<p>We recommend the County:</p> <ul style="list-style-type: none"> • Exclude Construction Contract cost from the indirect cost pool on future Indirect Cost Rate Proposals (ICRP). <p>Review all billings using the FY 2015/16 accepted rate to Caltrans and reimburse the difference between the accepted and audited rate as required by the County's agreement with the terms of their ICRP submittal.</p>	<p>Division of Local Assistance</p>	<p>The DLA concurs with the audit finding.</p> <p>Corrective Action:</p> <ul style="list-style-type: none"> • The County's CMID must reconcile all billing invoices using the audited accepted rate for FY 2015-16. Any resulting overpayment should be reimbursed to Caltrans by September 30, 2018. In addition, CMID should exclude Construction Contract costs from all future ICRP.