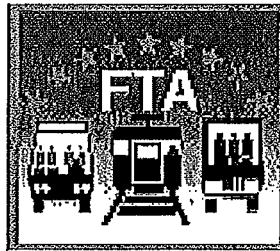


REPORT ON THE REVIEW OF THE
COST ALLOCATION PLAN
OF
METROPOLITAN COUNCIL
(MET COUNCIL)

PERFORMED FOR
U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION



PERFORMED BY
SAMLIN MILLIGAN
UNDER CONTRACT: DTFT60-10-D-00007
TASK ORDER: 1

REPORT DATE: October 14, 2015
DRAFT REPORT SUBMISSION DATE: November 03, 2015
FINAL REPORT SUBMISSION DATE: November 06, 2015

EXECUTIVE SUMMARY

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Metropolitan Council (Met Council) submitted a Fiscal Year (FY) 2015 and 2016 Indirect Cost Allocation Plans (ICAPs) to the U.S. Department of Transportation (DOT) Federal Transit Administration (FTA) for use in FY 2015 and 2016 respectively. The ICAP submissions proposed fixed indirect cost rates with carry forward, based on 2013 and 2014 actual costs, for the Metro Transit and Metro Transportation Services (MTS) departments. The Plans were submitted for review because the MTS rate exceeded the previously approved rates by more than twenty (20) percent. The Grantee also changed the previously approved methodology used for allocating the costs of the Communications Department to MTS and Metro Transit. FTA Circular 5010.1D states that a Cost Allocation Plan/Indirect Cost Rate Proposal should be submitted to the "cognizant" or "lead" Federal Agency when the grantee's proposed CAP/Indirect Cost Rate Proposal exceeds the amounts and rate approved for the previous year(s) by more than 20 percent; or the grantee changes the Cost Allocation Plan/Indirect Cost Rate Proposal methodology.

FTA contracted Samlin Milligan to perform a review of Met Council's ICAP rate submissions. This review was performed to determine if the ICAP submission meets the requirements of 2 CFR part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards", FTA Circular 5010.1D, "Grant Management Requirements" and other applicable Federal regulations.

Conclusion

Samlin Milligan's review of Met Council's FY 2015 and 2016 ICAP rates submission indicated that Met Council's ICAP was in substantial compliance with the requirements of 2 CFR part 200 and FTA Circular 5010.1D except where noted below:

- The review identified that the carry forward amounts included in Met Council's ICAPs were not fully consistent with 2 CFR part 200. Specifically, the carry forward amounts for MTS was calculated based on the direct salaries and fringe base from the prior period instead of the direct salaries and wages base that was used in the approved methodology. Additionally, we noted that the carry forward calculations included the under or over recoveries from the two years prior to the current year; however, the calculation did not include an adjustment for the current year under or over recoveries for both FY2015 and 2016 (Refer to **Section 3.2** for the details).
- We also identified unallowable costs amounting to \$3,212 in the 2015 proposed Information Services indirect cost pool and \$128,176 in the 2016 proposed Information Services indirect cost pool that should have been excluded from costs allocated to the departments (Refer to **Section 3.2** for the details of the unallowable costs).

Met Council subsequently updated the ICAPs and resubmitted it to the FTA on October 16, 2015 to update the carry forward amounts and adjusted the total indirect costs for both departments. The updates resulted in changes in the initially proposed indirect cost rates and fringe benefit rates for all the departments as follows:

EXECUTIVE SUMMARY

Departments	Proposed 2015 Indirect Cost Rates	Proposed 2016 Indirect Cost Rates	Adjusted 2015 Indirect Cost Rates	Adjusted 2016 Indirect Cost Rates
Metro Transportation services	138.71%	130.54%	116.96%	98.02%
Metro Transit (Bus & Rail)	26.63%	32.31%	26.63%	33.98%

Based on the results of our review of Met Council's ICAP submissions, we recommend that FTA approve the following adjusted proposed rates for reimbursement of indirect costs to the Grantee:

Departments	Adjusted 2015 Indirect Cost Rates	Adjusted 2016 Indirect Cost Rates
Metro Transportation services	116.96%	98.02%
Metro Transit (Bus & Rail)	26.63%	33.98%