

DEPARTMENT OF TRANSPORTATION

AUDITS AND INVESTIGATIONS

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December 12, 2016

Mr. Steve Heminger
Executive Director
Metropolitan Transportation Commission
375 Beale Street, Suite 800
San Francisco, CA 94105

Dear Mr. Heminger:

The California Department of Transportation (Caltrans), Audits and Investigations (A&I) received Metropolitan Transportation Commission (MTC) Indirect Cost Allocation Plan (ICAP) certificate for fiscal year (FY) 2016/17, on October 26, 2016, which certifies MTC has complied with Title 2 Code of Federal Regulations Part 200. A&I found that the ICAP submission is in compliance with the Caltrans streamlined submission requirements.

MTC is authorized to use the ICAP rate of 49.70 percent of total direct salaries and wages plus fringe benefits for FY 2016/17 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.

A&I 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 federal or state awards.

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

Mr. Heminger
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Sincerely,



MARSUE MORRILL, CPA
Chief
External Audits - Local Governments

Enclosure

- c: 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
- Sylvia Fung, Supervisor Transportation Planner, Office of Local Assistance, Division of
Planning and Local Assistance, District 4, Caltrans
- James Ogbonna, Chief, Rural Transit and Intercity Bus Branch,
Division of Mass Transportation, Caltrans
- C. Edward Philpot, Jr., Branch Chief, Grants/Public Engagement,
Office of Community Planning, Caltrans
- Ezequiel Castro, Branch Chief, State Transit Grants, Division of Rail & Mass Transportation,
Caltrans
- Sadie Smith, Branch Chief, Division of Rail, Division of Rail & Mass Transportation,
Caltrans
- Erin Thompson, Chief, Office of Regional Planning, Division of Transportation Planning,
Caltrans
- Jacqueline Kahrs, Branch Chief, Office of Regional Planning, Division of Transportation
Planning, Caltrans
- Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
- David Saia, LAPM/LAPG Coordinator, Division of Local Assistance, Caltrans
- Lai Huynh, Audits & Federal Performance Measures Analyst, Division of Local Assistance,
Caltrans
- Blesilda Gebreyesus, Sr. Transportation Planner, Office of Planning and Local Assistance,
Division of Planning and Local Assistance, District 4, Caltrans

P1591-0234

ICAP/ICRP SUBMISSION CERTIFICATION

Metropolitan Transportation Commission Indirect Cost Rate FY 2017

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

SECTION I: Rates

Rate Type	Effective Period	Rate *	Applicable To
Fixed w/carry-forward	7/1/16 to 6/30/2017	49.70%	All programs including MTC, BATA, BAHA and SAFE

* Base: Total Direct Salaries and Wages plus fringe benefits

SECTION II: General Provisions

A. Limitations:

The rate 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 rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing costs 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; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate 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 are contained in the grantee's Single Audit, which was prepared in accordance with OMB Uniform Guidance. 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 costs to be incurred during the period.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization 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 costs from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined - either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements - any differences between

the application of the fixed rate 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 costs rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

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 grantee.

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 will be billed or for three years after the fiscal year for which the rate 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 subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This acceptance does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The acceptance will also be used by Caltrans 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 in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the accepted rate to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

H. Rate Calculation:

FY 2017 Budgeted Indirect Costs (From Attachment 1)	\$17,238,461
Carry Forward from FY 2015 (From Attachment 1)	\$698,804
Budgeted FY 2017 Indirect Costs (From Attachment 1)	\$17,937,265
FY 2017 Budgeted Direct Salaries & Wages plus Fringe Benefits (From Attachment 1)	\$36,087,622
FY 2017 Indirect Cost Rate (Budgeted Indirect Costs/Budgeted Direct Salaries & Wages plus Fringe Benefits)	49.70%

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 this proposal to establish billing or final indirect costs rates for fiscal year 2017 (July 1, 2016 to June 30, 2017) 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 225, "Cost Principles 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 final rate.

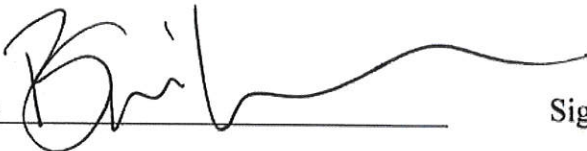
(3) Additionally, I understand that in accordance with 2 CFR, Part 225, Appendix E, Section E.4, refunds shall be made if proposals are later found to have included costs that are unallowable as specified by law or regulation, as indentified in Appendix B to this part, or by the terms and conditions 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 negotiated (predetermined, final, fixed or provisional).

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.

Governmental Unit: Metropolitan Transportation Commission

Signature



Reviewed, Approved and Submitted by:
Brian Mayhew
Chief Financial Officer
October 18, 2016

Signature



Prepared by:
Suzanne Bode
Accounting Manager
(415) 778-5256

INDIRECT COST RATE SUBMISSION ACCEPTANCE

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

Marsue Morrill

Signature

Accepted by:

MARSUE MORRILL, CPA

Chief

External Audits-Local Governments

December 12, 2016

(916) 323-7105