



INSPECTOR GENERAL

California Department of Transportation

County of Yolo, Public Works Division

Indirect Cost Rate Proposal Audit



Independent Office of Audits and Investigations

Bryan Beyer, Inspector General
Diana Antony, Chief Deputy

March 2023
23A.ICAP01



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Diana Antony, Chief Deputy

March 1, 2023

Tony Tavares, Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Final Report — County of Yolo, Public Works Division, Indirect Cost Rate Proposal Audit

Dear Director Tavares:

On behalf of the Independent Office of Audits and Investigations, the Department of Finance, Office of State Audits and Evaluations, completed its audit of the County of Yolo, Public Works Division's Indirect Cost Rate Proposal (ICRP) for fiscal year 2020-21. The audit was performed to determine whether the ICRP complied with Title 2 Code of Federal Regulations Part 200 (2 CFR 200) and the Local Assistance Procedures Manual, Chapter 5 (procedures manual).

Enclosed is the final audit report, which determined the ICRP complied with 2 CFR 200 and the procedures manual. The final audit report is a matter of public record and will be posted on our website.

If you have any questions regarding this report, please contact Fabiola Torres, Audit Chief, at (916) 323-7111.

Sincerely,

Bryan Beyer, CIG
Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations
P.O. Box 942874, MS-2 (916) 323-7111
Sacramento, CA 94274-0001 <https://oig.dot.ca.gov>

Tony Tavares
March 1, 2023
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cc: Michael Keever, Chief Deputy Director, California Department of Transportation
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Ben Shelton, Audit Chief, Internal Audits Office, California Department of Transportation
Leslie Lindbo, Interim Director of Community Services, County of Yolo
Chad Rinde, Chief Financial Officer, County of Yolo
Shelby Milliren, Chief Fiscal Administrative Officer, County of Yolo
Maryam Farhoodi, Fiscal Administrative Officer, County of Yolo
Rodney Whitfield, Director, Financial Services, Federal Highway Administration
Grace Regidor, Transportation Finance Specialist, Financial Services, Federal Highway
Administration

23A.ICAP01



County of Yolo
Indirect Cost Rate Proposal
Fiscal Year 2020-21

Report No. 22-2660-088
February 2023

Team Members

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Final reports are available on our website at <https://www.dof.ca.gov>.

You can contact our office at:

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



Gavin Newsom ■ Governor

915 L Street ■ Sacramento CA ■ 95814-3706 ■ www.dof.ca.gov

Transmitted via e-mail

February 22, 2023

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—County of Yolo, Public Works Division, Indirect Cost Rate Proposal Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the County of Yolo, Public Works Division's Indirect Cost Rate Proposal for fiscal year 2020-21, California Department of Transportation Audit Number 23A.ICAP01.

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

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

Sincerely,

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
Monte Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

BACKGROUND, SCOPE, METHODOLOGY, AND RESULTS

BACKGROUND

The California Department of Transportation's (Caltrans) Local Assistance Program oversees more than \$1 billion 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

Yolo County's road network includes 752 miles of public roads, 147 bridges, and roadside ditches, culverts, signs, guardrails, and other appurtenances. The County of Yolo, Public Works Division (County) provides the engineering, inspection, maintenance, permitting, and administrative services required to maintain and improve these facilities.²

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. Caltrans 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 Caltrans's Independent Office of Audits and Investigations (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 County's ICRP for fiscal year 2020-21.

The audit objectives were to:

1. Determine whether the 2020-21 ICRP was in compliance with 2 CFR 200 and the LAPM.
2. Recalculate the 2020-21 ICRP rate if unallowable costs are identified.

The County 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.

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

² Excerpts obtained from the County's website: <https://www.yolocounty.org/government/general-government-departments/community-services/public-works-division>.

METHODOLOGY

In planning the audit, 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 LAPM, and applicable County 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 internal controls evaluated focused on the separation of indirect and direct costs, including labor, and preparation of the ICRP. Our assessment included interviewing staff about processes and testing transactions related to accounts payable, timekeeping, and ICRP preparation for effectiveness of existing processes and procedures. During our audit, we did not identify deficiencies in internal control 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 systems, Infor Enterprise Resource Planning and Cost Accounting Management System. Our assessment included reviewing information process flows, testing transactions for completeness and accuracy, and determining whether 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 2020-21 ICRP was in compliance with 2 CFR 200 and the LAPM.</p>	<ul style="list-style-type: none"> • Selected 2020-21 significant and high-risk cost categories to verify compliance with 2 CFR 200, and the LAPM. Specifically, costs were selected from direct and indirect salaries, fringe benefits, and the indirect costs pool. <ul style="list-style-type: none"> ○ Selection of direct and indirect salaries and fringe benefits was based on quantitative and qualitative factors such as employee job classification and dollar amount of transactions. <ul style="list-style-type: none"> ▪ Determined if direct and indirect salaries and fringe benefits were allowable, supported, and segregated by interviewing County staff, tracing the amounts to accounting and payroll records, verifying vacation and sick leave were in compliance with County policies, and performing analytical procedures for fringe benefits. ○ Selection of indirect costs pool costs was based on quantitative and qualitative factors such as dollar amount of transactions and the timing and type (i.e., description) of costs. <ul style="list-style-type: none"> ▪ Determined if indirect costs pool costs were allowable, supported, segregated, and equitably allocated, by interviewing County staff, evaluating allocation methodologies, and tracing the indirect costs to accounting records and invoices. • Verified the actual indirect costs recovered by the County were billed at the Caltrans approved indirect cost rate by tracing the rate used on Caltrans billings to the rate in Caltrans's Acceptance Letter and recalculated the indirect costs billed to Caltrans.
<p>Objective 2: Recalculate the 2020-21 ICRP rate if unallowable costs are identified.</p>	<ul style="list-style-type: none"> • Unallowable costs were not identified and the ICRP recalculation was not performed.

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.

RESULTS

Based on the procedures performed and evidence gathered, we determined the County's 2020-21 ICRP was in compliance with 2 CFR 200 and the LAPM.

Table 1: Accepted and Audited 2020-21 ICRP Rate³

Fiscal Year	Rate Type	Accepted Rate (a)	Audited Rate (b)	Difference (a)-(b)
2020-21	ICRP	72.56%	72.56%	0.00%

³ The ICRP submitted by the County was accepted by Caltrans on May 19, 2022.