



# INSPECTOR GENERAL

California Department of Transportation

## Tulare County, Resource Management Agency

### Indirect Cost Rate Proposal Audit



**Independent Office of Audits and Investigations**

**Bryan Beyer**, Inspector General  
**Diana Antony**, Chief Deputy

**Final Report – September 2022**  
P1594-0115



For questions concerning the contents of this report, please contact (916) 323-7111 or email [ioai.admin@dot.ca.gov](mailto:ioai.admin@dot.ca.gov).



# Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

September 23, 2022

Tony Tavares  
Director  
California Department of Transportation

## **Final Report – Tulare County, Resource Management Agency, Indirect Cost Rate Proposal Audit**

The Independent Office of Audits and Investigations (IOAI) has completed its audit of the Tulare County, Resource Management Agency's (County) fiscal years 2019-20 and 2020-21 Indirect Cost Rate Proposals.

Enclosed is the final report, which includes the County's response to the draft report. The final audit report is a matter of public record and will be posted on IOAI's website.

A detailed Corrective Action Plan (CAP) addressing the findings and recommendations must be developed in accordance with the Local Assistance Procedures Manual, Chapter 20, Section 20.5. The CAP should be sent to [IOAI.Admin@dot.ca.gov](mailto:IOAI.Admin@dot.ca.gov).

If you have any questions, please contact David Wong, Audit Chief, at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG  
Inspector General

**Gavin Newsom**, Governor

Independent Office of Audits and Investigations

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September 23, 2022

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## Terms Used in Report

Terms/Acronyms	Definition
Caltrans	California Department of Transportation
County	Tulare County, Resource Management Agency
EDPB	Tulare County, Economic Development and Planning Branch
ICRP	Indirect Cost Rate Proposal
IOAI	Independent Office of Audits and Investigations
Procedures Manual	Caltrans' Local Assistance Procedures Manual
PWB	Tulare County, Public Works Branch

## Summary

The purpose of this audit was to determine whether Tulare County, Resource Management Agency's (County) 2019-20 and 2020-21 Indirect Cost Rate Proposals (ICRPs) complied with Title 2 Code of Federal Regulations Part 200 (2 CFR 200) and the Caltrans' Local Assistance Procedures Manual (procedures manual) and recalculate the 2019-20 and 2020-21 ICRP rates if unallowable costs were identified.

We determined that the County's 2019-20 and 2020-21 ICRPs are not in compliance with 2 CFR 200. We identified unallowable costs that impacted the 2019-20 and 2020-21 ICRP rates and recommend rate changes. In addition, we identified weaknesses in the County's fiscal controls related to the preparation of the ICRPs. Specifically, the County did not include the beginning balances in its carry-forward calculation for the 2019-20 and 2020-21 ICRPs.

## Introduction

### Background

The Caltrans' Local Assistance Program oversees more than \$1 billion annually that it makes 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.<sup>1</sup>

The County provides public service in the areas of planning, engineering, development, construction, and building through its three branches: Public Works, Economic Development and Planning, and Administrative Branch.<sup>2</sup>

- The Public Works Branch (PWB) oversees the design, construction, operation, and maintenance of roads, traffic signals, bridges, airports, sewers, flood control, water supply, water quality, and water conservation facilities.
- The Economic Development and Planning Branch (EDPB) supports and enhances the competitiveness of the County's business culture to stimulate job creation, infrastructure improvements, and promote tourism to ensure the economic sustainability of the region.
- The Administrative Branch provides budget direction and oversight for public works programs and services.

Local government agencies have the option to recover indirect costs when seeking reimbursement for transportation projects federal-aid and state-funded transportation projects. To recover indirect costs, local government agencies submit an ICRP annually, which may include a fringe benefit rate. Once these rates are accepted by Caltrans, local government agencies are allowed to bill and seek reimbursement from Caltrans. 2 CFR 200 and Caltrans' procedures manual (Chapter 5) states indirect costs are subject to audit. The County developed the ICRPs for PWB and EDPB and allocated the Administrative Branch's costs to these two branches.

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<sup>1</sup> Caltrans, Division of Local Assistance website <https://dot.ca.gov/programs/local-assistance>

<sup>2</sup> Excerpts from Tulare County's fiscal year 2018-19 Adopted Budget, page 188.



## Scope and Methodology

The purpose of this audit was to determine whether the 2019-20 and 2020-21 ICRPs complied with 2 CFR 200 and Caltrans' procedures manual and recalculate the 2019-20 and 2020-21 ICRP rates if we identified unallowable costs. Our audit scope included costs incurred during the period of July 2017 to June 2019 as 2019-20 and 2020-21 ICRPs are based on actual costs incurred in 2017-18 and 2018-19.

We gained an understanding of the County's operations and identified relevant ICRP requirements by interviewing Caltrans and County personnel, and reviewing 2 CFR 200, the procedures manual, and applicable County policies and procedures.

We performed a risk assessment, including identifying and evaluating whether key internal controls significant to our audit objectives were properly designed, implemented, and operating effectively. Our evaluation of key controls focused on the separation of indirect and direct costs, including labor and preparation of the ICRP. Our methodology included conducting interviews related to processes, reviewing records, and testing transactions related to time keeping, payroll, billing, and ICRP preparation for effectiveness of existing processes and procedures. During our audit, we did not identify deficiencies in internal controls significant within the context of our audit objectives or that warranted the attention of those charged with governance.

Additionally, we assessed the reliability of data from the County's financial management system, WinCAMS. 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 meet our audit objectives.

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

We conducted this 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 the evidence obtained provides a reasonable basis for our findings and conclusions.

## Audit Results

Based on our audit procedures, we determined that the County’s 2019-20 and 2020-21 ICRPs are not in compliance with 2 CFR 200 and identified weaknesses in the County’s fiscal controls related to the preparation of the ICRPs.

Specifically, the County’s ICRPs included unallowable costs in their indirect cost pools and did not include the beginning balances in its carry-forward calculation for the 2019-20 and 2020-21 ICRPs. These weaknesses impacted the 2019-20 and 2020-21 ICRP rates and we recommend rate changes as identified in Table 2. Refer to Appendix B for the Detailed Schedules of Accepted and Audited Costs and Rates.

**Table 1. Summary of Accepted and Audited ICRP Rates for 2019-20 and 2020-21**

Branch	Rate Type	2019-20 Rate Accepted	2019-20 Rate Audited	2019-20 Rate Change	2020-21 Rate Accepted	2020-21 Rate Audited	2020-21 Rate Change
PWB	Indirect Cost	37.95%	37.91%	-0.04%	53.95%	42.79%	-11.16%
PWB	Fringe Benefit	57.93%	60.40%	+2.47%	64.97%	66.10%	+1.13%
EDPB	Indirect Cost	82.42%	82.87%	+0.45%	85.40%	61.99%	-23.41%
EDPB	Fringe Benefit	68.00%	68.00%	-	72.98%	92.95%	+19.97%

Source: IOAI analysis

### Finding 1: The County’s ICRP Preparation Process Needs Improvement

The County did not properly prepare its ICRPs because it included costs that we determined to be unallowable in its indirect cost pools. In addition, the County did not properly include carry-forward adjustments in its calculations.

#### Unallowable Costs in The Indirect Cost Pools

The County included costs that we determined were unallowable totaling \$485,213 in the PWB and EDPB’s indirect cost pools. Table 2 summarizes the unallowable costs for direct salaries and wages, fringe benefits, board per diem, and capital expenditures.

**Table 1. Summary of Accepted and Audited ICRP Rates for 2019-20 and 2020-21**

Branch and Fiscal Year	Direct Salaries and Wages	Estimated Fringe Benefits	Board Per Diem Costs	Capital Expenditures	Total
PWB's 2019-20	\$165,455	\$ (9,642)	-	-	\$155,813
PWB's 2020-21	209,752	64,499	-	\$39,475	313,726
EDPB's 2019-20	-	(10,366)	\$15,072	-	4,706
EDPB's 2020-21	-	(6,600)	13,697	3,871	10,968
<b>Total</b>	<b>\$375,207</b>	<b>\$ 37,891</b>	<b>\$28,769</b>	<b>\$43,346</b>	<b>\$485,213</b>

Source: IOAI analysis

- Direct Salaries and Wages.** Direct salaries and wages of \$375,207 were incorrectly included in PWB's indirect cost pool. Based on our review of supporting documentation and interviews with PWB staff, numerous activities were specific to either a project or government services provided as a direct cost under a program statute or regulation. For example, the County classified costs related to the California High Speed Rail (a specific project) as an indirect cost item. In addition, the County classified governmental services charged directly to the public as indirect costs. These costs should have been classified as direct costs. For a full list of unallowable indirect cost activities, refer to Appendix A.

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.

2 CFR 200.444 (a) states that the general costs of government are unallowable. Unallowable costs include costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

- Estimated Fringe Benefits.** PWB and EDPB's indirect cost pools incorrectly overstated fringe benefit costs by \$37,891 because the fringe benefit costs were not equitably allocated between direct and indirect costs. The County staff did not apply the same fringe benefit rate on direct and indirect salaries in the calculation of the indirect cost rate. In addition, the County used estimated costs instead of actual costs when

preparing the ICRPs. This method resulted in the overstatement and understatement of PWB and EDPB's indirect costs for both fiscal years.

2 CFR 200.431(b) states, in part, that the costs of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if the costs are equitably allocated to all related activities.

- **Board Member Per Diem Costs.** EDPB's indirect cost pool included board member per diem costs of \$28,769. These costs were paid to the County's Planning Commissioners as a compensation for attending board meetings and are considered general government costs, which are unallowable.

2 CFR 200.444(a) states unallowable costs include salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction.

- **Capital Expenditures.** PWB and EDPB's indirect cost pools included unallowable capital expenditures of \$43,346 that were allocated by the Administrative Branch. Instead of capitalizing vehicle costs, the Administrative Branch expensed the full vehicle costs and allocated the costs to EDPB and PWB as "Admin Charges."

2 CFR 200.436(a) states that depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with Generally Accepted Accounting Principles, provided that they are used, needed in the non-federal entity's activities, and properly allocated to federal awards. Such compensation must be made by computing depreciation.

The County stated that written policies and procedures for preparing and reviewing the ICRP do not exist. In addition, the County stated that staff were not provided training on the 2 CFR 200 requirements. Lack of policies and procedures and training resulted in unallowable costs being included in the indirect cost pools.

### **Carry Forward Calculation Procedures Need Improvement**

EDPB and PWB did not include the beginning balances in its carry-forward calculation for the 2019-20 and 2020-21 ICRPs. Specifically:

- The indirect carry-forward balance of \$356,450 and \$21,023 from 2015-16 and 2016-17, respectively, were not included in the PWB's 2017-18 and 2018-19 carry-forward calculation. Also, the indirect carry-forward

balance of (\$153,171) from 2016-17 was not included in the EDPB's 2018-19 carry-forward calculation.

- The fringe benefit carry-forward balance of \$85,066 and \$42,755 from 2015-16 and 2016-17, respectively, were not included in the PWB's 2017-18 and 2018-19 carry forward calculation. Also, the fringe benefit carry-forward balance of \$85,136 from 2016-17 was not included in the EDPB's 2018-19 carry-forward calculation.

Appendix VII to 2 CFR 200.B.5 states that the difference between the estimated costs and the actual allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

The County previously did not have carry-forward balances and the County staff did not know how to properly prepare and exclude carry-forward balances in the rate calculations. By not including carry-forward balances in the subsequent periods, the County either overstated or understated its proposed rates. See Appendix B for carry-forward adjustment recalculations.

## **Recommendations**

1. Caltrans should coordinate with the County to develop a corrective action plan to resolve and close the findings identified in this audit.
2. The County should reconcile the 2019-20 and 2020-21 indirect billings using the audited rates in Table 1 and resolve any over and under payments with Caltrans.
3. The County should develop, document, and implement ICRP policies and procedures to comply with 2 CFR 200 and provide the training to staff responsible for preparing and reviewing the ICRPs.

## Appendix A

**Table 3 – Table of Methodology**

Audit Objective	Methods
<p>Objective 1: Determine whether the 2019-20 and 2020-21 ICRPs are in compliance with 2 CFR 200 and the procedures manual.</p>	<ul style="list-style-type: none"> <li>• Selected 2019-20 and 2020-21 significant and high-risk cost categories to verify compliance with 2 CFR 200 and the procedures manual as follows: (1) significant indirect cost pool categories were determined based on change analysis from the three prior years’ actual costs of which the ending balances with more than \$20,000 and changed more than 5 percent from the prior year balance; (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 cost pool categories were determined based on costs commonly identified for non-compliance with 2 CFR 200 and the procedures manual. Costs were selected from direct and indirect salaries, fringe benefits, and indirect cost pool categories.               <ul style="list-style-type: none"> <li>○ 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 indirect activities, and employee job classification.</li> <li>○ Selection of indirect cost 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.</li> <li>○ Determined if direct and indirect salaries and fringe benefits were allowable, supported, segregated, and allocated by reconciling payroll reports to the ICRP, interviewing County 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 County policies.</li> <li>○ Determined if indirect cost pools 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 County staff.</li> </ul> </li> <li>• Determined the carry forward calculations were supported by:               <ul style="list-style-type: none"> <li>○ Verifying the 2017-18 and 2018-19 rates were supported by the approved ICRP submissions.</li> <li>○ Verifying the 2017-18 and 2018-19 actual costs were supported by accounting records and reconciled to audited financial data.</li> <li>○ Recalculating the 2017-18 and 2018-19 recovered indirect costs, carry forward, and the 2018-19 and 2019-20 adjusted indirect costs.</li> </ul> </li> <li>• Selected direct salaries from the invoice billed to Caltrans and verified the actual indirect costs recovered by the County were billed at the approved indirect cost rate and fringe benefit rate by tracing the rates used on Caltrans billings to the rates in Caltrans acceptance letter and recalculating the costs billed to Caltrans.</li> </ul>

Audit Objective	Methods
<p>Objective 2: Recalculate the 2019-20 and 2020-21 ICRP rates if unallowable costs are identified.</p>	<p>Recalculated the ICRP rates with carry forward adjustments based on 2017-18 and 2018-19 audited amounts.</p>

## Appendix B

**Table 4 – Activities Improperly Classified as Indirect Costs**

Indirect Cost Item	Source	Description <sup>3</sup>	Amount	Project or Government Services?
California Highspeed Rail	Proposition 1A	Construction Project	\$11,168	Project
Engineering/PW Permit Review	Various county, state and federal building codes	The County reviews new construction, addition, and remodeling work to confirm the compliance with the adopted codes.	89,450	Government services
Grading, Drainage & Erosion Control	Related to a specific county project	Part of landscaping project.	78	Project
Encroachment-Violation	County Ordinance Section 7-19-1210	Letter writing process to farmers who do not meet setback regulation.	39,771	Government services
Corner Record	Section 8773 of Business and Professions Code	Activities are related to a legal document filed by a licensed land surveyor.	17,923	Government services
Parcel Mapping Service <ul style="list-style-type: none"> <li>• Lot Line Adjustment</li> <li>• Mergers of Parcels</li> <li>• Parcel Map</li> <li>• Parcel Map, Tentative</li> <li>• Parcel Map, Waiver of Final</li> <li>• Record of Survey</li> <li>• Sequoia Gateway Final Map</li> <li>• Subdivision Tract Maps</li> <li>• Tract Map(s)</li> <li>• Tract Map, Tentative</li> </ul>	Title 7, Division 2 of Government Code	Activities are related to application by private parties pursuant to a section or article to the Subdivision Map Act.	202,589	Government services
Vacation of Right of Way	Sections 8320-8325 of the Streets and Highway Code	Activities are related to petitions by private parties pursuant to sections 8320-8325 of the Streets and Highway Code.	14,228	Government services
<b>Subtotal</b>	-	-	<b>\$375,207</b>	-

Source: IOAI analysis

<sup>3</sup> Activity descriptions were provided by the County.



## Appendix C

### Detailed Schedules of Accepted and Audited Costs and Rates

**Table A.1 Public Works Branch’s FY 2019-20 ICRP (Based on FY 2017-18 Actual Costs)**

Description	Accepted	Audit Adjustments	Audited
<b>Direct Costs</b>	-	-	-
Salary and Wages	\$6,058,924	\$165,455	\$6,224,379
Fringe Benefits	\$3,399,386	\$82,924 <sup>4</sup>	\$3,482,310
<b>Total Direct Costs</b>	\$9,458,310	\$248,379	\$9,706,689
-	-	-	-
<b>Indirect Costs</b>	-	-	-
Salaries and Wages	\$841,522	\$(165,455)	\$676,067
Fringe Benefits	\$461,158	\$(82,924) <sup>4</sup>	\$378,234
Clothing and Personal Supplies	\$9	\$0	\$9
Communications	\$17,377	\$0	\$17,377
Food	\$52	\$0	\$52
Unemployment Insurance	\$17,583	\$0	\$17,583
Memberships	\$9,480	\$0	\$9,480
Office Supplies	\$84,569	\$0	\$84,569
Professional and Special Expense	\$3,034	\$0	\$3,034
Publications and Legal Notices	\$803	\$0	\$803
Small Tools, Instruments, and Equipment	\$156	\$0	\$156
Special Department Expense	\$4,598	\$0	\$4,598

<sup>4</sup> \$82,924 is calculated from the direct salaries of \$165,455 multiplied by the FY 17-18 actual fringe benefit rate of 55.95% minus \$9,642 in overstated fringe benefit costs in Table 2. ( $\$82,924 = \$165,455 \times 55.95\% - \$9,642$ )

Description	Accepted	Audit Adjustments	Audited
Training	\$13,558	\$0	\$13,558
Transportation and Travel	\$6,227	\$0	\$6,227
Workers Compensation Insurance	\$77,987	\$0	\$77,987
Data Processing	\$343,277	\$0	\$343,277
ADP payroll service - Payroll/Human Resources	\$26,001	\$0	\$26,001
Building Maintenance Services	\$24,128	\$0	\$24,128
Utilities Services	\$91,815	\$0	\$91,815
Custodial Services	\$22,373	\$0	\$22,373
Grounds Services	\$22,218	\$0	\$22,218
Service from Other Department	\$44,326	\$0	\$44,326
Motor-pool Operations	\$140	\$0	\$140
Print/Mail	\$3,228	\$0	\$3,228
Copier	\$7,294	\$0	\$7,294
Phone Bills	\$39,623	\$0	\$39,623
Charges from Resource Management Agency Administration	\$1,560,500	\$0	\$1,560,500
Countywide Cost Allocation Plan	\$447,919	\$0	\$447,919
Courier	\$4,394	\$0	\$4,394
Property Management and Others	\$12,155	\$0	\$12,155
Miscellaneous	\$41	\$0	\$41
<b>Total Indirect Costs</b>	<b>\$4,187,545</b>	<b>\$(248,379)</b>	<b>\$3,939,166</b>

**Table A.2 Indirect Cost Carry Forward Adjustment**

Description	Accepted	Audit Adjustment	Audited
(A) Beginning Carry Forward (FY 2015-16)	\$0	\$356,450	\$356,450
(B) 2017-18 Actual Indirect Costs (From Table A.1)	\$4,187,545	\$(248,379)	\$3,939,166
(C) Total 2017-18 Actual Indirect Costs (A+B)	\$4,187,545	\$108,071	\$4,295,616
(D) 2017-18 Actual Direct Salary and Wages plus fringe benefit (FB) (From Table A.1)	\$9,458,310	\$248,379	\$9,706,689
(E) 2017-18 Accepted Indirect Cost Rate <sup>5</sup>	50.60%	0%	50.60%
(F) Recovered Indirect Costs (D*E)	\$4,785,905	\$125,680	\$4,911,585
<b>(G) Carry Forward amounts (C-F)</b>	<b>\$(598,360)</b>	<b>\$(17,609)</b>	<b>\$(615,969)</b>

**Table A.3 FY 2019-20 Indirect Cost Rate**

Description	Accepted	Audit Adjustment	Audited
(C) Estimated Indirect Costs (Used 2017-18 Actual)	\$4,187,545	\$108,071	\$4,295,616
(G) Carry Forward amounts	\$(598,360)	\$(17,609)	\$(615,969)
(H) Total Estimated Indirect Costs (C+G)	\$3,589,185	\$90,462	\$3,679,647
(D) Estimated Direct Salary and Wages plus FB (Used 2017-18 Actual)	\$9,458,310	\$248,379	\$9,706,689
<b>2019-20 Proposing Indirect Cost Rate (H/D)</b>	<b>37.95%</b>	<b>-0.04%</b>	<b>37.91%</b>

<sup>5</sup> 2017-18 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on May 22, 2018

**Table A.4 FY 2019-20 Fringe Benefit Rate**

Description	Accepted	Audit Adjustment	Audited
(I) Beginning Carry Forward (2015-16)	\$0	\$85,066	\$85,066
(J) FY 2017-18 Actual FB (Sum of direct and indirect FB From Table A.1)	\$3,860,544	\$0	\$3,860,544
(K) Total 2017-18 Actual FB (I+J)	\$3,860,544	\$85,066	\$3,945,610
(L) 2017-18 Actual Total Salary and Wages (Sum of direct and indirect Salary and Wages from Table A.1)	\$6,900,446	\$0	\$6,900,446
(M) 2017-18 Accepted FB Rate <sup>6</sup>	53.96%		53.96%
(N) Recovered FB (L*M)	\$3,723,481	\$0	\$3,723,481
(O) Carry Forward amounts (K-N)	\$137,064	\$85,066	\$222,130
(J) Estimated FB (Used 2017-18 Actual)	\$3,860,544	\$85,066	\$3,945,610
(P) Total Estimated FB (O+J)	\$3,997,608	\$170,132	\$4,167,740
(L) Estimated Total Salary and Wages (Used 2017-18 Actual)	\$6,900,446	\$0	\$6,900,446
<b>2019-20 Proposing FB Rate (P/L)</b>	<b>57.93%</b>	<b>2.47%</b>	<b>60.40%</b>

<sup>6</sup> 2017-18 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on May 22, 2018

**Table B.1 Public Works Branch’s FY 2020-21 ICRP (Based on FY 2018-19 Actual**

Description	Accepted	Audit Adjustments	Audited
<b>Direct Costs</b>	-	-	-
Salary and Wages	\$6,593,246	\$209,752	\$6,802,998
Fringe Benefits	\$3,965,204	\$192,697 <sup>7</sup>	\$4,157,901
<b>Total Direct Costs</b>	\$10,558,450	\$402,449	\$10,960,899
<b>Indirect Costs</b>	-	-	-
Salary and Wages	\$982,850	\$(209,752)	\$773,098
Fringe Benefits	\$665,205	\$(192,697) <sup>7</sup>	\$472,508
Communications	\$21,958	\$0	\$21,958
Food	\$445	\$0	\$445
Unemployment Insurance	\$1,101	\$0	\$1,101
Maintenance-Equipment/Building	\$386	\$0	\$386
Memberships	\$6,142	\$0	\$6,142
Office Supplies	\$139,165	\$0	\$139,165
Professional & Special Expense	\$25,055	\$0	\$25,055
Publications & Legal Notices	\$416	\$0	\$416
Small Tools, Instruments, equipment	\$772	\$0	\$772
Special Department Expense	\$9,740	\$0	\$9,740
Training	\$16,783	\$0	\$16,783
Transportation & Travel	\$15,702	\$0	\$15,702
Workers Compensation Insurance	\$120,992	\$0	\$120,992

<sup>7</sup> \$192,697 is calculated from the direct salaries of \$209,752 multiplied by the FY 18-19 actual fringe benefit rate of 61.12% plus \$64,499 in understated fringe benefit costs in Table 3. ( $\$192,697 = \$209,752 \times 61.12\% + \$64,499$ )

Description	Accepted	Audit Adjustments	Audited
Data Processing	\$422,931	\$0	\$422,931
ADP payroll service - Payroll/Human Resources	\$26,615	\$0	\$26,615
Building Maintenance Services	\$16,703	\$0	\$16,703
Utilities Services	\$101,815	\$0	\$101,815
Custodial Services	\$21,643	\$0	\$21,643
Grounds Services	\$5,481	\$0	\$5,481
Service from Other Department	\$9,171	\$0	\$9,171
Radio Services	\$100	\$0	\$100
Motor-pool Operations	\$24,318	\$0	\$24,318
Print/Mail	\$5,044	\$0	\$5,044
Copier	\$7,613	\$0	\$7,613
Phone Bills	\$35,362	\$0	\$35,362
Charges from Resource Management Agency Administration	\$1,782,491	\$(39,475)	\$1,743,016
Service from Other Department	\$81,348	\$0	\$81,348
Countywide Cost Allocation Plan	\$445,159	\$0	\$445,159
Courier	\$4,840	\$0	\$4,840
Property Management & Others	\$1,455	\$0	\$1,455
<b>Total Indirect Costs</b>	<b>\$4,998,801</b>	<b>\$(441,924)</b>	<b>\$4,556,877</b>

**Table B.2 Indirect Cost Carry-Forward Adjustment**

Description	Accepted	Audit Adjustment	Audited
(A) Beginning Carry Forward (2016-17)	\$0	\$21,023	\$21,023
(B) 2018-19 Actual Indirect Costs (From Table B.1)	\$4,998,801	\$(441,924)	\$4,556,877
(C) Total FY 2018-19 Actual Indirect Costs (A+B)	\$4,998,801	\$(420,901)	\$4,577,900
(D) 2018-19 Actual Direct Salary and Wags plus FB (From Table B.1)	\$10,558,450	\$402,449	\$10,960,899
(E) 2018-19 Accepted Indirect Cost Rate <sup>8</sup>	40.74%	0%	40.74%
(F) Recovered Indirect Costs (D*E)	\$4,301,513	\$163,958	\$4,465,470
<b>(G) Carry Forward amounts (C-F)</b>	<b>\$697,288</b>	<b>\$(584,859)</b>	<b>\$112,430</b>

**Table B.3 FY 2020-21 Indirect Cost Rate**

Description	Accepted	Audit Adjustment	Audited
(C) Estimated Indirect Costs (Used FY 2018-19 Actual)	\$4,998,801	\$(420,901)	\$4,577,900
(G) Carry Forward amounts	\$697,288	\$(584,859)	\$112,430
(H) Total Estimated Indirect Costs (C+G)	\$5,696,089	\$(1,005,760)	\$4,690,330
(D) Estimated Direct Salary and Wages plus FB (Used 2018-19 Actual)	\$10,558,450	\$402,449	\$10,960,899
<b>2020-21 Proposing Indirect Cost Rate (H/D)</b>	<b>53.95%</b>	<b>-11.16%</b>	<b>42.79%</b>

<sup>8</sup> 2018-19 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on January 16, 2019.

**Table B.4 FY 2020-21 Fringe Benefit Rate**

Description	Accepted	Audit Adjustment	Audited
(I) Beginning Carry Forward (FY 2016-17)	\$0	\$42,755	\$42,755
(J) 2018-19 Actual FB (Sum of direct and indirect FB From Table B.1)	\$4,630,409	\$0	\$4,630,409
(K) Total 2018-19 Actual FB (I+J)	\$4,630,409	\$42,755	\$4,673,164
(L) 2018-19 Actual Total Salary and Wages (Sum of direct and indirect Salary and Wages from Table B.1)	\$7,576,097	\$0	\$7,576,097
(M) 2018-19 Accepted FB <sup>9</sup>	57.27%		57.27%
(N) Recovered FB (L*M)	\$4,338,831	\$0	\$4,338,831
(O) Carry Forward amounts (K-N)	\$291,578	\$42,755	\$334,333
(J) Estimated FB (Used 2018-19 Actual)	\$4,630,409	\$42,755	\$4,673,164
(P) Total Estimated FB (O+J)	\$4,921,987	\$85,510	\$5,007,497
(L) Estimated Total Salary and Wages (Used 2018-19 Actual)	\$7,576,097	\$0	\$7,576,097
<b>2020-21 Proposing FB Rate (P/L)</b>	<b>64.97%</b>	<b>1.13%</b>	<b>66.10%</b>

<sup>9</sup> 2018-19 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on January 16, 2019.



**Table C.1 Economic Development and Planning Branch’s FY 2019-20 ICRP (Based on FY 2017-18 Actual Costs)**

Description	Accepted	Audit Adjustment	Audited
<b>Direct Costs</b>			
Salary and Wages	\$742,636	\$0	\$742,636
Fringe Benefits	449,426	(10,366)	439,060
<b>Total Direct Costs</b>	<b>\$1,192,062</b>	<b>\$(10,366)</b>	<b>\$1,181,696</b>
<b>Indirect Expenses</b>			
Salary and Wages	\$79,484	\$0	\$79,484
Fringe Benefits	\$36,626	\$10,366	\$46,992
Communications	\$247	\$0	\$247
Food	\$136	\$0	\$136
Board Per Diem	\$15,072	\$(15,072)	-
Board Mileage	\$148	\$0	\$148
Memberships	\$1,246	\$0	\$1,246
Office Supplies	\$31,961	\$0	\$31,961
Professional & Special Expense	\$2,400	\$0	\$2,400
Publications & Legal Notices	\$376	\$0	\$376
Special Department Expense	\$1,398	\$0	\$1,398
Training	\$2,509	\$0	\$2,509
Transportation & Travel	\$3,244	\$0	\$3,244
Workers Compensation Expense	\$39,474	\$0	\$39,474
Property Insurance	\$891	\$0	\$891
General Liability Insurance	\$1,184	\$0	\$1,184
Data Processing	\$148,279	\$0	\$148,279
ADP payroll service	\$2,598	\$0	\$2,598

Description	Accepted	Audit Adjustment	Audited
Building Maintenance Services	\$7,013	\$0	\$7,013
Utilities Services	\$11,481	\$0	\$11,481
Custodial Services	\$6,273	\$0	\$6,273
Grounds Services	\$2,364	\$0	\$2,364
Service from another department	\$314	\$0	\$314
Print	\$2,873	\$0	\$2,873
Mail/Copiers	\$5,252	\$0	\$5,252
I/F Exp-Road Yard Billings	\$656	\$0	\$656
Intra-Agency Service Received	\$213,822	\$0	\$213,822
Inter-Agency Admin. Charges	\$235,572	\$0	\$235,572
<b>Total Indirect Costs</b>	<b>\$852,892</b>	<b>\$(4,706)</b>	<b>\$848,186</b>

**Table C.2 Indirect Cost Carry-Forward Adjustment**

Description	Accepted	Audit Adjustment	Audited
(A) Beginning Carry Forward (2015-16)	\$0	\$0	\$0
(B) 2017-18 Actual Indirect Costs (From Table C.1)	852,892	(4,706)	848,186
(C) Total 2017-18 Actual Indirect Costs (A+B)	852,892	(4,706)	848,186
(D) 2017-18 Actual Direct Salary and Wages plus FB (From Table C.1)	1,192,062	(10,366)	1,181,696
(E) 2017-18 Accepted Indirect Cost Rate <sup>10</sup>	60.68%	0%	60.68%
(F) Recovered Indirect Costs (D*E)	723,343	(6,290)	717,053
<b>(G) Carry Forward amounts (C-F)</b>	<b>\$129,549</b>	<b>\$1,584</b>	<b>\$131,133</b>

<sup>10</sup> 2017-18 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on April 24, 2018.

**Table C.3 FY 2019-20 Indirect Cost Rate**

Description	Accepted	Audit Adjustment	Audited
(C) Estimated Indirect Costs (Used 2017-18 Actual)	\$852,892	\$(4,706)	\$848,186
(G) Carry Forward amounts	129,549	1,584	131,133
(H) Total Estimated Indirect Costs (C+G)	982,441	(3,122)	979,319
(D) Estimated Direct Salary and Wages plus FB (Used 2017-18 Actual)	\$1,192,062	\$(10,366)	\$1,181,696
<b>2019-20 Proposing Indirect Cost Rate (H/D)</b>	<b>82.42%</b>	<b>0.45%</b>	<b>82.87%</b>

**Table C.4 FY 2019-20 Fringe Benefit Rate**

Description	Accepted	Audit Adjustment	Audited
(I) Beginning Carry Forward (2015-16)	\$0	\$0	\$0
(J) 2017-18 Actual FB (Sum of direct and indirect FB From Table C.1)	\$486,052	\$0	\$486,052
(K) Total 2017-18 Actual FB (I+J)	\$486,052	\$0	\$486,052
(L) 2017-18 Actual Total Salary and Wages (Sum of direct and indirect Salary and Wages from Table C.1)	\$822,120	\$0	\$822,120
(M) 2017-18 Accepted FB <sup>11</sup>	50.24%	0%	50.24%
(N) Recovered FB (L*M)	\$413,033	\$0	\$413,033
(O) Carry Forward amounts (K-N)	\$73,019	\$0	\$73,019
(J) Estimated FB (Used 2017-18 Actual)	\$486,052	\$0	\$486,052
(P) Total Estimated FB (O+J)	\$559,071	\$0	\$559,071
(L) Estimated Total Salary and Wages (Used 2017-18 Actual)	\$822,120	\$0	\$822,120
<b>2019-20 Proposing FB Rate (P/L)</b>	<b>68.00%</b>	<b>0%</b>	<b>68.00%</b>

<sup>11</sup> 2017-18 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on April 24, 2018.

**Table D.1 Economic Development and Planning Branch’s FY 2020-21 ICRP (Based on FY 2018-19 Actual Costs)**

Description	Accepted	Audit Adjustment	Audited
<b>Direct Costs</b>			
Salary and Wages	\$790,419	\$0	\$790,419
Fringe Benefits	\$584,759	\$(6,600)	\$578,159
<b>Total Direct Costs</b>	\$1,375,178.	\$(6,600)	\$1,368,578
<b>Indirect Costs</b>	-	-	-
Salary and Wages	\$62,504	\$0	\$62,504
Fringe Benefits	\$39,119	\$6,600	\$45,719
Communications	\$1,585	\$0	\$1,585
Board Per Diem	\$13,697	\$(13,697)	-
Board Mileage	\$1,122	\$0	\$1,122
Memberships	\$2,228	\$0	\$2,228
Office Supplies	\$25,138	\$0	\$25,138
Special Department Expense	\$355	\$0	\$355
Training	\$4,623	\$0	\$4,623
Transportation and Travel	\$2,926	\$0	\$2,926
Tuition Reimbursement	\$350	\$0	\$350
Workers Compensation Expense	\$47,720	\$0	\$47,720
Property Insurance	\$935	\$0	\$935
General Liability Insurance	\$8,413	\$0	\$8,413
Data Processing	\$109,929	\$0	\$109,929
ADP payroll service	\$2,714	\$0	\$2,714
Building Maintenance Services	\$6,155	\$0	\$6,155
Utilities Services	\$12,432	\$0	\$12,432

Description	Accepted	Audit Adjustment	Audited
Custodial Services	\$5,550	\$0	\$5,550
Grounds Services	\$2,337	\$0	\$2,337
Service from another department	\$786	\$0	\$786
Motor-pool Operations	\$366	\$0	\$366
Print	\$1,325	\$0	\$1,325
Mail/Copiers	\$1,967	\$0	\$1,967
I/F Exp-Road Yard Billings	\$4,158	\$0	\$4,158
Service From Other Department	\$13	\$0	\$13
Sheriff Engraving	\$70	\$0	\$70
Intra-Agency Service Received	\$227,468	\$0	\$227,468
Inter-Agency Admin. Charges	\$233,217	\$(3,871)	\$229,346
Miscellaneous	\$120	\$0	\$120
<b>Total Indirect Costs</b>	<b>\$819,319</b>	<b>\$(10,968)</b>	<b>\$808,351</b>

**Table D.2 Indirect Cost Carry-Forward Adjustment**

Description	Accepted	Audit Adjustment	Audited
(A) Beginning Carry Forward (2016-17)	\$0	\$(153,171)	\$(153,171)
(B) 2018-19 Actual Indirect Costs (From Table D.1)	\$819,319	\$(10,968)	\$808,351
(C) Total 2018-19 Actual Indirect Costs (A+B)	\$819,319	\$(164,139)	\$655,180
(D) 2018-19 Actual Direct Salary and Wags plus FB (From Table D.1)	\$1,375,178	\$(6,600)	\$1,368,578
(E) 2018-19 Accepted Indirect Cost <sup>12</sup>	33.76%	0%	33.76%
(F) Recovered Indirect Costs (D*E)	\$464,260	\$(2,228)	\$462,032
<b>(G) Carry Forward amounts (C-F)</b>	<b>\$355,059</b>	<b>\$(161,911)</b>	<b>\$193,148</b>

<sup>12</sup> 2018-19 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on February 14, 2019

**Table D.3 FY 2020-21 Indirect Cost Rate**

Description	Proposed	Audit Adjustment	Audited
(C) Estimated Indirect Costs (Used 2018-19 Actual)	\$819,319	\$(164,139)	\$655,180
(G) Carry Forward amounts	\$355,059	\$(161,911)	\$193,148
(H) Total Estimated Indirect Costs (C+G)	\$1,174,378	\$(326,050)	\$848,328
(D) Estimated Direct Salary and Wages plus FB (Used 2018-19 Actual)	\$1,375,178	\$(6,600)	\$1,368,578
<b>2020-21 Proposing Indirect Cost Rate (H/D)</b>	<b>85.40%</b>	<b>-23.41%</b>	<b>61.99%</b>

**Table D.4 FY 2020-21 Fringe Benefit Rate**

Description	Accepted	Audit Adjustment	Audited
(I) Beginning Carry Forward (2016-17)	\$0	\$85,136	\$85,136
(J) 2018-19 Actual FB (Sum of direct and indirect FB From Table D.1)	\$623,879	\$0	\$623,879
(K) Total 2018-19 Actual FB (I+J)	\$623,879	\$85,136	\$709,015
(L) 2018-19 Actual Total Salary and Wages (Sum of direct and indirect Salary and Wages from Table D.1)	\$852,923	\$0	\$852,923
(M) 2018-19 Accepted FB <sup>13</sup>	73.31%	0%	73.31%
(N) Recovered FB (L*M)	\$625,278	\$0	\$625,278
(O) Carry Forward amounts (K-N)	\$(1,399)	\$85,136	\$83,737
(J) Estimated FB (Used 2018-19 Actual)	\$623,879	\$85,136	\$709,015
(P) Total Estimated FB (O+J)	\$622,480	\$170,272	\$792,752
(L) Estimated Total Salary and Wages (Used 2018-19 Actual)	\$852,923	\$0	\$852,923
<b>2020-21 Proposing FB Rate (P/L)</b>	<b>72.98%</b>	<b>19.96%</b>	<b>92.95%</b>

<sup>13</sup> 2018-19 Indirect Cost Rate and Fringe Benefit Rate were accepted by IOAI on February 14, 2019

## Auditee’s Response



### RESOURCE MANAGEMENT AGENCY

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REED SCHENKE, DIRECTOR

MICHAEL WASHAM, ASSOCIATE DIRECTOR

September 14, 2022

Diana C. Antony, CPA, CIG  
 Chief Deputy Inspector General  
 California Department of Transportation  
 P.O. Box 942874, MS-2  
 Sacramento, CA 94274-0001

Dear Ms. Antony,

The County of Tulare is in receipt of your draft report related to the audit of our Indirect Cost Rate Proposals (ICRP) for the fiscal years 2019-20 and 2020-21. After lengthy discussions with your agency, the County acknowledges the errors found during your audit. As expressed during your audit, the County’s ICRP submissions were previously audited by the State Controller’s office (SCO) in fiscal year 2016-17. At that time, the County employed the same methodology in preparation of our annual ICRP as we did for the years covered in your recent audit. The SCO did not find any issues with the methodology at that time, so changes were not made. We recognize the following issues that you identify for corrective action as a result of the audit and offer our intended future improvements.

**1) Unallowable Costs in The Indirect Cost Pools**

Your audit found that we had mistakenly misclassified certain costs as indirect, when in fact they were either direct costs or unallowable indirect costs. These misidentified costs represent less than 1% of all the expense transactions for the periods covered but are important for an accurate indirect cost rate. All the findings related to appropriate indirect cost identification, have been incorporated into the County’s fiscal year 2023 ICRP submission.

**2) Carry Forward Calculation Procedures Need Improvement**

Your audit found that the County has not consistently applied the carryforward principle necessary to adjust future ICRP reimbursement rates for the variance that exists between prior estimated and actual indirect costs. The prior ICRP audit the County received, did not address carryforwards, because at that time County ICRP submissions had not generated a carryforward for review. We now understand the proper methodology required to incorporate carryforwards to generate an accurate ICRP rate. All the findings related to carryforward application, have been incorporated into the County’s fiscal year 2023 ICRP submission.

Included in the draft audit were 3 recommendations

A. Caltrans should coordinate with the County to develop a corrective action plan to resolve and close the findings identified in this audit.

**The County has already incorporated the findings of this audit into its fiscal year 2023 ICRP submission and will work with Caltrans to insure this satisfies their requirements for closure of the audit.**

B. The County should reconcile the 2019-20 and 2020-21 indirect billings using the audited rates in Table 1 and resolve any over and under payments with Caltrans.

**The County will work with Caltrans to address the findings to the satisfaction of Caltrans, including reconciliation of prior years if necessary.**

C. The County should develop, document, and implement ICRP policies and procedures to comply with 2 CFR 200 and provide the training to staff responsible for preparing and reviewing the ICRPs.

**The County has already incorporated the findings of this audit into its fiscal year 2023 ICRP submission including training staff and will continue to review future submissions against 2 CFR 200 guidelines.**

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

Respectfully,



Reed Schenke, PE  
Director  
Resource Management Agency

Attachment: State Controller's Office Audit 12/19/2018





Independent Office of Audits and Investigations

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