



Independent Office of Audits and Investigations

December 15, 2021

Transmitted via email

Jeanie Ward-Waller
Deputy Director
Planning and Modal Programs
California Department of Transportation

Final Report – City of Chico, Indirect Cost Rate Proposal Audit

The Department of Finance, Office of State Audits and Evaluations completed an Indirect Cost Rate Proposal (ICRP) audit of the City of Chico, Department of Public Works' (City) ICRPs for 2019-20 and 2020 21. Enclosed is the final audit report which includes the City's response.

The audit was performed to determine whether the ICRP complied with Title 2 Code of Federal Regulations Part 200 (2 CFR 200) and the California Department of Transportation's (Caltrans) Local Assistance Procedures Manual, Chapter 5 (LAPM). In addition, the audit included recalculating the ICRP rates, if unallowable costs were identified.

The audit determined the ICRP were not in compliance with 2 CFR 200 and the LAPM. Specifically, unallowable costs in the indirect costs pool were identified and the rates were recalculated.

A detailed Corrective Action Plan (CAP) addressing the findings and recommendations is due from Caltrans within 60 days from receipt of this letter. The CAP should include milestones and target dates as applicable. Subsequent to the submission of the 60-day CAP, updated CAPs will be due every six months until all planned actions have been implemented.

Jeanie Ward-Waller
December 15, 2021
Page 2

If you have any questions, contact Fabiola Torres, Audit Chief, at (916) 704-3628 or fabiola.torres@dot.ca.gov, or Jonathan Cox, Audit Manager, at (916) 704 3428 or jonathan.cox@dot.ca.gov.

Sincerely,

ORIGINAL SIGNED BY:

DIANA C. ANTONY, CPA
Acting Inspector General

Enclosure

c: Scott Dowell, Administrative Services Director, City of Chico

Amarjeet S. Benipal, District Director, District 3, California Department of
Transportation
Bomasur Banzon, District Local Assistance Engineer, Planning and Local Assistance,
District 3, California Department of Transportation
Gilbert Petrisans, Chief, Division of Accounting, California Department of
Transportation
Rodney Whitfield, Director, Financial Services, Federal Highway Administration
Grace Regidor, Transportation Finance Specialist, Federal Highway Administration

P1594-0114



City of Chico

Indirect Cost Rate Proposal
Fiscal Years 2019-20 and 2020-21

Report No. 21-2660-097
November 2021

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
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Jeremy Cameron Jackson, CPA, Supervisor
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Final reports are available on our website at <https://www.dof.ca.gov>.

You can contact our office at:

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Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985



November 10, 2021

Fabiola Torres, Chief, Planning and Modal Office
Independent Office of Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Final Report—City of Chico, Indirect Cost Rate Proposal Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Chico, Department of Public Works (City), Capital Projects Unit's, Indirect Cost Rate Proposal (ICRP) for fiscal years 2019-20 and 2020-21, California Department of Transportation (Caltrans) Audit Number P1594-0114.

The enclosed report is for your information and use. The City's response to the report finding and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

If you have any questions regarding this report, please contact Rick Cervantes, Manager, or Jeremy Jackson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Jonathan Cox, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation
Monty Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

ICC: C/F, OSAE

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Assignment Number: 21-2660-097

Email for addressee and ccs:

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BACKGROUND, SCOPE, METHODOLOGY, AND RESULTS

BACKGROUND

The California Department of Transportation's (Caltrans) Local Assistance Program oversees more than \$1 billion dollars annually available to over 600 cities, counties, and regional agencies for the purpose of improving their transportation infrastructure or providing transportation services. This funding comes from various federal and state programs specifically designed to assist the transportation needs of local agencies.¹

The City of Chico Department of Public Works (City) consists of several divisions and units including the Capital Projects Unit. The City builds, manages, and protects public infrastructure for the use and enjoyment of the community.² The Capital Projects Unit manages the funding for the infrastructure projects including obtaining the indirect cost rates.

At the discretion of local government agencies (LGA), indirect costs may be recovered when seeking reimbursement for federal-aid transportation projects and state funded projects. To recover indirect costs, LGAs annually submit an Indirect Cost Rate Proposal (ICRP), which may also include a fringe benefit rate, to Caltrans's Independent Office of Audits and Investigations (IOAI). IOAI reviews the documentation supporting the rate(s) and issues an acceptance letter allowing the LGAs to bill Caltrans and seek reimbursement of indirect costs, which IOAI may audit for compliance with Title 2 Code of Federal Regulations Part 200 (2 CFR 200), and Caltrans's Local Assistance Procedures Manual Chapter 5 (LAPM).

SCOPE

At the request of IOAI, the California Department of Finance, Office of State Audits and Evaluations, audited the City's ICRP for fiscal years 2019-20 and 2020-21.

The audit objectives were to:

1. Determine whether the 2019-20 and 2020-21 ICRPs, were in compliance with 2 CFR 200 and the LAPM.
2. Recalculate the 2019-20 and 2020-21 ICRP rates if unallowable costs are identified.

The 2019-20 and 2020-21 ICRPs include transactions related to actual costs incurred and billed to Caltrans in 2017-18 and 2018-19.

¹ Excerpts obtained from Caltrans's Division of Local Assistance website <http://www.dot.ca.gov/localassistance/index.html>.

² Excerpts obtained from the City of Chico's website <https://chico.ca.us/public-works>.

The City is responsible for preparing its ICRP in accordance with state and federal requirements, which includes implementing internal controls and maintaining an adequate financial management system to accumulate and segregate reasonable, allowable, and allocable costs.

METHODOLOGY

In planning the audit, we gained an understanding of the City's operations, and identified relevant ICRP requirements by interviewing Caltrans and City personnel and reviewing 2 CFR 200, the LAPM, and applicable City policies and procedures.

We conducted a risk assessment, including evaluating whether key internal controls significant to our audit objectives were properly designed, implemented, and operating effectively. Key controls evaluated focused on the separation of indirect and direct costs including labor and preparation of the ICRP. Our assessment included conducting interviews related to processes, reviewing records, and testing transactions related to time keeping/payroll, billing, and ICRP preparation for effectiveness of existing documented processes and procedures. Deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

Additionally, we assessed the reliability of data from the City's financial management system, One Solution. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining if costs were separately categorized by tracing to the accounting records. We determined the data were sufficiently reliable to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: Determine whether the 2019-20 and 2020-21 ICRPs are in compliance with 2 CFR 200 and the LAPM.</p>	<ul style="list-style-type: none"> • Selected 2017-18 and 2018-19 significant and high-risk cost categories to verify compliance with 2 CFR 200 and the LAPM as follows: <ul style="list-style-type: none"> (1) significant indirect costs pool categories were determined based on change analysis from the two prior year's actual costs and cost categories with ending balances that meet or exceed 1 percent of the current direct cost base; (2) direct and indirect salaries and fringe benefits were considered high-risk categories based on the impact to the rate; and (3) high-risk indirect costs pool categories were determined based on costs commonly identified for non-compliance with 2 CFR 200 and the LAPM. Specifically, costs were selected from direct and indirect salaries, fringe benefits, and the indirect costs pool categories. <ul style="list-style-type: none"> ○ Selection of direct and indirect salaries and fringe benefits were based on quantitative and qualitative factors such as total costs charged, percentage of time charged to direct and indirect activities, and employee job classification. ○ Selection of indirect costs pool costs were based on quantitative and qualitative factors such as costs with a potential impact to the ICRP rate by 1 percent or greater, and the type (i.e. description) of costs. ○ Determined if direct and indirect salaries and fringe benefits were allowable, supported, segregated, and allocated, by reconciling payroll reports to the ICRP, interviewing City staff, tracing the amounts to accounting and payroll records, performing analytical procedures for indirect salaries, and verifying fringe benefits costs for vacation and holidays were in compliance with City policies. ○ Determined if indirect costs pool costs were allowable, authorized, supported, equitably allocated, and properly segregated as indirect costs by evaluating allocation methodologies, tracing the indirect costs to accounting records, and interviewing City staff. • Determined the carry forward calculations³ were supported by: <ul style="list-style-type: none"> ○ Verifying the 2017-18 and 2018-19 rates were supported by the approved ICRP submissions. ○ Verifying the 2017-18 and 2018-19 actual costs were supported by accounting records and reconciled to audited financial data. ○ Recalculating the 2017-18 and 2018-19 recovered indirect costs, carry forward, and the 2019-20 and 2020-21 adjusted indirect costs. • Verified the actual indirect costs recovered by the City were billed at the IOAI approved indirect cost rate by tracing the rate used on Caltrans's billings to the rate in Caltrans's Acceptance Letter and recalculated the indirect costs billed to Caltrans.

³ The City uses a schedule of estimated direct and indirect costs to determine the annual indirect cost rate. These estimates are reconciled to actual costs. The difference between the actual costs and the estimated costs is carried forward and is included in the calculation of a future ICRP rate. This is referred to as the carry forward calculation.

Audit Objective	Methods
<p>Objective 2: Recalculate the 2019-20 and 2020-21 ICRP rates if unallowable costs are identified.</p>	<ul style="list-style-type: none"> Recalculated the ICRP rates with carry forward adjustments based on 2017-18 and 2018-19 audited amounts.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION

Based on the procedures performed and evidence gathered, we determined the City's 2019-20 and 2020-21 ICRPs are not in compliance with 2 CFR 200 and the LAPM. As described in Finding 1, we identified unallowable costs that impacted the 2019-20 and 2020-21 ICRP rates and recommend rate changes as identified in Table 1.

Table 1 - Accepted and Audited 2019-20 and 2020-21 ICRP Rates⁴

Fiscal Year	Division	Accepted Rate (a)	Audited Rate (b)	Rate Difference (a)-(b)
2019-20	Capital Projects Unit	76%	60%	16%
2020-21	Capital Projects Unit	94%	79%	15%

See Appendix A and Appendix B for the Summary of Accepted and Audited Costs and Rates for the 2019-20 and 2020-21 ICRP.

FINDING AND RECOMMENDATIONS

Finding 1: Unallowable Costs in the Indirect Costs Pool

The City included \$388,080 of unallowable costs within the Salaries and Benefits and Stormwater Management Program categories of the indirect costs pool. These unallowable costs result in changes to the accepted ICRP rates as illustrated in Table 1. Additionally, these costs should be excluded from future calculations of the ICRP submission to reduce the risk of overstating ICRP rates and overbilling indirect costs. For details of the disallowed costs, see Table 2.

Table 2 - Unallowable Indirect Costs Pool Costs

Fiscal Year ⁵	Cost Categories	Unallowable Costs
2017-18	Salaries and Benefits	\$ 95,998
	Stormwater Management Program	100,546
2018-19	Stormwater Management Program	191,536
Total Unallowable Costs		\$ 388,080

Truck Line project costs totaling \$95,998 were erroneously included in the indirect Salaries and Benefits, due to incorrect coding in the accounting records. Based on our review of the payroll reconciliation report and interviews with City staff, the Truck Line project costs are specific to a cost objective and should have been classified as direct costs.

⁴ The ICRPs submitted by the City were accepted by IOAI on February 19, 2019 and March 12, 2020, respectively.

⁵ The respective fiscal year actual costs incurred were used to calculate the 2019-20 and 2020-21 ICAP rates, respectively.

Stormwater Management Program costs of \$100,546 and \$191,536 from 2017-18 and 2018-19, respectively, were incorrectly included in the indirect costs. The City was unaware of why these costs were allocated to the indirect costs pool. The Stormwater Management Program costs were allocated to three funds and were inconsistently classified as direct costs in two funds and indirect costs in one fund. Additionally, the Stormwater Management Program costs are identifiable to a specific cost objective and should have been classified as direct costs.

2 CFR 200.413 (a) states direct costs are costs that can be identified specifically with a particular final cost objective or, be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

Recommendations:

- A. Reconcile the 2019-20 and 2020-21 billings using the audited rates in Table 1 and reimburse Caltrans for any over payments.
- B. Review all ICRP indirect costs pool accounts to ensure costs comply with 2 CFR 200.

**Summary of Accepted and Audited Costs and Rates
Indirect Cost Rate Proposal
City of Chico, Department of Public Works, Capital Projects Unit
2019-20**

Table A.1 – 2017-18 Actual Costs (Carry Forward Year)				
Description	Accepted Amounts	Audit Adjustments	Audited Amounts	Finding Number
Direct Costs				
Salaries and Benefits	\$ 1,235,788	\$ 0	\$ 1,235,788	
Total Indirect Cost Base⁶	\$ 1,235,788	\$ 0	\$ 1,235,788	
Indirect Costs Pool				
Salaries and Benefits	\$ 332,285	\$ (95,998)	\$ 236,287	1
Office Expense	10,666	0	10,666	
Postage & Mailing	49	0	49	
Outside Printing Expense	931	0	931	
Books/Periodicals/Software	4,349	0	4,349	
Materials and Supplies	2,242	0	2,242	
Small Tools and Equipment	5,159	0	5,159	
Equipment Maintenance/Repair	320	0	320	
Audit Services	7,083	0	7,083	
Maintenance Agreements Other	9,690	0	9,690	
Advertising/Marketing	111	0	111	
License/Permits/Fees	421	0	421	
Memberships/Dues	1,938	0	1,938	
Training	5,211	0	5,211	
Communications	6,524	0	6,524	
Insurance	25,274	0	25,274	
Fuel	1,920	0	1,920	
Vehicle Maintenance/Repair	11,694	0	11,694	
Indirect Cost Allocation	267,829	0	267,829	
Building Main Allocation	31,084	0	31,084	
Information Systems Allocation	62,102	0	62,102	
Stormwater Management Program	100,546	(100,546)	0	1
Total Indirect Costs Pool⁷	\$ 887,428	\$ (196,544)	\$ 690,884	1

⁶ 2017-18 Indirect Cost Base is forwarded to Table A.2 – 2017-18 Calculated Indirect Cost Recoveries.

⁷ 2017-18 Total Indirect Costs Pool is forwarded to Table A.3 – 2017-18 Carry Forward Calculation.

APPENDIX A (continued)

**Summary of Accepted and Audited Costs and Rates
Indirect Cost Rate Proposal
City of Chico, Department of Public Works, Capital Projects Unit
2019-20**

Table A.2 – 2017-18 Calculated Indirect Cost Recoveries				
Description	Accepted Amounts	Audit Adjustments	Audited Amounts	Finding No.
(A) Indirect Costs Base (from Table A.1)	\$ 1,235,788	\$ 0	\$ 1,235,788	
(B) 2017-18 Indirect Cost Rate ⁸	68%	0	68%	
(C) Calculated Indirect Cost Recoveries (A) x (B)⁹	\$ 840,336	\$ 0	\$ 840,336	

Table A.3 – 2017-18 Carry Forward Calculation				
Description	Accepted Amounts	Audit Adjustments	Audited Amounts	Finding No.
(D) 2017-18 Indirect Costs Pool (from Table A.1)	\$ 887,428	(196,544)	\$ 690,884	1
(E) Calculated Indirect Cost Recoveries (from table A.2)	840,336		\$840,336	
(F) 2015-16 Carry Forward	0	0	0	
(G) 2017-18 Carry Forward (D) – (E) + (F)¹⁰	\$ 47,092	\$ (196,544)	\$ (149,452)	

Table A.4 – 2019-20 ICRP Indirect Cost Rate				
Description	Accepted Amounts ¹¹	Audit Adjustments	Audited Amounts	Finding No.
(H) 2019-20 Budgeted Indirect Costs ¹²	\$ 887,428	\$ 0	\$ 887,428	
(I) 2017-18 Carry Forward (from Table A.3)	47,092	(196,544)	(149,452)	1
(J) Net 2019-20 Budgeted Indirect Cost Pool (H) + (I)	\$ 934,520	\$ (196,544)	\$ 737,976	
(K) 2019-20 Budgeted Direct Salaries and Benefits (Indirect Cost Base) ¹³	\$ 1,235,788	\$ 0	1,235,788	
(L) 2019-20 City of Chico Rate (J)/(K)	76%	(16)%	60%	

⁸ 2017-18 Indirect Cost Rate was accepted by IOAI on August 17, 2017.

⁹ Calculated Indirect Cost Recoveries is forwarded to Table A.3 – 2017-18 Carry Forward Calculation.

¹⁰ 2017-18 Carry Forward is forwarded to Table A.4 – 2019-20 ICRP Indirect Cost Rate.

¹¹ The ICRP costs and calculated rates submitted by the City were accepted by IOAI on February 19, 2019.

¹² Because the 2019-20 costs are budget estimates, specific costs/transactions were not tested.

¹³ Ibid.

**Summary of Accepted and Audited Costs and Rates
Indirect Cost Rate Proposal
City of Chico, Department of Public Works, Capital Projects Unit
2020-21**

Table B.1 – 2018-19 Actual Costs (Carry Forward Year)				
Description	Accepted Amounts	Audit Adjustments	Audited Amounts	Finding Number
Direct Costs				
Salaries and Benefits	\$ 1,269,820	\$ 0	\$ 1,269,820	
Total Indirect Cost Base¹⁴	\$ 1,269,820	\$ 0	\$ 1,269,820	
Indirect Costs Pool				
Salaries and Benefits	\$ 335,595	\$ 0	\$ 335,595	
Office Expense	12,549	0	12,549	
Postage & Mailing	429	0	429	
Outside Printing Expense	198	0	198	
Books/Periodicals/ Software	804	0	804	
Materials and Supplies	2,678	0	2,678	
Small Tools and Equipment	2,792	0	2,792	
Equipment Maintenance/Repair	47	0	47	
Audit Services	7,295	0	7,295	
Maintenance Agreements Other	10,950	0	10,950	
Advertising/Marketing	200	0	200	
License/Permits/Fees	230	0	230	
Memberships/Dues	1,955	0	1,955	
Training	9,937	0	9,937	
Communications	7,477	0	7,477	
Insurance	41,952	0	41,952	
Fuel	2,230	0	2,230	
Vehicle Maintenance/Repair	17,365	0	17,365	
Indirect Cost Allocation	252,788	0	252,788	
Building Main Allocation	34,463	0	34,463	
Information Systems Allocation	71,629	0	71,629	
Stormwater Management Program	191,536	(191,536)	0	1
Total Indirect Costs Pool¹⁵	\$ 1,005,099	\$ (191,536)	\$ 813,563	1

¹⁴ 2018-19 Indirect Cost Base is forwarded to Table B.2 – 2018-19 Calculated Indirect Cost Recoveries.

¹⁵ 2018-19 Total Indirect Costs Pool is forwarded to Table B.3 – 2018-19 Carry Forward Calculation.

APPENDIX B (continued)

**Summary of Accepted and Audited Costs and Rates
Indirect Cost Rate Proposal
City of Chico, Department of Public Works, Capital Projects Unit
2020-21**

Table B.2 – 2018-19 Calculated Indirect Cost Recoveries				
Description	Accepted Amounts	Audit Adjustments	Audited Amounts	Finding No.
(A) Indirect Costs Base (from Table B.1)	\$1,269,820	\$ 0	1,269,820	
(B) 2018-19 Indirect Cost Rate ¹⁶	19%	0	19%	
(C) Calculated Indirect Cost Recoveries (A) x (B)¹⁷	\$241,266	\$ 0	\$241,266	

Table B.3 – 2018-19 Carry Forward Calculation				
Description	Accepted Amounts	Audit Adjustments	Audited Amounts	Finding No.
(D) 2018-19 Indirect Costs Pool (from Table B.1)	\$ 1,005,099	\$ (191,536)	\$ 813,563	1
(E) Calculated Indirect Cost Recoveries (from table B.2)	241,266	0	241,266	
(F) 2016-17 Carry Forward	(569,951)	0	(569,951)	
(G) 2018-19 Carry Forward (D) – (E) + (F)¹⁸	\$ 193,882	\$ (191,536)	\$ 2,346	

Table B.4 – 2020-21 ICRP Indirect Cost Rate				
Description	Accepted Amounts ¹⁹	Audit Adjustments	Audited Amounts	Finding No.
(H) 2020-21 Budgeted Indirect Costs ²⁰	\$ 1,005,098	\$ 0	\$ 1,005,098	
(I) 2018-19 Carry Forward (from Table B.3)	193,882	(191,536)	2,346	1
(J) Net 2020-21 Budgeted Indirect Cost Pool (H) + (I)	\$ 1,198,980	\$ (191,536)	\$ 1,007,444	
(K) 2020-21 Budgeted Direct Salaries and Benefits (Indirect Cost Base) ²¹	\$ 1,269,820	\$ 0	\$ 1,269,820	
(L) 2020-21 City of Chico Rate (J)/(K)	94%	(15)%	79%	

¹⁶ 2018-19 Indirect Cost Rate was accepted by IOAI on December 19, 2017.

¹⁷ Calculated Indirect Cost Recoveries is forwarded to Table B.3 – 2018-19 Carry Forward Calculation.

¹⁸ 2018-19 Carry Forward is forwarded to Table B.4 – 2020-21 ICRP Indirect Cost Rate.

¹⁹ The ICRP costs and calculated rates submitted by the City were accepted by IOAI on March 12, 2020.

²⁰ Because the 2020-21 costs are budget estimates, specific costs/transactions were not tested.

²¹ Ibid.



ADMINISTRATIVE SERVICES DEPARTMENT

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October 30, 2021

Ms. Cheryl L. McCormick, CPA
Department of Finance
915 L Street
Sacramento, CA 95814-3706

RE: City of Chico, Indirect Cost Rate Proposal Audit

Dear Ms. McCormick:

The City of Chico is in receipt of your draft report related to the Indirect Cost Rate Proposal Audit conducted by your office. The City acquiesces to the lone finding regarding Unallowed Costs included in the Indirect Costs Pool.

During the years audited (2019-20, 2020-21) the City Finance department experienced some turnover with professional staff. As such, the reports prepared were not properly calculated and reviewed. The City has since then made it a priority to provide appropriate staffing with applicable training to generate these calculations and reports. The reports are also being reviewed by the accounting professionals knowledgeable in these areas.

The audit report includes two recommendations that are addressed below:

- A. **Reconcile the 2019-20 and 2020-21 billings using the audited rates in Table 1 and reimburse Caltrans for any over payments.** The City respectfully requests that instead of reimbursing Caltrans for any overpayments, that the future carryforward indirect cost rate be reduced by 15% as noted in the report. Future project cost reimbursements with Caltrans will be reduced accordingly by the revised rate.
- B. **Review all ICRP indirect costs pool accounts to ensure costs comply with 2 CFR 200.** The City will provide supervision by qualified staff to ensure costs and rates are properly calculated.

Please let me know if our staff can provide further assistance. Thank you.

Very truly yours,

<ORIGINAL SIGNED BY>

Scott Dowell, CPA
Administrative Services Director

cc: Mark Orme, City Manager, City of Chico

The City's response to the draft audit report has been reviewed and incorporated into the final report. We acknowledge the City's willingness to implement our recommendations. The City agreed with Finding 1, Recommendation B. We provide the following comments for Finding 1, Recommendation A.

Finding 1: Unallowable Costs in the Indirect Costs Pool

The City agrees with the finding and states it will provide supervision by qualified staff to ensure costs and rates are properly calculated. However, for Recommendation A, the City requests reducing the future carry forward indirect cost rate by 15 percent instead of reimbursing Caltrans for overpayments in 2019-20 and 2020-21. Caltrans's policy is to seek reimbursements for overpayments and the City should seek guidance from Caltrans to determine the appropriate corrective action. Therefore, Recommendation A will remain unchanged.