



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift

October 18, 2013

Indirect Cost Rates for Fiscal Year 2013-2014 Report No. 141-6002

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 2013-2014. These rates, to be applied in fiscal year 2013-2014, are based on actual costs incurred in fiscal year 2012-2013 and projected expenditures for fiscal year 2013-2014. Actual costs for fiscal year 2013-2014 are allocated using these indirect cost rates developed 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 2 C.F.R. 225 and the department's procedures (Indirect Cost Allocation Plan (ICAP) and ICAP Handbook)
- based on actual costs incurred during the fiscal year 2012-2013 along with projected expenditures for fiscal year 2013-2014
- 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 indirect cost 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 state highway agencies for allowable administrative and overhead costs. Annually, the OCC develops and proposes indirect cost rates in accordance with 2 C.F.R. 225. The OCC 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 provide 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 the department's procedures (Indirect Cost Allocation Plan (ICAP) and ICAP Handbook)
- based on actual costs incurred during the fiscal year 2012-2013 along with projected expenditures for fiscal year 2013-2014
- 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 OCC 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 examination was to determine whether the indirect cost allocation rates were:

- developed in accordance with 2 C.F.R. 225 and the department's procedures (Indirect Cost Allocation Plan (ICAP) and ICAP Handbook)
- based on actual costs incurred during the fiscal year 2012-2013 along with projected expenditures for fiscal year 2013-2014
- calculated using an adequate and reliable process for entering costs and statistical data into the indirect cost allocation system.

The **scope** of the examination covered fiscal year 2012-2013 financial information associated with the development of indirect cost allocation rates to be applied in fiscal year 2013-2014.

The **methodology** consisted of:

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

APPENDIX B – Management Response

This section reserved for management's response.



Fri 10/18/2013 8:31 AM

Adank, Jason

RE: OIG Engagement 14I-6002, Indirect Cost Rates

To Tessier, Lisa; Naitove, Robin M; Evans, Lisa L; Williams, David; Weil, Michelle

Cc Sullivan, Kristofer; Gilboy, Joseph; Smith, Cameisha

No additional comments.

Thank you.

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DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

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Project Team:

Engagement was conducted by Cameisha Smith, Audit Team Leader
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 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 for
Fiscal Year 2013-2014**

<i>Direct Program Cost Groups</i>	<i>Rates (%)</i>
Preliminary Engineering Product	5.50%
Preliminary Engineering In-house	5.37%
Construction Engineering Inspection Product	3.24%
Construction Engineering Inspection In-house	2.12%
Construction Product	3.23%
Right Of Way Product	5.64%
Right Of Way In-house	5.32%
Public Transportation Product	2.93%
Public Transportation In-house	2.91%
Turnpike Product	3.35%
Turnpike In-house	2.34%
Tolls Product	3.89%
Tolls In-house	4.00%
Maintenance Product	9.51%
Maintenance In-house	7.64%
Traffic Operations Product	2.94%
Motor Carrier Size & Weight In-house	1.19%
Planning Product	6.81%
Planning In-house	2.83%
Emergency In-house	9.89%
Emergency Product	13.00%