

Memorandum

*Making Conservation
a California Way of Life.*

To: RIHUI ZHANG
Chief
Division of Local Assistance

Date: June 10, 2019

File: P1594-0087

From: MARSUE MORRILL, CPA *Marsue*
Chief
Planning and Modal Office
Independent office of Audits and Investigations

Subject: **INDIRECT COST RATE PROPOSAL AUDIT – COUNTY OF PLUMAS, DEPARTMENT OF PUBLIC WORKS**

At the request of the Independent Office of Audits and Investigations, the State Controller's Office completed an audit of the County of Plumas, Department of Public Works' (County) Indirect Cost Rate Proposal (ICRP) for fiscal year 2015/16. The purpose of the audit was to determine whether the ICRP was presented in accordance with Title 2 Code of Federal Regulations (CFR) Part 200 and Caltrans Local Assistance Procedures Manual Chapter 5. In addition, the audit was performed to determine whether the County has adequate accounting controls to properly manage federal- and state-funded projects. The complete audit report is attached.

The audit did not disclose any findings. No further action is required.

If you have any questions, contact Luisa Ruvalcaba, Audit Manager, at luisa.ruvalcaba@dot.ca.gov

Attachment
County of Plumas Audit

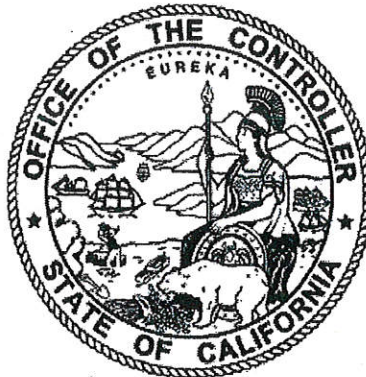
cc: Bob Perrault, Director, Public Works, Plumas County
Rodney Whitfield, Director of Financial Services, Federal Highway Administration
Veneshia Smith, Financial Program Manager, Federal Highway Administration
William Lewis, Assistant Director, Independent Office of Audits and Investigations
Dave Moore, District Director, District 2, California Department of Transportation
Thomas Balkow, Deputy District Director, Planning and Local Assistance, District 2,
California Department of Transportation
Angel Pyle, Assistant Division Chief, Division of Rail and Mass Transportation, California
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Transportation
Lisa Gore, Associate Accounting Analyst, Division of Accounting, California Department of
Transportation
Jacqueline Manohar, Audits Coordinator, Division of Rail and Mass Transportation, California
Department of Transportation
Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of
Audits & Investigations
P1594-0087

PLUMAS COUNTY DEPARTMENT OF PUBLIC WORKS

Audit Report

INDIRECT COST RATE PROPOSAL AUDIT OF CALTRANS CONTRACT NO. 77A0044 (Audit Request No. P1594-0087)

July 1, 2015, through June 30, 2016



BETTY T. YEE
California State Controller

May 2019



BETTY T. YEE
California State Controller

May 16, 2019

MarSue Morrill, Chief
External Audits – Local Governments
Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200, MS 2
Sacramento, CA 95814

Dear Ms. Morrill:

The State Controller's Office audited the indirect cost rate proposal (ICRP) of Plumas County, Department of Public Works. The audit period was fiscal year (FY) 2015-16. The audit was performed at the request of the California Department of Transportation (Caltrans) Audits and Investigations.

The purpose of the audit was to determine whether the ICRP was presented in accordance with Title 2, *Code of Federal Regulations* (CFR), Part 200, and the Caltrans *Local Assistance Procedures Manual*, Chapter 5. Our audit was also performed to determine whether the county has sufficient accounting controls to properly manage federal- and state-funded projects.

The county submitted an ICRP for the Department of Public Works with a rate of 50.85% for FY 2015-16. Our audit found that the county's ICRP is in compliance with the cost principles prescribed in 2 CFR 200.

If you have any questions, please contact Andrew Finlayson, Bureau Chief, by telephone at (916) 324-6310.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jim L. Spano".

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/hf

cc: Luisa Ruvalcaba, Audit Manager (via email)
External Audits – Local Governments
Audits and Investigations
California Department of Transportation

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Audit Report

Summary

The State Controller's Office (SCO) audited the indirect cost rate proposal (ICRP) of Plumas County, Department of Public Works. The audit period was fiscal year (FY) 2015-16.

The purpose of the audit was to determine whether the ICRP was presented in accordance with Title 2, *Code of Federal Regulations* (CFR), Part 200, and the California Department of Transportation's (Caltrans) *Local Assistance Procedures Manual* (LAPM), Chapter 5.

Our audit was also performed to determine whether the county's accounting controls properly manage federal- and state-funded projects.

The county submitted an ICRP for the Department of Public Works with a rate of 50.85% for FY 2015-16. Our audit found that the county's ICRP is in compliance with the cost principles prescribed in 2 CFR 200.

Background

The Department of Public Works maintains approximately 680 miles of roadways, including over 500 bridges and drainage structures and more than 5,000 road signs.

The Department of Public Works is responsible for the following activities:

- Maintaining, repairing, designing, and constructing county roads, bridges, and storm water drainage systems in accordance with local, state, and federal laws / standards;
- Reviewing and approving land development projects as they relate to the county road and drainage systems; and
- Pursuing and obtaining federal and state funds for the county roads, bridges, and storm drainage systems.

We performed the audit at the request of Caltrans (Audit Request No. P1594-0087). The authority to conduct this audit is given by Interagency Agreement No. 77A0044, dated June 1, 2014, between the SCO and Caltrans, which authorizes the SCO to perform audits of proposed ICRPs submitted to Caltrans from local government agencies to ensure compliance with 2 CFR 200 and the Caltrans LAPM, Chapter 5.

Objectives, Scope, and Methodology

We conducted the audit to determine whether:

- The county's ICRP is in compliance with the cost principles prescribed in 2 CFR 200;
- The county's ICRP is in compliance with the requirements for ICRP preparation and application identified in the Caltrans LAPM, Chapter 5; and
- The county's accounting controls properly manage federal- and state-funded projects.

The audit period for the Department of Public Works is as follows:

<u>Period</u>	<u>Proposed Rate</u>	<u>Rate Type</u>
July 1, 2015 to June 30, 2016	50.85%	Final

To achieve our audit objectives, we:

- Reviewed the county's FY 2009-10 prior Indirect Cost Allocation Plan (ICAP) report issued by the SCO and Caltrans for findings related to the objectives of the audit;
- Reviewed the FY 2014-15 single audit report issued by Smith and Newell, CPAs for findings related to the objectives of the audit;
- Reviewed the county's written policies and procedures relating to accounting systems and project/contract management;
- Interviewed employees, completed an internal control questionnaire, and performed a system walk-through in order to gain a limited understanding of the county's internal controls, accounting systems related to timekeeping and payroll, billing processes, accounts payable, and accounts receivable;
- Assessed the internal control system related to the ICRP for FY 2015-16, based on our review of written procedures and policies, internal control interviews, and walk-throughs;
- Based on our internal control assessment, designed a non-statistical sampling plan for direct and indirect costs reported in the ICRP;
- Judgmentally selected a non-statistical sample of direct and indirect costs reported in the ICRP, and performed a limited test of controls to confirm and validate that documented processes and procedures were functioning as designed. Tested the cost accounting system to ensure that the system can identify projects, activities related to projects, direct costs, and indirect costs, as indicated by the county's written policies and procedures and internal control interviews. We also tested the same sampled costs to determine whether the amounts claimed were adequately supported and in compliance with 2 CFR 200:
 - Salaries
 - Sample: 20 transactions, totaling \$133,216 for FY 2015-16.
 - Population: 1,456 transactions, totaling \$4,336,504 for FY 2015-16.
 - Non-Salary-Related Indirect Costs
 - Sample: 17 transactions, totaling \$58,971 for FY 2015-16.
 - Population: 11,884 transactions, totaling \$1,005,923 for FY 2015-16.

Errors found in the samples selected were not projected to the intended total population;

- Determined whether payments to contractors were made in a timely manner and were billed to Caltrans subsequent to payment;
- Verified that the actual indirect costs recovered by the county at the Caltrans approved indirect cost rate; and

- Verified that the county's invoices to Caltrans for approved projects are in compliance with the Caltrans LAPM, Chapter 5.

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.

We did not audit the county's financial statements. The scope of the audit was limited to select financial and compliance activities. In addition, our review of internal controls was limited to gaining and understanding of the transaction flow and accounting controls to determine the county's ability to accumulate and segregate reasonable, allowable, and allocable indirect and direct costs.

Conclusion

Our audit found that:

- The county's ICRP was in compliance with the cost principles prescribed in 2 CFR 200;
- The county's ICRP was prepared in compliance with the Caltrans LAPM, Chapter 5; and
- The county's accounting controls properly managed federal- and state-funded projects.

Follow-up on Prior Audit Findings

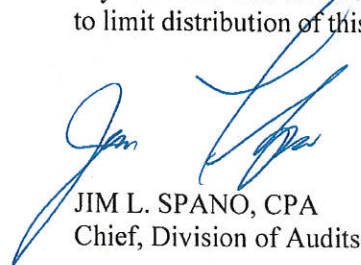
The last ICRP audit for FY 2009-10 included audit findings. Based on the work performed in the current audit, we noted that the county has taken appropriate corrective actions in response to the audit findings.

Views of Responsible Officials

We discussed our audit results with the county's representative during an exit conference conducted by telephone on January 29, 2019. Damien Frank, Fiscal Officer, agreed with the audit results. Mr. Frank declined a draft audit report.

Restricted Use

This report is solely for the information and use of Plumas County, Caltrans, and the SCO. It is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record.



JIM L. SPANO, CPA
Chief, Division of Audits

May 16, 2019

**Schedule 1—
Summary of Proposed and Audited Rates
July 1, 2015, through June 30, 2016**

<u>Fiscal Year</u>	<u>Proposed Rate</u>	<u>Audited Rate</u>	<u>Reference</u>
2015-16	50.85%	50.85%	Schedule 2

**Schedule 2—
Schedule of Direct Costs, Indirect Costs, and
Carry-Forward,
Fiscal Year 2015-16**

	Proposed Amount	Audited Amount
Direct costs:		
Direct salaries	\$ 3,541,508	\$ 3,541,508
Direct fringe benefits	-	-
Total direct costs	<u>\$ 3,541,508</u>	<u>\$ 3,541,508</u>
Indirect costs:		
Indirect salaries	\$ 794,996	\$ 794,996
Indirect fringe benefits	-	-
Admin operational	176,249	176,249
GE engineering	17,329	17,329
Equipment clearing	486,299	486,299
Shop overhead	227,371	227,371
General overhead	114,633	114,633
Adjustment to balance	(15,959)	(15,959)
Subtotal, indirect costs before carry-forward	<u>\$ 1,800,918</u>	<u>\$ 1,800,918</u>
Carry-forward—None per final rate	-	-
Total indirect costs after carry-forward	<u>\$ 1,800,918</u>	<u>\$ 1,800,918</u>
Total indirect costs	\$ 1,800,918	\$ 1,800,918
Total direct costs	\$ 3,541,508	\$ 3,541,508
Indirect cost rate ¹	<u>50.85%</u>	<u>50.85%</u>

¹ The indirect cost rate is calculated by dividing the total indirect costs by the total direct costs.