

Memorandum

*Making Conservation
a California Way of Life.*

To: RIHUI ZHANG
Chief
Division of Local Assistance

Date: February 6, 2019

File: P1594-0057
P1594-0058
P1594-0059
P1594-0060
P1594-0061
P1594-0065

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

Subject: **INDIRECT COST RATE PROPOSAL AUDIT - COUNTY OF BUTTE, DEPARTMENT OF PUBLIC WORKS, ENGINEERING DIVISION**

At the request of the Independent Office of Audits and Investigations, the State Controller's Office (SCO) performed an audit of the County of Butte, Department of Public Works, Engineering Division's (County) Indirect Cost Rate Proposal (ICRP) for fiscal years (FY) 2010/11 through 2015/16. The purpose of the audit was to determine whether the ICRPs were presented in accordance with Title 2 Code of Federal Regulations Part 200 and Caltrans Local Assistance Procedures Manual Chapter 5.

Based on the audit, the SCO determined there were unallowable equipment charges in the FY 2014/15 indirect cost rate. The FY 2014/15 audited rate is as follows:

Applicable To	Fiscal Year	Proposed Rate	Audited Rate*
Engineering Division	2014/15	63.83%	62.36%

***Base: Direct Salaries and Wages Plus Fringe Benefits**

The County must reconcile their FY 2014/15 billings using the audited rate of 62.36 percent and reimburse Caltrans for any over payments. Please provide our office with a corrective action plan, including time lines, by April 5, 2019.

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

c:

Dennis Schmidt, Director, Department of Public Works, County of Butte

Cindy Jones, Administrative Analyst, County of Butte

Rodney Whitfield, Director, Financial Services, Federal Highway Administration

Veneshia Smith, Finance Manager, Financial Services, Federal Highway Administration

Eraina Ortega, Inspector General, Independent Office of Audits and Investigations, Caltrans

William Lewis, Assistant Director, Independent Office of Audits and Investigations, Caltrans

Amarjeet Benipal, Director, District 3, Caltrans

Gary Cathey, Local Assistance Deputy District Director, District 3, Caltrans

David Giongco, District Local Assistance Engineer, District 3, Caltrans

Angel Pyle, Assistant Division Chief, Division of Rail and Mass Transportation, Caltrans

Ezequiel Castro, Chief, Capital South Branch, Division of Rail and Mass Transportation,
Caltrans

James Ogbonna, Branch Chief, Rural Transit Programs and Intercity Rail, Division of Rail
and Mass Transportation, Caltrans

Susie Beesley, Manager, Contract and Grant Compliance, Division of Rail and Mass
Transportation, Caltrans

Erin Thompson, Chief, Office of Regional Planning, Division of Transportation Planning,
Caltrans

Jacqueline Kahrs, Regional Coordination Branch Chief, Office of Regional Planning, Division
of Transportation Planning, Caltrans

Kamal Sah, Chief, Office of Guidance and Oversight, Division of Local Assistance, Caltrans

Paula Bersola, Audit Coordinator, Division of Local Assistance, Caltrans

Lisa Gore, Associated Accounting Analyst, Division of Accounting, Caltrans

Luisa Ruvalcaba, Audit Manager, Planning and Modal Office, Independent Office of Audits
and Investigations, Caltrans

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**BUTTE COUNTY
DEPARTMENT OF PUBLIC WORKS
ENGINEERING DIVISION**

Audit Report

**INDIRECT COST RATE PROPOSAL AUDIT OF
CALTRANS CONTRACT NO. 77A0044
(Audit Request Nos. P1594-0057, P1594-0058, P1594-0059,
P1594-0060, P1594-0061, and P1594-0065)**

July 1, 2010, through June 30, 2016



BETTY T. YEE
California State Controller

January 2019



BETTY T. YEE
California State Controller

January 29, 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 proposals (ICRPs) of Butte County, Department of Public Works' Engineering Division. The audit period included ICRPs for fiscal year (FY) 2010-11 through 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 ICRPs were presented in accordance with Title 2, *U.S. Code of Federal Regulations*, Part 225 and Part 200, and the Caltrans Local Assistance Procedures Manual, Chapter 5.

The county submitted ICRPs for the Department of Public Works' Engineering Division with proposed rates of 57.23%, 76.55%, 80.00%, 53.20%, 63.83%, and 55.45% for FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15, and FY 2015-16, respectively. Our audit determined that the county included an unallowable equipment charge of \$12,900 during FY 2014-15. As a result, the indirect cost rate decreased to 62.36% for FY 2014-15. The remaining indirect cost rates were allowable.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim L. Spano", is written over a horizontal line.

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Tami Gill, Audit Manager (via email)
External Audits – Local Governments
Audits and Investigations

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Audit Report

Summary

The State Controller's Office (SCO) audited the indirect cost rate proposals (ICRPs) of Butte County, Department of Public Works Engineering Division. The audit period included ICRPs for fiscal year (FY) 2010-11 through FY 2015-16.

The purpose of the audit was to determine whether the ICRPs were presented in accordance with Title 2, U.S. *Code of Federal Regulations*, Part 225 (2 CFR 225) and Part 200 (2 CFR 200), and the California Department of Transportation's (Caltrans) Local Assistance Procedure Manual (LAPM), Chapter 5.

The indirect cost rates were adjusted as shown on Schedule 1 because the county included an unallowable equipment charge of \$12,900 during FY 2014-15.

Background

The county proposed indirect cost rates for the Engineering Division. The Engineering Division is composed of several different sections: Bridges, Construction, Road Design, Traffic, Permits, and Pavement Management. According to the county, these sections have the following duties:

The Bridges Section is responsible for the design of new bridges, and oversight of the maintenance of existing bridges. This section oversees more than 500 structures ranging from bridges to culverts, and approximately 255 of these structures are managed in conjunction with the Federal Highway Bridge Program (HBP).

The Construction section is responsible for delivering quality transportation projects. Construction personnel are responsible for the contract administration including regulations and specifications related to compiling and maintaining project records and ensuring that the materials utilized in the work and the completed work comply with the plans, specifications, and design criteria. Construction personnel also inspect private works for the Butte County Land Development Division to ensure that these projects are constructed to Butte County Standards.

The Road Design Section is responsible in planning and designing the County public works road projects, along with preparing the final plans, specifications, and estimates to receive bids for the construction of such projects. The Road Design Section also prepares grant applications and administers federal and state grants. The Road Design Section also lends its expertise to reviewing development studies and the planning and design of many of the miscellaneous projects listed in the County's capital improvement program.

The Traffic Engineering Section performs a variety of duties, such as maintaining safe streets, investigating residents' and board members' request regarding neighborhood traffic concerns, and respond to general traffic requests.

We performed the audit at the request of Caltrans (Audit Request Nos. P1594-0057, P1594-0058, P1594-0059, P1594-0060, P1594-0061, and P1594-0065). 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 225 and Caltrans LAPM, Chapter 5.

Objectives, Scope, and Methodology

The objectives of our audit were to determine whether:

- The county's ICRPs are in compliance with the cost principles prescribed in 2 CFR 200 and 225;
- The county's ICRPs are in compliance with the requirements for ICRP preparation and application identified in the Caltrans LAPM, Chapter 5;
- The county has a sufficient financial management accounting system to properly manage federal- and state-funded projects; and
- The county has procurement policies and procedures that are in compliance with 2 CFR 200 and Title 49, *U.S. Code of Federal Regulations*, Part 18.36 (49 CFR 18.36).

The audit period is as follows:

Period	Proposed Rate	Rate Type
July 1, 2010 to June 30, 2011	57.23%	Final
July 1, 2011 to June 30, 2012	76.55%	Final
July 1, 2012 to June 30, 2013	80.00%	Final
July 1, 2013 to June 30, 2014	53.20%	Final
July 1, 2014 to June 30, 2015	63.83%	Final
July 1, 2015 to June 30, 2016	55.45%	Final

To achieve our objectives, we:

- Reviewed the single audit reports issued by Gallina LLP for FY 2010-11 through FY 2015-16 for findings related to the audit objectives;
- Reviewed the county's written policies and procedures relating to accounting systems, procurement, and project/contract management;
- Interviewed employees, completed an internal control questionnaire, and performed a system walk-through to gain a limited understanding of the county's internal controls, accounting systems, timekeeping and payroll systems, and procurement and billing processes;

- Performed limited tests of controls on a judgmentally selected non-statistical sample of direct costs and indirect costs to confirm and validate that existing documented processes and procedures were functioning as designed;

Direct Salaries and Benefits

FY	Sample		Population	
	Transactions	Amount	Transactions	Amount
2015-16	499	\$ 83,484	3862	\$ 942,158
2014-15	481	\$ 81,822	3881	\$ 878,780
2013-14	680	\$ 160,184	3861	\$ 944,944
2012-13	249	\$ 41,306	2964	\$ 700,722
2011-12	273	\$ 39,498	3207	\$ 838,825
2010-11	575	\$ 177,467	4231	\$ 1,061,310

Indirect Salaries and Benefits

FY	Sample		Population	
	Transactions	Amount	Transactions	Amount
2015-16	885	\$ 183,148	2009	\$ 403,714
2014-15	485	\$ 141,108	1767	\$ 455,627
2013-14	598	\$ 186,024	6747	\$ 415,819
2012-13	696	\$ 207,545	2899	\$ 472,597
2011-12	720	\$ 231,077	2996	\$ 525,810
2010-11	658	\$ 210,521	3132	\$ 512,092

Indirect Costs:

Sampled three transactions totaling \$13,002 from a population of 98 transactions totaling \$39,985.

- Tested the costs 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;
- Assessed the internal control system related to the ICRPs for FY 2010-11 through FY 2015-16, based on the results of our review of written procedures and policies, and internal control interviews;

- Judgmentally selected a non-statistical sample of direct and indirect salaries and fringe benefits reported in the ICRPs to determine whether the amounts claimed were adequately supported in compliance with 2 CFR 200 and 225:

Direct Salaries and Benefits

FY	Sample		Population	
	Transactions	Amount	Transactions	Amount
2015-16	499	\$ 83,484	3862	\$ 942,158
2014-15	481	\$ 81,822	3881	\$ 878,780
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2010-11	658	\$ 210,521	3132	\$ 512,092

Errors found in the samples selected were not projected to the intended (total) population.

- Judgmentally selected a non-statistical sample of indirect costs reported in the ICRPs to determine whether the amounts claimed were adequately supported and in compliance with 2 CFR 200 and 225:

Non-labor indirect costs

FY	Cost Category	Sample		Population	
		Transactions	Amount	Transactions	Amount
2014-15	Office Expense	5	\$ 18,226	55	\$ 25,883
2013-14	Office Expense	5	\$ 5,546	42	\$ 10,587
2012-13	Office Expense	5	\$ 15,299	42	\$ 24,312
2011-12	Office Expense	7	\$ 17,883	53	\$ 21,765
2010-11	Office Expense	4	\$ 16,956	61	\$ 22,117
2011-12	Special Department Expense	12	\$ 15,834	37	\$ 17,868
2010-11	Insurance	1	\$ 12,422	1	\$ 12,422
2015-16	Equipment Maintenance	3	\$ 47,224	38	\$ 66,750
2014-15	Equipment Maintenance	5	\$ 21,958	26	\$ 25,565
2013-14	Equipment Maintenance	8	\$ 30,356	36	\$ 34,214
2012-13	Equipment Maintenance	5	\$ 17,488	33	\$ 21,166
2011-12	Equipment Maintenance	3	\$ 30,804	38	\$ 35,993
2010-11	Equipment Maintenance	5	\$ 10,005	29	\$ 14,868
2014-15	Small Tools and Instruments	1	\$ 12,900	24	\$ 16,902

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 were at the Caltrans-approved indirect cost rate; and
- Verified that the county's invoices to Caltrans for approved projects were 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 Butte 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 an understanding of the transaction flow, the financial management accounting system, and limited tests of controls regarding the county's ability to accumulate and segregate reasonable, allowable, and allocable indirect and direct costs.

Conclusion

We determined that:

- The county's ICRP for FY 2014-15 is not in compliance with the cost principles prescribed in 2 CFR 225. The Small Tools and Instruments expenditures proposed in the ICRP included an unallowable equipment charge in the amount of \$12,900. The proposed rate for FY 2014-15 was 63.83% and the audited rate was 62.36%, a difference of (1.47%);
- The county's ICRPs are in compliance with the requirements for ICRP preparation and application identified in the Caltrans LAPM, Chapter 5;
- The county's financial management accounting system is sufficient to properly manage federal- and state-funded projects; and
- The city has procurement policies and procedures that are in compliance with 2 CFR 200 and 49 CFR 18.36.

Follow-up on Prior Audit Findings

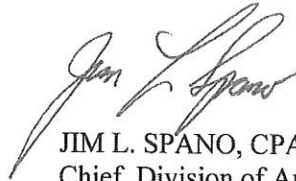
These were the first six ICRPs submitted by the county. There were no prior ICRP audits and consequently, no prior audit findings.

Views of Responsible Officials

We discussed our audit results with the county's representatives during a telephone exit conference. Cindy Jones, Administrative Analyst; and Amanda Partain, Senior Accountant, agreed with the audit results. Ms. Jones declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Butte 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 report, which is a matter of public record.



JIM L. SPANO, CPA
Chief, Division of Audits

January 29, 2019

**Schedule 1—
Summary of Proposed and Audited Rates
July 1, 2010, through June 30, 2016**

<u>Fiscal Year</u>	<u>Proposed Rate</u>	<u>Audited Rate</u>	<u>Difference</u>	<u>Reference</u>
2010-11	57.23%	57.23%	0%	Schedule 2
2011-12	76.55%	76.55%	0%	Schedule 3
2012-13	80.00%	80.00%	0%	Schedule 4
2013-14	53.20%	53.20%	0%	Schedule 5
2014-15	63.83%	62.36%	-1.47%	Schedule 6
2015-16	55.45%	55.45%	0%	Schedule 7

Schedule 2— Summary of Direct Costs and Indirect Costs Fiscal Year 2010-11

	Proposed Amount	Audited Amount
Direct costs:		
Direct salaries	\$ 700,194	\$ 700,194
Direct fringe benefits	361,115	361,115
Total direct costs	<u>1,061,310 *</u>	<u>1,061,310 *</u>
Indirect costs:		
Indirect salaries	\$ 337,850	\$ 337,850
Indirect fringe benefits	174,242	174,242
Equipment Total	6,131	6,131
Contracts/Services (CIP)	-	-
Inventory Usage	-	-
Clothing & Personal Supplies	1,680	1,680
Communications	4,279	4,279
Household Expense	4	4
General Insurance	12,422	12,422
Equipment Maintenance	14,868	14,868
Memberships	1,465	1,465
Office Expense	22,117	22,117
Professional & Specialized Services	4,039	4,039
Publications & Legal Notices (CIP)	129	129
Small Tools & Instruments	4,495	4,495
Special Department Expense	8,167	8,167
Transportation & Travel (Trainings)	2,018	2,018
Utilities	13,469	13,469
Interfund Expenditures – A-87 Costs	121,415	121,415
Less Capital Improvement Projects (CIP)	-	-
Less A-87 Costs	(121,415)	(121,415)
Total indirect costs:	<u>\$ 607,376</u>	<u>\$ 607,376</u>
Total indirect costs	\$ 607,376	\$ 607,376
Total direct costs	\$ 1,061,310	\$ 1,061,310
Indirect cost rate ¹ :	<u>57.23%</u>	<u>57.23%</u>

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

* Difference due to rounding.

Schedule 3— Summary of Direct Costs and Indirect Costs Fiscal Year 2011-12

	Proposed Amount	Audited Amount
Direct costs:		
Direct salaries	\$ 568,040	\$ 568,040
Direct fringe benefits	270,785	270,785
Total direct costs	<u>838,825</u>	<u>838,825</u>
Indirect costs:		
Indirect salaries	\$ 356,071	\$ 356,071
Indirect fringe benefits	169,739	169,739
Equipment Total	1,566	1,566
Contracts/Services (CIP)	-	-
Inventory Usage (CIP)	-	-
Clothing & Personal Supplies	3,189	3,189
Communications	3,057	3,057
Household Expense	72	72
General Insurance	8,009	8,009
Equipment Maintenance	35,993	35,993
Maintenance – Lab	158	158
Memberships	1,775	1,775
Office Expense	21,765	21,765
Professional & Specialized Services	1,625	1,625
Publications & Legal Notices (CIP)	-	-
Small Tools & Instruments	5,170	5,170
Special Department Expense	17,868	17,868
Transportation & Travel (Trainings)	2,215	2,215
Utilities	13,874	13,874
Interfund Expenditures – A-87 Costs	59,520	59,520
Less A-87 Costs	(59,520)	(59,520)
Total indirect costs	<u>\$ 642,145 *</u>	<u>\$ 642,145 *</u>
Total indirect costs	\$ 642,145	\$ 642,145
Total direct costs	\$ 838,825	\$ 838,825
Indirect cost rate ¹ :	<u>76.55%</u>	<u>76.55%</u>

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

* Difference due to rounding.

Schedule 4— Summary of Direct Costs and Indirect Costs Fiscal Year 2012-13

	Proposed Amount	Audited Amount
Direct costs:		
Direct salaries	\$ 488,648	\$ 488,648
Direct fringe benefits	212,073	212,073
Total direct costs	700,722 *	700,722 *
Indirect costs:		
Indirect salaries	\$ 329,565	\$ 329,565
Indirect fringe benefits	143,031	143,031
Equipment Total	1,411	1,411
Contracts/Services (CIP)	-	-
Inventory Usage (CIP)	-	-
Clothing & Personal Supplies	2,620	2,620
Communications	4,549	4,549
Household Expense	6	6
General Insurance	6,925	6,925
Equipment Maintenance	21,166	21,166
Maintenance – Lab	-	-
Memberships	1,725	1,725
Office Expense	24,312	24,312
Professional & Specialized Services	1,155	1,155
Publications & Legal Notices (CIP)	-	-
Small Tools & Instruments	4,657	4,657
Special Department Expense	4,776	4,776
Transportation & Travel (Trainings)	2,023	2,023
Utilities	12,639	12,639
Interfund Expenditures – A-87 Costs	91,290	91,290
Right of Way Acquisitions (CIP)	-	-
Less Capital Improvement Projects (CIP)	(91,290)	(91,290)
Less A-87 Costs	-	-
Total indirect costs	\$ 560,560	\$ 560,560
Total indirect costs	\$ 560,560	\$ 560,560
Total direct costs	\$ 700,722	\$ 700,722
Indirect cost rate ¹ :	80.00%	80.00%

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

* Difference due to rounding.

Schedule 5— Summary of Direct Costs and Indirect Costs Fiscal Year 2013-14

	Proposed Amount	Audited Amount
Direct costs:		
Direct salaries	\$ 669,129	\$ 669,129
Direct fringe benefits	275,815	275,815
Total direct costs	<u>944,944</u>	<u>944,944</u>
Indirect costs:		
Indirect salaries	\$ 294,448	\$ 294,448
Indirect fringe benefits	121,371	121,371
Equipment Total	2,768	2,768
Contracts (CIP)	-	-
Services (CIP)	-	-
Inventory Usage (CIP)	-	-
Clothing & Personal Supplies	2,390	2,390
Communications	4,050	4,050
Household Expense	27	27
General Insurance	8,090	8,090
Equipment Maintenance	34,214	34,214
Maintenance – Lab	-	-
Memberships	2,075	2,075
Office Expense	10,587	10,587
Professional & Specialized Services	483	483
Publications & Legal Notices (CIP)	-	-
Small Tools & Instruments	1,613	1,613
Special Department Expense (CIP-Fees)	6,531	6,531
Transportation & Travel (Trainings)	1,681	1,681
Utilities	12,399	12,399
Interfund Expenditures – A-87 Costs	124,256	124,256
Right of Way Acquisitions (CIP)	-	-
Less Capital Improvement Projects (CIP)	-	-
Less A-87 Costs	(124,256)	(124,256)
Total indirect costs	<u>\$ 502,727</u>	<u>\$ 502,727</u>
Total indirect costs	\$ 502,727	\$ 502,727
Total direct costs	\$ 944,944	\$ 944,944
Indirect cost rate ¹ :	<u>53.20%</u>	<u>53.20%</u>

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

**Schedule 6—
Summary of Direct Costs and Indirect Costs
Fiscal Year 2014-15**

	Proposed Amount	Audited Amount	Audit Adjustment
Direct costs:			
Direct salaries	\$ 622,101	\$ 622,101	\$ -
Direct fringe benefits	256,679	256,679	-
Total direct costs	<u>878,780</u>	<u>878,780</u>	<u>-</u>
Indirect costs:			
Indirect salaries	\$ 322,545	\$ 322,545	\$ -
Indirect fringe benefits	133,082	133,082	-
Equipment Total	2,835	2,835	-
Contracts (CIP)	-	-	-
Services (CIP)	-	-	-
Inventory Usage (CIP)	-	-	-
Clothing & Personal Supplies	1,560	1,560	-
Communications	5,410	5,410	-
Household Expense	49	49	-
General Insurance	6,354	6,354	-
Equipment Maintenance	25,565	25,565	-
Maintenance – Lab	-	-	-
Memberships	1,600	1,600	-
Office Expense	25,883	25,883	-
Professional & Specialized Services	-	-	-
Publications & Legal Notices (CIP)	418	418	-
Small Tools & Instruments	16,902	4,002	(12,900)
Special Department Expense	6,018	6,018	-
Transportation & Travel (Trainings)	1,124	1,124	-
Utilities	11,539	11,539	-
Rents & Leases – Building (CIP)	-	-	-
Right of Way Acquisitions (CIP)	-	-	-
Less Capital Improvement Projects (CIP)	-	-	-
Less A-87 Costs	-	-	-
Total indirect costs	<u>\$ 560,884</u>	<u>\$ 547,984</u>	<u>\$ (12,900)</u>
Total indirect costs	\$ 560,884	\$ 547,984	\$ (12,900)
Total direct costs	\$ 878,780	\$ 878,780	\$ -
Indirect cost rate ¹ :	<u>63.83%</u>	<u>62.36%</u>	<u>-1.47%</u>

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

**Schedule 7—
Summary of Direct Costs and Indirect Costs
Fiscal Year 2015-16**

	Proposed Amount	Audited Amount
Direct costs:		
Direct salaries	\$ 662,232	\$ 662,232
Direct fringe benefits	279,926	279,926
Total direct costs	<u>942,158</u>	<u>942,158</u>
Indirect costs:		
Indirect salaries	\$ 283,766	\$ 283,766
Indirect fringe benefits	119,948	119,948
Equipment Total	2,110	2,110
Contracts (CIP)	-	-
Services (CIP)	-	-
Inventory Usage (CIP)	-	-
Clothing & Personal Supplies	2,825	2,825
Communications	7,182	7,182
General Insurance	7,502	7,502
Equipment Maintenance	66,750	66,750
Memberships	345	345
Office Expense	7,385	7,385
Professional & Specialized Services	1,868	1,868
Publications & Legal Notices	309	309
Small Tools & Instruments	1,405	1,405
Special Department Expense	5,182	5,182
Transportation & Travel (Trainings)	3,620	3,620
Utilities	12,245	12,245
Right of Way Acquisitions (CIP)	-	-
Less Capital Improvement Projects (CIP)	-	-
Total indirect costs	<u>\$ 522,442</u>	<u>\$ 522,442</u>
Total indirect costs	\$ 522,442	\$ 522,442
Total direct costs	\$ 942,158	\$ 942,158
Indirect cost rate ¹ :	<u>55.45%</u>	<u>55.45%</u>

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

Finding and Recommendation

FINDING— Small Tool and Instruments

The county included unallowable costs in the Small Tool and Instruments expense category in its ICRP for FY 2014-15. The county improperly classified an asset with an acquisition cost of \$12,900 as an expense, and did not capitalize as required.

2 CFR 225, Appendix B, section 15 (b)(5), states, in part, that equipment and other capital expenditures are unallowable as indirect costs.

Per 2 CFR 225, Appendix B, 15 (2), "equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost that equals or exceeds the lesser of the capitalization level established by the governmental unit of financial statement purposes, or \$5,000.

Recommendation

We recommend that the county:

- Review the details of indirect expenses in its ICRP prior to submitting it to Caltrans; and
- Resubmit the ICRP to Caltrans for the affected fiscal year.

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