



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift
Inspector General

Indirect Cost Rates for Fiscal Year 2012-2013
Attestation Report No. 13I-6002

November 28, 2012

EXECUTIVE SUMMARY

At the request of the Office of Comptroller (OOC), the Office of Inspector General (OIG) conducted an examination of the Florida Department of Transportation's (department) proposed indirect cost allocation rates for fiscal year 2012-2013. These rates, to be applied in fiscal year 2012-2013, are based on costs incurred in fiscal year 2011-2012 and allocated in accordance with Title 2, Part 225, Code of Federal Regulations, Cost Principles for State, Local, and Indian Tribal Governments (2 C.F.R. 225).

Our examination found the indirect cost allocation rates were:

- developed in accordance with federal guidance and department procedures;
- based on actual incurred costs; and
- calculated using an adequate and reliable process for entering costs and statistical data in the indirect cost allocation system.

Based on our examination of the indirect cost rates, we recommend the OOC submit these rates (Attachment 1) to the Federal Highway Administration (FHWA) for approval.

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RESULTS OF EXAMINATION

A significant amount of the department's expenditures are for federally funded highway construction projects. FHWA uses the prescribed policies and procedures outlined in 2 C.F.R. 225 for reimbursing a state highway agency for allowable administrative and overhead costs. Annually, the department's OOC develops and proposes the rates in accordance with 2 C.F.R. 225. The OOC uses a cost allocation system developed by Maximus, Inc. (MAXCars) to distribute indirect costs into cost pools. The indirect cost plan should meet the requirements of 2 C.F.R. 225 and provide a method for calculating indirect cost rates for federal projects, other projects and other government agencies.

The rates to be applied in fiscal year 2012-2013, were based on costs incurred in fiscal year 2011-2012. Our examination found the indirect cost allocation rates were:

- developed in accordance with federal guidance and department procedures;
- based on actual incurred costs; and
- calculated using an adequate and reliable process for entering costs and statistical data in the indirect cost allocation system.

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

APPENDIX A – Independent Accountant’s Report

We have examined the department’s records related to indirect cost allocation rates for FY 2012-2013 with the requirements of:

- 2 C.F.R. 225;
- Office of Comptroller’s Indirect Cost Allocation Plan;
- Office of Comptroller’s Indirect Cost Allocation Plan Handbook; and
- MAXIMUS Cost Allocation Rate System Manual.

Department management is responsible for compliance with these requirements. Our responsibility is to express an opinion on the department’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to Attestation Engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, this engagement included examining, on a test basis, evidence supporting the department’s Office of Comptroller’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, the department’s Office of Comptroller complied, in all material respects, with the terms of the governing authorities listed above.

APPENDIX B – 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 examination was to determine whether the indirect cost allocation rates were:

- developed in accordance with federal guidance and department procedures;
- based on actual incurred costs; and
- calculated using an adequate and reliable process for entering costs and statistical data in the indirect cost allocation system.

The **scope** of the examination covered fiscal year 2011-2012 financial information associated with the development indirect cost allocation rates to be applied in fiscal year 2012-2013.

The **methodology** consisted of:

- documenting compliance with applicable procedures;
- verifying the accuracy of cost data;
- testing the accuracy of the calculations used to generate the rates; and
- testing the control process for entering data and calculating rates.

APPENDIX C – Management Response

Lisa Evans, Deputy Comptroller, responded by email to the Preliminary and Tentative Report issued to the Office of Comptroller indicating concurrence with the report.

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Robin Naitove, Comptroller
Lisa L. Evans, Deputy Comptroller, Financial Management

Information Distribution:

Ananth Prasad, P.E., Secretary of Transportation
Francis Gibbs, Chief of Staff
Brian Blanchard, Assistant Secretary for Engineering and Operations
Richard Biter, Assistant Secretary for Intermodal Systems Development
Brian Peters, Assistant Secretary for Finance and Administration
David Hawk, Division Administrator (Acting), Federal Highway Administration
Ken Harvey, Office of Finance Director, Federal Highway Administration

Project Team:

Engagement was conducted by Angela Crosby, Audit Team Leader
Cameisha Smith, Auditor
Under the supervision of:
Joe Gilboy, Audit Manager; and
Kristofer 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 American Institute of Certified Public Accountants and standards contained in Government Auditing Standards issued by the Comptroller General of the United States.

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.

ATTACHMENT 1 – Summary of Indirect Cost Rates

**Indirect Cost Rates
to be applied in
Fiscal Year 2012-2013**

<i>DIRECT PROGRAM COST GROUP</i>	<i>Rates (%)</i>
Preliminary Engineering Product	6.14
Preliminary Engineering In-house	4.96
Construction Engineering Inspection Product	3.50
Construction Engineering Inspection In-house	2.10
Construction Product	3.66
Right Of Way Product	10.33
Right Of Way In-house	6.26
Public Transportation Product	2.80
Public Transportation In-house	2.47
Turnpike Product	3.78
Turnpike In-house	2.77
Tolls Product	5.06
Tolls In-house	3.91
Maintenance Product	10.34
Maintenance In-house	6.31
Traffic Operations Product	2.97
Motor Carrier Size & Weight In-house	1.14
Planning Product	6.35
Planning In-house	3.53
E R In-house	5.85
E R Product	5.72