

DEPARTMENT OF TRANSPORTATION

INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS

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*Making Conservation
a California Way of Life.*

January 2, 2018

Dear Transportation Partners:

The California Department of Transportation (Caltrans) will be implementing a new process for reviewing and accepting Indirect Cost Rates (ICR) of Architectural and Engineering (A&E) firms contracting with Local Government Agencies (LGA) on projects using state and federal-aid highway funds. This is in response to existing federal regulations at 23 Code of Federal Regulations (CFR) Part 172. These requirements are effective January 2nd, 2018 with a grace period up to April 1st, 2018.

As part of this process, A&E firms will now be required to submit to LGAs, certain financial documents to support their ICR(s). Enclosed you will find exhibits that outline these requirements.

LGAs will be responsible for ensuring all required financial documents from A&E firms are received and forwarded to Caltrans Audits and Investigations (A&I) for review prior to contract execution. Within 30 business days of A&I's receipt of the financial document package, A&I will make the recommendation to the LGA to either accept, or adjust the A&E firm's ICR. Upon agreement between the LGA and A&I, however, the 30 business days can be extended. We recommend LGAs include language in the Request for Proposals with A&E firms stipulating the financial document requirements for A&E ICR(s).

To provide additional support for LGAs and A&E firms in this new process, by the end of January, A&I will post to our website at <http://dot.ca.gov/audits/> a training module on the new financial document requirements as well as a training module on prevailing wages. We hope these will be a helpful resource to all.

Sincerely,

A handwritten signature in cursive script that reads "Alice Lee".

ALICE LEE

Chief, External Audits – Local Governments

Enclosures

- (1) Exhibit 10A
- (2) Exhibit 10A Checklist

- c: Rodney Whitfield, Director of Financial Services, FHWA, California Division
- Matt Schmitz, Director of Project Delivery, FHWA, California Division
- Veneshia Smith, Financial Program Manager, FHWA, California Division
- Scott McHenry, Local Programs Manager, FHWA, California Division
- Eraina Ortega, Inspector General, Independent Office of Audits and Investigations, California Department of Transportation
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