



Florida Department of TRANSPORTATION

Office of Inspector General
Robert E. Clift, Inspector General

A handwritten signature in blue ink that reads "Robert E. Clift".

Audit Report No. 16I-6002
Indirect Cost Rates for Fiscal Year 2015-16

December 1, 2015

EXECUTIVE SUMMARY

As part of the Office of Inspector General's (OIG) annual audit plan, and at the request of the Office of Comptroller (OOC), the OIG conducted an examination of the Florida Department of Transportation's (department) proposed indirect cost allocation rates for fiscal year 2015-2016. These rates, to be applied in fiscal year 2015-2016, are based on actual costs incurred in fiscal year 2014-2015, and forecasted expenditures for fiscal year 2015-2016. Actual costs for fiscal year 2015-2016 are allocated using these indirect cost rates developed in accordance with Title 2, Part 225, Code of Federal Regulations (C.F.R.), Cost Principles for State, Local, and Indian Tribal Governments and, Title 2, Part 200, C.F.R., Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.¹

Our examination found the indirect cost allocation rates were established in accordance with governing regulations. We recommend the OOC submit these indirect cost rates (Attachment 1) to the Federal Highway Administration (FHWA) for approval.

¹ The Office of Management and Budget (OMB) has published 2 C.F.R 200 (Supercircular) to streamline the Government-wide guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The Supercircular consolidates and eliminates the duplicate guidance found in OMB circulars (A-50, Audit Follow-Up; A-87, Cost Principles for State, Local, and Indian Tribal Governments; A-102, Grants and Cooperative Agreements with States and Local Governments; and A-133, Audits of State, Local Governments, and Non-Profit Organizations). The Supercircular administrative requirements and cost principles apply to new awards authorized on or after the effective date of December 26, 2014.

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RESULTS OF EXAMINATION

FHWA uses the prescribed policies and procedures outlined in 2 C.F.R. 225 and 2 C.F.R. 200 for reimbursing state highway agencies for allowable administrative and overhead costs. The OOC annually develops and proposes indirect cost rates in accordance with 2 C.F.R. 225 and 2 C.F.R. 200. The OOC uses a cost allocation system developed by Maximus, Inc. (MAXCars) to distribute indirect costs into cost pools. The indirect cost plan is subject to the requirements of 2 C.F.R. 225 and 2 C.F.R. 200, and provides a method for calculating indirect cost rates for federal projects, other projects, and other government agencies.

Our examination found the indirect cost allocation rates were:

- developed in accordance with 2 C.F.R. 225 and 2 C.F.R. 200;
- developed in accordance with the department's Indirect Cost Allocation Plan (ICAP) and ICAP Handbook;
- based on actual costs incurred during fiscal year 2014-2015 along with forecasted expenditures for fiscal year 2015-2016; and
- calculated using an adequate and reliable process for entering costs and statistical data into the indirect cost allocation system.

Based on our examination, we recommend the OOC submit these rates (Attachment 1) to the FHWA for approval.

APPENDIX A – Purpose, Scope, and Methodology

Section 20.055, Florida Statutes, requires the OIG to conduct audits, examinations, investigations, and management reviews related to programs and operations of the department. This examination was performed as a part of the OIG’s mission to promote integrity, accountability, and process improvement in the department by providing objective, fact-based assessments.

The **purpose** of this examination² was to determine whether the indirect cost allocation rates were:

- developed in accordance with 2 C.F.R. 225 and 2 C.F.R. 200;
- developed in accordance with the department's procedures (ICAP and ICAP Handbook);
- based on actual costs incurred during fiscal year 2014-2015 along with forecasted expenditures for fiscal year 2015-2016; and
- calculated using an adequate and reliable process for entering costs and statistical data into the indirect cost allocation system.

The **scope** of this examination encompassed fiscal year 2014-2015 financial information and a review of the forecasted expenditures associated with the development of indirect cost allocation rates to be applied in fiscal year 2015-2016.

The **methodology** consisted of:

- documenting compliance with applicable procedures;
- testing the accuracy of schedules and calculations used to generate the rates;
- reviewing reports used for entering data and calculating rates; and
- evaluating the control process for developing the rate schedules.

² Our examination did not include a review of the Maximus, Inc. (MAXCars) system that uses a step-down allocation method to perform cost allocations.

APPENDIX B – Management Response

The draft report was electronically disseminated on November 24, 2015. On November 30, 2015, a response was received from Lisa Evans, Deputy Comptroller, stating the Office of the Comptroller had no additional comments.

**Office of Inspector General
Florida Department of Transportation**

DISTRIBUTION, PROJECT TEAM, AND STATEMENT OF ACCORDANCE

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James Christian, Division Administrator, Federal Highway Administration

Ken Harvey, Director, Federal Highway Administration

Melinda Miguel, Chief Inspector General, Executive Office of the Governor

Project Team:

Engagement was conducted by Melynda Childree, Audit Team Leader
and Kim Rolfe, Auditor

Under the supervision of:

Intermodal Audit Manager; and

Kristofer B. Sullivan, Director of Audit

Approved by: Robert E. Clift, Inspector General

Statement of Accordance

*The mission of the department is
to provide a safe transportation system that ensures the mobility of people and goods,
enhances economic prosperity, and preserves the quality of our environment and communities.*

*The mission of the Office of Inspector General is
to promote integrity, accountability, and process improvement in the Department of
Transportation by providing objective fact-based assessments to the DOT team.*

This work product was prepared pursuant to Section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General, and the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Inspector General.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.

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Florida Department of Transportation

ATTACHMENT 1 – SUMMARY OF INDIRECT COST RATES

**Indirect Cost Rates for
Fiscal Year 2015-2016**

Direct Program Cost Pools	Indirect Rates
Preliminary Engineering Product	8.06%
Preliminary Engineering In-House	6.45%
Construction Engineering Inspection Product	3.21%
Construction Engineering Inspection In-House	2.20%
Construction Product	3.18%
Right Of Way Product	7.66%
Right Of Way In-House	5.41%
Public Transportation Product	2.57%
Public Transportation In-House	2.89%
Turnpike Product	2.94%
Turnpike In-House	2.51%
Tolls Product	4.27%
Tolls In-House	4.57%
Maintenance Product	6.71%
Maintenance In-House	6.74%
Traffic Operations Product	2.28%
Motor Carrier Size and Weight	0.00%
Planning Product	8.60%
Planning In-House	2.83%
Emergency In-House	1.91%
Emergency Product	10.36%