

DEPARTMENT OF TRANSPORTATION

INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS

P.O. BOX 942874, MS-2

SACRAMENTO, CA 94274-0001

PHONE (916) 323-7111

FAX (916) 323-7123

TTY 711

www.dot.ca.gov



*Making Conservation
a California Way of Life.*

September 27, 2018

Mr. Brian Mayhew
Chief Financial Officer
Metropolitan Transportation Commission
375 Beale Street, Suite 800
San Francisco, CA 94105

Dear Mr. Brian Mayhew:

The California Department of Transportation (Caltrans), Independent Office of Audits and Investigations (IOAI) received Metropolitan Transportation Commission's (MTC) Indirect Cost Allocation Plan (ICAP) certificate for fiscal year (FY) 2018/19, on August 6, 2018, which certifies MTC has complied with Title 2 Code of Federal Regulations Part 200. IOAI found that the ICAP submission is in compliance with the Caltrans streamlined submission requirements.

MTC is authorized to use the ICAP rate of 52.77 percent of total direct salaries and wages plus fringe benefits for FY 2018/19 for billing and reimbursement purposes. The accepted rate is based on the understanding that a carry forward provision applies and no adjustment will be made to previously approved rates.

IOAI did not perform an audit of the ICAP submission under generally accepted government auditing standards. The ICAP may be subject to audit at a later time. Acceptance of the indirect rate is based on the understanding that the MTC agrees to provide subsequent reimbursement if the rate proposal is later found to have included costs that are unallowable as specified by law, regulation, or the terms and conditions of state or federal awards.

Please retain a copy of this letter for your files. If you have any questions, contact Rimple Bhatti, Auditor, at (916) 323-7884 or Teresa Greisen, Audit Manager, at (916) 323-7910.

Sincerely,

A handwritten signature in cursive script that reads "Marsue Morrill".

MARSUE MORRILL, CPA

Chief

External Audits - Local Governments

Mr. Brian Mayhew
September 27, 2018
Page 2

Enclosure

c: Suzanne Bode, Accounting Manager, Metropolitan Transportation Commission
Rodney Whitfield, Director, Financial Services, Federal Highway Administration
Veneshia Smith, Financial Manager, Financial Services, Federal Highway Administration
Tashia Clemons, Director, Program Development, Federal Highway Administration
Kara Magdaleno, Administrative Program Assistant Planning and Finance,
Federal Highway Administration
Mark Codey, Branch Chief, Federal Transit Grants and Contracts, Division of Rail & Mass
Transportation, Caltrans
Ezequiel Castro, Branch Chief, State Transit Programs and Intercity Rail, Division of Rail &
Mass Transportation, Caltrans
James Ogbonna, Branch Chief, Rural Transit and Intercity Bus Branch, Division of Rail and
Mass Transportation, Caltrans
Erin Thompson, Office 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, Acting Office Chief, Office of Guidance and Oversight, Division of Local
Assistance, Caltrans
Stephen H. Yokoi, Office Chief, Office of Systems and Regional Planning, Division of
Transportation Planning and Local Assistance, District 4, Caltrans
Sylvia Fung, DLAE/ Supervising Transportation Engineer, Office of Local Assistance
Division of Transportation Planning and Local Assistance, District 4, Caltrans
Daniel Burke, Civil Rights Program Manager, Performance Review and Outreach Branch,
Office of Guidance and Oversight, Division of Local Assistance, Caltrans
Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
P1591-0277

ICAP/ICRP SUBMISSION CERTIFICATION

Metropolitan Transportation Commission Indirect Cost Rate FY 2019

The indirect cost rate plan contained herein is for use on grants, contracts and other agreements with the Federal Government and the California Department of Transportation (Department), subject to the provisions in Section II. This rate(s) was prepared by the Metropolitan Transportation Commission and accepted by the Department.

SECTION I: Rates

<u>Rate Type*</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable to</u>
Fixed Rate w/carry forward*	7/1/18 to 6/30/19	52.77%	All programs including MTC, BATA, BAHA, BAIFA SAFE and ABAG

* Base: Total Direct Salaries and Wages plus Fringe Benefits

SECTION II: General Provisions

A. Limitations:

The rate(s) in this Agreement is subject to any statutory or administrative limitations and applies to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rate(s) is subject to the following conditions: (1) Only costs incurred by the Metropolitan Transportation Commission were included in its indirect cost pool as finally accepted; such costs are legal obligations of the Metropolitan Transportation Commission and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; (4) The information provided by the Metropolitan Transportation Commission which was used to establish the rate(s) is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or the Department; (5) Prior actual costs used in the calculation of the approved rate(s) are contained in the Metropolitan Transportation Commission's Single Audit which was prepared in accordance with 2 CFR 200. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) This rate is based on an estimate of the costs to be incurred during the period.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the Metropolitan Transportation Commission to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate(s) used in this Agreement is based on an estimate of the costs for the period(s) covered by the rate(s).

For fixed rates, when the actual costs for the period is determined by the Metropolitan Transportation Commission's audited financial statements – any differences between the application of the fixed rate(s) and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate(s), to the second fiscal year subsequent to the fiscal year covered by this plan. *(Note: If a predetermined rate(s) or final rate(s) is used, then the carry forward provision does not apply).*

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plans approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the Metropolitan Transportation Commission. For rates covering a future fiscal year, unallowable costs will be removed from the indirect cost pool(s) and the rate(s) appropriately adjusted.

E. Record Retention:

The proposal and all related documentation must be retained for audit in accordance with the record retention requirements of the State or Federal agreements for which the indirect rate(s) will be billed or for three years after the fiscal year for which the rate(s) is calculated, whichever is longer.

F. Use by Other Federal Agencies:

Authority to accept this agreement by the Department has been delegated by the Federal Highway Administration, California Division. The purpose of this acceptance is to permit the Metropolitan Transportation Commission to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT).

The acceptance will also be used by the Department in state-only funded projects.

G. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the accepted rate(s) in this Agreement, the Metropolitan Transportation Commission should (1) credit such costs to the affected programs, and (2) apply the accepted rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

H. Rate Calculation for Fixed Rate with Carryforward:

FY 2019 Budgeted Indirect Costs (From Attachment 1)	\$22,666,054
Carry Forward from FY 2017 (From Attachment 1)	\$1,042,563
Budgeted FY 2019 Indirect Costs (From Attachment 1)	\$23,708,617
FY 2019 Budgeted Direct Salaries & Wages Plus Fringe Benefits	\$44,926,089

FY 2019 Indirect Cost Rate
(Budgeted Indirect Costs/Budgeted Direct Salaries & Wages
Plus Fringe Benefits)

52.77%

CERTIFICATION OF INDIRECT COSTS

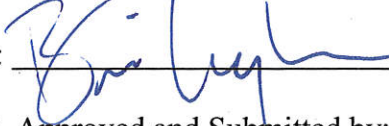
This is to certify that I, Brian Mayhew, have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

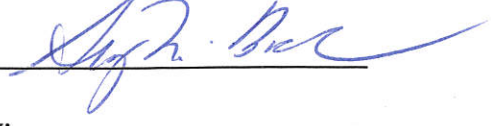
- (1) All costs included in the proposal to establish billing of an indirect cost rate(s) for fiscal year 2019 (July 1, 2018 to June 30, 2019) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and 2 Code of Federal Regulations (CFR), Part 200, "Cost Principles", Subpart E, and Appendices V & VII for State, Local, and Indian Tribal Governments. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and the Department will be notified of any accounting changes that would affect the fixed rate.
- (3) I understand that during the predetermined (or extension) period, there will be no changes to the ICAP/ICRP calculation methodology used, no changes to our financial management system (i.e. change in processes, or in accounting software), and no substantial changes to our organizational structure and program(s).
- (4) I understand that if a rate extension is granted, I may not request a rate review until the extension period ends and that at the end of the extension period, I must re-apply to develop and negotiate a rate(s).
- (5) I understand that the ICAP/ICRP package along with all supporting documentation from which the proposed rates are developed must be retained for audit in accordance with the record retention requirements of the State or Federal agreements for which the indirect rate(s) will be billed or for three years after the fiscal year for which the rate(s) is calculated, whichever is longer.
- (6) Additionally, I understand that in accordance with 2 CFR, Part 200, Appendix VII, refunds shall be made if proposals are later found to have included costs that are unallowable as specified by law or regulation, as identified in Subsection 200.420 to this part, or by the terms and conditions of Federal and State award, or are unallowable because they are clearly not allocable to Federal or State awards. These adjustments or refunds will be made regardless of the type of rate(s) negotiated (predetermined, final, fixed or provisional). For rates covering a future fiscal year (i.e. extended rates), the unallowable costs will be removed from the indirect cost pool(s) and the rate(s) appropriately adjusted for all fiscal years covered by the extension.

I acknowledge as a representative of the Metropolitan Transportation Commission that the proper use and application of the indirect rate contained in this indirect cost rate proposal is the responsibility of the Metropolitan Transportation Commission and such use may be subject to audit by the Department or Federal Highway Administration. Failure to cooperate with an audit can result in the withdrawal of Department acceptance and require immediate reimbursement of previously reimbursed indirect costs.

I declare that the foregoing is true and correct.

Government Unit: Metropolitan Transportation Commission

Signature: 

Signature: 

Reviewed, Approved and Submitted by:

Prepared by:

Brian Mayhew

Suzanne Bode

Chief Financial Officer
August 6, 2018

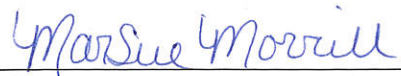
Accounting Manager
(415) 778-5256

INDIRECT COST RATE(S) SUBMISSION ACCEPTANCE

The Department has received this ICAP/ICRP and accepts the plan for billing and reimbursement purposes.

Accepted by:

MARSUE MORRILL, CPA
Chief
External Audits – Local Governments
California Department of Transportation, Audits and Investigations
(916) 323-7105


Signature

Date: 9/27/2018