



INSPECTOR GENERAL

California Department of Transportation

City and County of San Francisco

Project Compliance Audit



Independent Office of Audits and Investigations

Bryan Beyer, Inspector General
Matt Espenshade, Chief Deputy

January 2026
25A.PJCT09



Inspector General

California Department of Transportation

Bryan Beyer, Inspector General

Matt Espenshade, Chief Deputy

January 21, 2026

Dina El-Tawansy
Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Final Report – City and County of San Francisco, Project Compliance Audit

Dear Director El-Tawansy:

On behalf of the Independent Office of Audits and Investigations (IOAI), the California Department of Finance, Office of State Audits and Evaluations (Finance) completed its project compliance audit of the City and County of San Francisco (County). Finance audited the costs that the County incurred, and the California Department of Transportation reimbursed, related to the County's Third Street Bridge Rehabilitation Project, totaling \$31,400,500. Finance also audited the project deliverables and outputs, and the County's fiscal year 2019-20 Indirect Cost Rate Proposal.

Because there were no audit findings requiring a response, we are issuing the report as final. The final report is a matter of public record and will be posted on IOAI's website.

If you have any questions regarding this report, please contact our office at (916) 323-7111.

Sincerely,

Fabiola Torres, CIGA
Deputy Inspector General

Gavin Newsom, Governor

Independent Office of Audits and Investigations
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Sacramento, CA 94274-0001 <https://oig.dot.ca.gov>

Dina El-Tawansy
January 21, 2026
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cc: Cory Binns, Chief Deputy Director, California Department of Transportation
David Ambuehl, Acting District Director, District 4, California Department of Transportation
Ephrem Meharena, District Local Assistance Engineer, District 4, California Department of Transportation
Ben Shelton, Audit Chief, Internal Audits Office, California Department of Transportation
Antonio Johnson, Director, Planning, Environment, Air Quality, and Right of Way, Federal Highway Administration
Grace Regidor, Transportation Financial Specialist, Financial Services, Federal Highway Administration
Bruce Robertson, Deputy Director of Financial Management and Administration, City and County of San Francisco
Jennifer Marquez, Finance Manager, Department of Public Works, City and County of San Francisco
Jo Li, Accounting Manager, Department of Public Works, City and County of San Francisco
Victoria Chan, Budget Manager, Department of Public Works, City and County of San Francisco

25A.PJCT09



City and County of San Francisco

Department of Public Works
Indirect Cost Rate Proposal
Fiscal Year 2019-20

Report No. 25-2660-056
January 2026

Team Members

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

You can contact our office at:

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
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January 16, 2026

Bryan Beyer, Inspector General
Independent Office of Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Final Report—City and County of San Francisco, Department of Public Works

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City and County of San Francisco, Department of Public Works' (County) Indirect Cost Rate Proposal (ICRP) for fiscal year 2019-20 and the project listed below, California Department of Transportation Audit Number 0416000101.

<u>Project Number</u>	<u>Project Name</u>
0416000101	Third Street Bridge Rehabilitation Project

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 Sherry Ma, Manager, or Kylie Oltmann, Supervisor, at (916) 322-2985.

Sincerely,

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

cc: Matt Espenshade, Chief Deputy Inspector General, Independent Office of Audits and Investigations
Fabiola Torres, Deputy Inspector General, Independent Office of Audits and Investigations

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

The City and County of San Francisco, Department of Public Works (County), is responsible for designing and managing the construction of civic buildings and streets, maintaining and greening the public right-of-way, and ensuring civic buildings are clean and functional. Additionally, the County provides job training, removes hazards, paves streets, and repairs bridges and public stairways.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'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).

The County submits an ICRP for seven bureaus within Public Works: Building Design and Construction Division (BDC), Infrastructure Design and Construction Division (IDC), Bureau of Street-Use and Mapping (BSM), Bureau of Building Repair (BBR), Bureau of Urban Forestry (BUF), Bureau of Street and Environmental Services (SES), and Bureau of Street and Sewer Repair (SSR).

The County calculates the ICRP rate for each bureau by combining the individual bureau indirect cost rate with a General Management and Administration (GEN) indirect cost rate and a Paid Time Off (PTO) rate. The individual bureau rates consist of costs from its programs, while the GEN rate consists of costs from the Director's Office, Deputy Directors, and Finance and Administration personnel. The PTO rate consists of costs associated with compensated leave and absences. A separate ICRP rate is calculated for each bureau, except for BDC and IDC, which are combined into a single shared ICRP rate.³

¹ Excerpts obtained from Caltrans's Division of Local Assistance website <https://dot.ca.gov/programs/local-assistance>.

² Excerpts obtained from the County's website <https://sfpublicworks.org/about>.

³ Excerpts obtained from the County's 2019-20 ICRP dated April 22, 2022.

The County received \$32.06 million in National Highway Performance Program (NHPP) funds through the Highway Bridge Program (HBP) to perform rehabilitation work on the Third Street Bridge, which includes bridge deck and structural member corrosion repair, counterweight and fender pile repairs, bridge painting, and other damage repairs. The programs that fund and administer the project are described in the text box. Construction for the project is complete and operable as of June 30, 2021. However, the project is considered interim and pending final closeout while the County negotiates with Caltrans's HBP program managers for approval of an additional \$1.55 million in funding. To keep the project active during the negotiation period, as recommended by Caltrans's District 4 project manager, the County began requesting partial reimbursements, i.e., reimbursement requests in increments of \$10,000, from previously incurred, but not yet claimed costs. As of our audit fieldwork in November 2025, the County had claimed approximately \$31.4 million in reimbursements.

PROGRAM DESCRIPTIONS

NHPP: NHPP provides support for the condition and performance of the National Highway System (NHS), for the construction of new facilities on the NHS, and to ensure that investments of federal-aid funds in highway construction are directed to support progress toward the achievement of performance targets established in a state's asset management plan for the NHS. The NHPP funding is made available through the state transportation agencies.⁴

HBP: The purpose of the HBP is to replace or rehabilitate public highway bridges over waterways, other topographical barriers, other highways, or railroads when the state and the Federal Highway Administration determine that a bridge is significantly important.⁵

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 2019-20, and the project described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit period and the reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. The indirect costs claimed by the County were supported by an ICRP that complied with 2 CFR 200 and Caltrans's LAPM.
2. The project costs claimed by the County and reimbursed by Caltrans were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria.
3. The project progress, deliverables, and outputs align with the project scope and schedule.

The 2019-20 ICRP includes transactions related to actual costs incurred and billed to Caltrans during the 2017-18 period. The scope for Objective 1 is limited to two bureaus that billed Caltrans for indirect costs: BDC and IDC. Accordingly, we did not audit the ICRP rates for BSM, BBR, BUF, SES, and SSR.

⁴ Excerpts obtained from the Federal Highway Administration website <https://www.fhwa.dot.gov/specialfunding/nhpp>.

⁵ Excerpts obtained from Caltrans's Division of Local Assistance website <https://dot.ca.gov/programs/local-assistance/fed-and-state-programs/highway-bridge-program>.

The County's management is responsible for preparing its ICRP in accordance with state and federal requirements, which include implementing internal controls and maintaining an adequate financial management system to accumulate and segregate reasonable, allowable, and allocable costs. In addition, the County's management is also responsible for ensuring accurate financial reporting, compliance with the executed project agreement and amendment, federal and state regulations, contract provisions, and applicable program guidelines, and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable project expenditures.

METHODOLOGY

In planning the audit, we gained an understanding of the County's operations and identified relevant ICRP requirements by interviewing County and NBS Consulting (the County's consultant that prepared their ICRP) personnel, and reviewing 2 CFR 200, the LAPM, and applicable County policies and procedures. Additionally, we gained an understanding of the project and respective programs and identified relevant criteria by interviewing Caltrans and County personnel, reviewing the executed project agreements and amendments, Federal and Caltrans program guidelines, and applicable state and federal requirements.

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 timekeeping, the preparation of the ICRP, procurement, reimbursement request preparation, Caltrans billing, project deliverables and outputs completion, and the review and approval processes for contractor and consultant expenditures, accounts payable, and change orders.

Our assessment included interviewing County and NBS Consulting personnel about ICRP preparation processes, observing timekeeping and invoice processes, and testing transactions related to timekeeping and payroll, ICRP preparation, contract procurement, construction and consultant expenditures, Caltrans billing, and project deliverables and outputs to evaluate the effectiveness of existing processes and procedures.

Additionally, we assessed the reliability of data from the County's financial management system (PeopleSoft), the timekeeping system (MyTime), and the Paid Time Off Analysis spreadsheet. 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 indirect costs claimed by the County were supported by an ICRP that complied with 2 CFR 200 and Caltrans's LAPM.</p>	<ul style="list-style-type: none"> • Selected 2017-18 significant cost categories to verify compliance with 2 CFR 200, and the LAPM as follows: (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 significant 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. <ul style="list-style-type: none"> ○ Selection of direct and indirect salaries and fringe benefits was based on quantitative and qualitative factors such as total salaries, percentage of time charged to direct and indirect activities, and employee job classification. ○ Selection of indirect costs pool costs was based on quantitative and qualitative factors such as dollar amount of transactions, timing, and description of costs. ○ Determined if direct and indirect salaries and fringe benefits were allowable, supported, and segregated, by interviewing County personnel, tracing amounts to accounting and payroll records, verifying leave costs were in compliance with County policies, and performing analytical procedures for fringe benefits. ○ Determined if indirect costs pool costs were allowable, supported, segregated, and equitably allocated by interviewing County personnel; evaluating the allocation methodologies; comparing travel expense claims to the General Services Administration per diem rates and lodging, and the County's applicable policies and procedures; reviewing invoices for cost descriptions, time periods, and accurate coding for eligibility and accuracy; reviewing electronic fund transfers for existence of payment; and tracing the indirect costs to accounting records and invoices. • Verified the actual indirect costs recovered by the County were billed at the IOAI-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. • Determined the identified unallowable costs did not impact the rates by one percent or more when removing ineligible costs from the indirect costs pool and recalculating the carry-forward adjustment based on the 2017-18 audited actual amounts.

Audit Objective	Methods
<p>Objective 2: Determine whether the project costs claimed by the County and reimbursed by Caltrans were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria.</p>	<ul style="list-style-type: none"> Selected one construction contract based on quantitative significance. Determined if the contract was appropriately advertised and awarded to the lowest, responsible bidder by interviewing key personnel and reviewing procurement records such as bid advertisements, time and date-stamped bids, bid analyses, and the awarded contract, and comparing to relevant criteria. Selected one consultant contract based on quantitative significance. Determined if the contract was awarded based on demonstrated competence and professional qualifications by interviewing key personnel and reviewing procurement records such as request for qualifications advertisement, scoresheets, interview evaluation documents, and the awarded contract, and comparing to relevant criteria. Determined if selected reimbursed contractor, consultant, and the County's self-performed work costs were allowable, project-related, incurred within the audit period, and supported by reviewing accounting records, contractor and consultant invoices, the contractor and consultant contracts, consultant rate schedule, reimbursement claims, electronic fund transfers for existence of payment, timekeeping reports, labor reports, and pay stubs, and comparing to relevant criteria. <ul style="list-style-type: none"> The most quantitatively significant contractor invoice was selected. The eight most quantitatively significant consultant invoices were selected. The five most quantitatively significant pay periods of the County's self-performed work from reimbursement claim 12 were selected. Selected one contract change order (CCO) based on quantitative significance. Determined if the selected CCO was within the scope of work, incremental, supported, completed within the audit period, and properly approved by reviewing the awarded contract and contract documents, CCOs, CCO logs, contractor correspondence, and contractor invoices, and comparing to relevant criteria.
<p>Objective 3: Determine whether the project progress, deliverables, and outputs align with the project scope and schedule.</p>	<ul style="list-style-type: none"> Determined whether project progress, deliverables, and outputs align with the project scope and schedules by interviewing key Caltrans and County personnel, reviewing before and after photographs of the bridge deck and structural member corrosion repair, bridge painting, and counterweight and fender pile repairs, and the County Certificate of Completion, and comparing to the project proposal and the Amendment Modification Summary.

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 2019-20 ICRPs are in compliance with 2 CFR 200 and the LAPM.

Table 1: Accepted and Audited ICRP Bureau Rates 2019-20⁶

Bureau	Accepted Bureau Rate (a)	Audited Rate (b)	Difference (a)-(b)
BDC	40.04%	40.04%	0.00%
IDC	40.04%	40.04%	0.00%

Table 2: Accepted and Audited ICRP Department Overhead Rates 2019-20⁷

Bureau	Accepted Rate (c)	Audited Rate (d)	Difference (c)-(d)
BDC	41.28%	41.28%	0.00%
IDC	41.28%	41.28%	0.00%

Table 3: Accepted and Audited ICRP PTO Rates 2019-20⁸

Bureau	Accepted Rate (e)	Audited Rate (f)	Difference (e)-(f)
BDC	36.58%	36.58%	0.00%
IDC	36.58%	36.58%	0.00%

Table 4: Summary of Accepted and Audited ICRP rates for 2019-20⁹

Bureau	Accepted Rate (g) = (a) + (c) + (e)	Audited Rate (h) = (b) + (d) + (f)	Difference (g)-(h)
BDC	117.90%	117.90%	0.00%
IDC	117.90%	117.90%	0.00%

Additionally, we obtained reasonable assurance that the project costs claimed by the County and reimbursed by Caltrans were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria.

We also obtained reasonable assurance that the project progress, deliverables, and outputs align with the project scope and schedule.

⁶ The ICRP submitted by the County was accepted by IOAI on July 14, 2022.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

The following acronyms are used throughout Appendix A.

- California Department of Transportation: Caltrans
- National Highway Performance Program: NHPP
- Highway Bridge Program: HBP

Summary of Projects Reviewed

Project Number	Reimbursed Costs	Project Status	Expenditures in Compliance	Deliverables/ Outputs Align with Scope and Schedule	Page
0416000101	\$31,400,500	I	Yes	Yes	A-1

Legend

I = Construction is complete, and the project is operable but is considered interim because it has not been administratively closed.

Project Number: 0416000101

Project Name: Third Street Bridge Rehabilitation Project

Program Name: NHPP and HBP

Project Description: Bridge deck and structural member corrosion repair, bridge painting, counterweight and fender pile repairs, and other damage repairs.

Audit Period: December 19, 2015 through February 10, 2024 for audit objective 2¹⁰
December 19, 2015 through November 24, 2025 for audit objective 3¹¹

Project Status: Construction is complete and the project is operable, but the project is interim.

Schedule of Costs

Category	Reimbursed Costs
Preliminary Engineering	\$ 4,269,913
Right of Way	198,027
Construction Engineering	3,323,114
Construction	23,609,446
Total Costs	\$ 31,400,500

Results:

Compliance—Costs

The project costs were allowable, adequately supported by accounting records and source documents, and in compliance with relevant criteria.

Deliverables/Outputs

The construction phase of the project was completed in June 2021. Currently, the project remains administratively open pending Caltrans's approval of additional HBP funding. Upon Caltrans's additional HBP funding approval, the County plans to submit the remaining requests for expenditure reimbursements totaling approximately \$2.15 million. To keep the project's active status, Caltrans recommended the County submit incremental reimbursement claims until the additional funding is approved and extended the project schedule to December 31, 2025. At the end of our fieldwork in November 2025, project deliverables/outputs were consistent with the project scope and schedule.

¹⁰ The audit period includes reimbursement claims 1 through 24, and the end date reflects the date Caltrans received reimbursement claim 24.

¹¹ The audit period end date reflects the end of our audit fieldwork date.