DEPARTMENT OF TRANSPORTATION
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September 19, 2013

Mr. Andrew Sisk
Auditor Controller
Placer County
2970 Richardson Drive
Auburn, CA 95603

Dear Mr. Sisk:

At the request of the California Department of Transportation (Caltrans), the State Controller's Office (SCO) conducted an audit of the Placer County, Department of Department of Public Works, Engineering Division's (County) Indirect Cost Rate Proposal (ICRP) for fiscal year (FY) 2009/2010 and FY 2010/2011 to determine whether the ICRPs are presented in accordance with Title 2, Code of Federal Regulations (CFR), Part 225.

Based on audit work performed by the SCO, we determined the County's ICRPs for FY 2009/2010 and FY2010/2011 are presented in accordance with Title 2 CFR, Part 225. The approved indirect cost rates are:

Rate Type	Effective Period	Rate	Applicable To
Final	7/1/2009 to 6/30/2010	78.42%	Engineering
Final	7/1/2010 to 6/30/2011	56.57%	Engineering

Base: Total Direct Salaries and Wages plus Fringe Benefits

This report is intended solely for the information of the County, Caltrans Management, the California Transportation Commission, and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited. In addition, this report will be placed on the Caltrans website.

Please retain a copy of this letter with your ICRP. Copies of this letter were sent to the Caltrans District 3, the Caltrans Division of Accounting, and FHWA. If you have any questions, please call Alice Lee, Audit Manager, at (916) 323-7953.

Sincerely,

ZILAN CHEN, Chief
External Audits-Local Governments
Audits and Investigations

Enclosure:
Audit Report of the Placer County, Department of Public Works, Engineering Division's Indirect Cost Rate Proposal prepared by the California State Controller's Office

c: Janice Richard, Director, Financial Services, Federal Highway Administration
Rodney Whitfield, Financial Manager, Federal Highway Administration
Jermaine Hannon, Director, Planning and Air Quality, Federal Highway Administration
Kara Magdaleno, Administrative Program Assistant, Planning and Finance, Federal Highway Administration
Andrew Finlayson, Chief, State Agency Audit Bureau, California State Controller's Office
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James Ogbonna, Chief, Rural Transit and Intercity Bus Branch, Division of Mass Transportation, California Department of Transportation
Terry Farris, Senior Transportation Planner, State Transit Program, Office of State Policy, Research and Capital, Division of Mass Transportation
C. Edward Philpot, Jr., Chief, Office of Community Planning, Division of Transportation Planning, California Department of Transportation
Tyler Monson, Acting Chief, Regional and Interagency Planning, Division of Transportation Planning, California Department of Transportation
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Lisa Gore, Associate Accounting Analyst, Local Program Accounting Branch, Local Assistance, California Department of Transportation
David Saia, LAPM/LAPG Coordinator, Division of Local Assistance, California Department of Transportation
Lai Huynh, Audits & Federal Performance Measures Analyst, Division of Local Assistance, California Department of Transportation
Ken Grehm, Director of Public Works, Placer County Department of Public Works
Cynthia Taylor, Sr. Admin Services Officer, Placer County Department of Public Works
P1590-0102 and P1590-0138

PLACER COUNTY

Audit Report

INDIRECT COST RATE PROPOSAL AUDIT OF CALTRANS CONTRACT NO. 77A0034 (Audit Request No. P1590-0102 and P1590-0138)

July 1, 2009, through June 30, 2011

JOHN CHIANG
California State Controller

September 2013

JOHN CHIANG
California State Controller

September 5, 2013

Zilan Chen, Chief
External Audits-Local Governments
Audits and Investigations, MS 2
California Department of Transportation
1304 O Street, Suite 200, MS 2
Sacramento, CA 95814

Dear Ms. Chen:

The State Controller's Office audited the indirect cost rate proposals (ICRPs) of the Placer County Department of Public Works' Engineering Division for fiscal year (FY) 2009-10 and FY 2010-11. The county proposed division-wide indirect cost rates of 78.42% for FY 2009-10, and 56.57% for FY 2010-11.

The purpose of the audit was to determine whether (1) the ICRPs were in compliance with the cost principles prescribed in Title 2, *Code of Federal Regulations*, Part 225; (2) the ICRPs were in compliance with the requirements of the California Department of Transportation's Local Program Procedures Manual 04-10; and (3) the county's cost accounting system was accumulating and segregating reasonable, allocable, and allowable costs.

We determined that these proposed rates for FY 2009-10 and for FY 2010-11 are in accordance with the above requirements and that the county's cost accounting system was accumulating and segregating reasonable, allocable, and allowable costs.

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

Sincerely,

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

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Audit Report

Summary

The State Controller's Office (SCO) audited the indirect cost rate proposals (ICRPs) of the Placer County Department of Public Works' Engineering Division. The audit period included ICRPs for fiscal year (FY) 2009-10 and FY 2010-11. The county proposed division-wide indirect cost rates of 78.42% for FY 2009-10, and 56.57% for FY 2010-11.

The purpose of the audit was to determine whether (1) the ICRPs were in compliance with the cost principles prescribed in Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225); (2) the ICRPs were in compliance with the requirements of the California Department of Transportation's (Caltrans) Local Program Procedures Manual (LPP) 04-10; and (3) the county's cost accounting system was accumulating and segregating reasonable, allocable, and allowable costs.

We determined that these proposed rates for FY 2009-10 and for FY 2010-11 are in accordance with the above requirements and that the county's cost accounting system was accumulating and segregating reasonable, allocable, and allowable costs.

Background

The Placer County government is overseen by an elected five-member Board of Supervisors (Board). The Board sets priorities for the county and, through delegated authority to the County Administrative Office, oversees most county departments and programs, including the Department of Public Works (DPW).

The DPW, with approximately 200 employees and under the leadership of the Board-appointed director, administers a variety of programs and services including Road Maintenance, Bus Service/Transit, Floodplain Management, and Stormwater Quality. The department's Engineering Division provides engineering and surveying services for the entire DPW, including Federal Highway Administration (FHWA) and Caltrans-funded capital projects. The proposed indirect cost rate for the Engineering Division will enable the county to recover the FHWA and Caltrans-funded project-related indirect costs.

The audit was performed by the SCO on behalf of Caltrans (Audit Request No. P150-0137). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A0034, dated March 31, 2010, between the SCO and Caltrans, which provides that the SCO will perform audits of proposed ICRPs submitted to Caltrans from local government agencies to ensure compliance with 2 CFR 225 (formerly Office of Management and Budget Circular A-87) and LPP 04-10.

- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state and may audit the disbursement of any money, for correctness, legality, and for sufficient provisions of law for payment."

Objectives, Scope, and Methodology

The scope of the audit was limited to the select financial and compliance activities. The audit consisted of recalculating the ICRPs and making inquiries of department personnel. The audit also included tests of individual accounts in the general ledger and supporting documentation to assess allowability, allocability, and reasonableness of costs and an assessment of the internal control system related to the ICRPs for FY 2009-10 and FY 2010-11. Changes to the financial management system subsequent to FY 2009-10 and FY 2010-11 were not tested and, accordingly, our conclusion does not pertain to changes arising after this fiscal year.

We conducted this performance audit in accordance with the 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.

Our audit was conducted to determine whether (1) the county's ICRPs were presented in compliance with the cost principles prescribed in 2 CFR 225; (2) the ICRPs were in compliance with the requirements for ICRP preparation and application identified in the Caltrans LPP 04-10; (3) and accounting system is accumulating and segregating reasonable, allowable, and allocable costs.

We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the proposed ICRPs were in accordance with the 2 CFR 225 and LLP 04-10. In addition to developing appropriate auditing procedures, our review of internal control was limited to gaining an understanding of the transaction flow, accounting system, and applicable controls to determine the department's ability to accumulate and segregate reasonable, allowable, and allocable indirect and direct costs.

Conclusion

We conducted an audit of the Placer County DPW's ICRPs for FY 2009-10 and FY 2010-11. The county proposed indirect cost rates of 78.42% for FY 2009-10 and 56.57% for FY 2010-11. Our audit determined that (1) the ICRPs were in compliance with the cost principles prescribed in 2 CFR 225; (2) the ICRPs were in compliance with the requirements for the Caltrans LPP 04-10; and (3) the county's cost accounting system was accumulating and segregating reasonable, allocable, and allowable costs.

Views of Responsible Officials

We discussed our audit results with Placer County DPW representatives during an exit conference conducted on Thursday May 9, 2013. Ken Grehm, Director; Cynthia Taylor, Senior Administrative Services Officer; and Sandy Bozzo, Senior Accountant Auditor, agreed with the audit results, and understood that the audit report will be issued as final to Caltrans.

Restricted Use

This report is solely for the information and use of the California Department of Transportation; Placer County; 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.

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

September 5, 2013

Schedule 1—
Summary of Proposed and Audited Direct Costs, Indirect Costs, and Indirect Cost Rates
Division of Engineering
Fiscal Year 2009-10 and 2010-11

	Fiscal Year	
	2009-10	2010-11
Direct costs		
Salaries	$ 2,711,242	$ 2,833,077
Benefits	1,449,686	1,470,464
Total	$ 4,160,928	$ 4,303,541
Indirect costs		
Salaries	$ 788,582	$ 838,744
Benefits	443,597	452,236
Subtotal	1,232,179	1,290,980
Other indirect costs:		
Communications	58,900	51,524
Mobile communications	11,100	8,000
Refuse disposal	500	500
General liability insurance	219,662	135,338
Parts	1,000	1,000
Delivery and freight	1,000	500
Equipment maintenance	2,000	2,000
Computer maintenance	4,000	4,000
Software maintenance	37,900	20,000
Materials	1,000	1,000
Membership dues	7,000	6,000
Personal computer acquisition	9,500	23,500
Printing	6,014	6,015
Other supplies	44,474	14,502
Office supplies	17,000	15,000
Postage	11,238	7,765
Professional services	72	81
Professional services-county	6,302	5,280
Publications and legal notices	1,694	489
Computer software lease	16,876	—
Countywide system charges	—	10,926
Building rent-Truckee	65,000	65,000
Small instruments	—	500
Special department expenses	7,465	30,195
Training	15,000	15,000
Travel	6,500	5,825
Mileage	2,392	1,727

Schedule 1 (continued)

	Fiscal Year	
	2009-10	2010-11
Vehicle expense	100,000	73,195
Meals	2,654	2,292
Utilities	6,000	5,279
Transfer out A-87 Costs	324,000	435,600
I/T[1] - Employee group insurance	247,757	236,400
I/T[1] - CDRC rent	85,700	—
I/T[1] - Maintenance buidling & improvements	—	85,700
I/T[1] - Professional services A-87 costs	500	500
I/T[1] - Administrative charge	577,300	577,300
I/T[1] - MIS services	133,300	136,800
I/T[1] - Professional services	—	19,320
Subtotal	2,030,800	2,004,053
FY 08/09 carry forward	—	(860,312.62)
Total indirect costs	$ 3,262,979	$ 2,434,720
Indirect cost base (direct salaries and benefits)	÷ 4,160,928	÷ 4,303,541
Proposed and audited indirect cost rate	78.42%	56.57%

[1] Interfund Transfer.

State Controller's Office
Division of Audits
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