February 4, 2015

Dear Transportation Partners:

In response to the new federal regulations at 2 Code of Federal Regulations (CFR) Part 200, the California Department of Transportation (Caltrans), in cooperation with the Federal Highway Administration (FHWA), has revised its processes to provide Local Government Agencies (LGAs) different options for the submittal of an Indirect Cost Allocation Plan/Indirect Cost Rate Proposal (ICAP/ICRP) for fiscal years beginning on or after July 1, 2015.

An LGA that seeks reimbursement of indirect costs from Caltrans can now utilize one of the following three new options if certain conditions are met:

- Submit ICAP/ICRP Certification. Caltrans will issue a rate acceptance letter within 10 business days of receipt of an ICAP/ICRP that meets the Revised Streamlined process conditions.
- Submit ICAP/ICRP Extension Request of a current negotiated indirect cost rate(s). Caltrans will issue a rate acceptance letter within 45 business days of receipt of an extension request that meets the extension conditions.
- Use a de minimis rate. The LGA submits a notification to Caltrans for the use of a de minimis rate.

For detailed processes and conditions, please see Attachment A - ICAP/ICRP Submission Processes and Documentation of Proposal. A process flowchart, sample ICAP/ICRP submission certification and sample ICAP/ICRP schedules with referencing are also attached.

For questions or concerns regarding the process or status of a submitted ICAP/ICRP by a City/County, please contact Alice Lee at (916) 323-7953. For questions regarding a Metropolitan Planning Organization/Regional Transportation Planning Agency, please contact Teresa Greisen at (916) 323-7910, or Amada Maenpaa at (916) 323-7868.

Sincerely,

Zilan Chen, Chief
External Audits – Local Governments
Audits and Investigations

Enclosures

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California’s economy and livability"
Attachment A - Submission Processes & Documentation of Proposal
Attachment B - Submission and Approval Processes Flowchart
Attachment C - LGA ICAP/ICRP Checklist
Attachment D - Submission Certification
Attachment E - Sample Schedules

c: Janice Richard, Director of Financial Services, FHWA, California Division
Jermaine Hannon, Director, Planning and Air Quality, FHWA, California Division
Katie Benouar, Chief, Division of Transportation Planning, Caltrans
Bill Figge, AICP, Acting Deputy Director, Planning and Modal, Caltrans
William E. Lewis, Assistant Director, Audits and Investigations, Caltrans
Bruce Roberts, P.E., Acting Chief, Division of Rail & Mass Transportation, Caltrans
Rihui Zhang, Chief, Division of Local Assistance, Caltrans

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability"
Section I. ICAP/ICRP Annual Submission Processes

Due to the new 2 CFR Part 200 regulations, the California Department of Transportation (Caltrans) Audits & Investigations (A&I) has revised its processes to provide Local Government Agencies (LGAs) different options for the submittal of an Indirect Cost Allocation Plan/Indirect Cost Rate Proposal (ICAP/ICRP). These options include:

- Submit ICAP/ICRP Certification only (See Subsection A for Revised Streamlined Process).
- Submit complete ICAP/ICRP package (See Subsection B for Complete ICAP/ICRP Package Submission Process).
- Submit ICAP/ICRP Extension Request of a current negotiated indirect cost rate(s) (See Subsection C for ICAP/ICRP Extension Request Process).
- Submit a notification for the use of a de minimis rate (See subsection D for De Minimus Rate).
- Submit an ICAP/ICRP for Other Federal Cognizant Approval (See Subsection E for Other Federal Cognizant Approval).

The options and submission processes described below will help a LGA determine what option(s) to be utilized.

Subsection A. Revised Streamline Process

LGA may submit the ICAP/ICRP certification (Attachment D) and Streamlined Submission Checklist (Attachment C) to A&I for review and acceptance, if the LGA did not meet any of the following conditions:

- The LGA receives more than $35 million in direct federal funding.
- The LGA is designated as a high risk recipient by Caltrans.
- The LGA has changed its ICAP/ICRP calculation methodology.
- The LGA’s most recent ICAP/ICRP required an indirect cost rate(s) change due to an improper, inaccurate, or unsupported rate calculation.
- The LGA has a major change to its financial management system (i.e. change in processes, or in accounting software).
- This is the first ICAP/ICRP submission by the LGA.

The ICAP/ICRP certification must be submitted within six months after the close of the LGAs fiscal year or within 30 days from the date the LGAs annual financial statement audit is complete.

Within 10 business days of receipt A&I will review the ICAP/ICRP certification and Checklist to determine whether the LGA qualifies for the streamlined process.

- If the LGA qualifies for the streamlined process, A&I will sign and return the ICAP/ICRP certification with an Acceptance Letter.
- If the LGA does not qualify for the streamlined process A&I will notify the LGA that the LGA must follow the complete ICAP/ICRP submission process in Subsection B.
The LGA must receive an Acceptance Letter from A&I prior to billing for indirect costs. Although not required to be submitted to A&I under the streamlined process all LGAs desiring to claim indirect costs for federal-aid and/or state funded projects must annually prepare and maintain an ICAP/ICRP and related documentation to support those costs. All documents related to the ICAP/ICRP must be retained for audit in accordance with the record retention requirements in 2 CFR Part 200. 333 and Agreements between the LGA and Caltrans.

Subsection B. Complete ICAP/ICRP Package Submission Process

A complete ICAP/ICRP submission package (Section II, Subsection A) should be submitted to A&I when the LGA’s ICAP/ICRP has not been approved by a federal cognizant agency and meets one of the following conditions:

- The LGA receives more than $35 million in direct federal funding.
- The LGA is designated as a high risk recipient by Caltrans.
- The LGA has changed its ICAP/ICRP calculation methodology.
- The LGA has a major change to its financial management system (i.e. change in processes, and or in accounting software).
- This is the first ICAP/ICRP submission by the LGA.
- The LGA’s most recent ICAP/ICRP required an indirect cost rate(s) change due to an improper, inaccurate, or unsupported rate calculation.

When the LGA does not qualify for the revised streamlined process the LGA will submit a complete ICAP/ICRP proposal to A&I for review and acceptance prior to invoicing for indirect costs. If allocated central service costs are included in an ICRP, the LGA should also submit its Central Service Cost Allocation Plan along with the ICRP to A&I.

Within 30 business days of receipt, A&I will review the ICAP/ICRP for compliance to the submission requirements of 2 CFR, Part 200, Subpart E, Appendix V & VII. Caltrans acceptance must be received by the LGA prior to the LGA billing for indirect costs.

If necessary, A&I will advise LGAs of the additional documentation needed to support/evaluate the proposed plan or changes required to make the proposed plan compliant. Non-compliant submissions may be returned to the LGA if requested documentation is not provided or required changes are not made within 5 business days of notification to the LGA.
Subsection C. ICAP/ICRP Extension Request Process

LGAs that wish to apply for an extension of a current negotiated indirect cost rate(s) for a period of up to four years may do so unless the LGA meets one of the following conditions:

- The LGA is designated as a high risk recipient by Caltrans.
- The LGA has changed its ICAP/ICRP calculation methodology.
- The LGA has a major change to its financial management system (i.e. change in processes, and or in accounting software).
- This is the first ICAP/ICRP submission by the LGA.

LGAs should provide the following information that will be used in evaluating their extension request:

- Any outstanding audit finding(s) that would impact the LGA’s indirect cost rate(s).
- An ICAP/ICRP certification (Attachment D) indicating its request to apply for the extension and the period of the extension.
- ICAP/ICRP that is based on actual costs for a final rate(s), or previous year’ actual costs for a predetermined rate(s) (ICAP/ICRPs based on budgeted costs will not be accepted for extension).
- A completed Extension Checklist that includes Sections 1 & 2 of Attachment C.

LGAs with a fixed rate(s) with carry-forward agreement(s) for previous year(s) that are requesting extension of a proposed final or predetermined rate(s), must resolve the carry-forward for the last approved rate fixed year(s).

Within 45 business days of receipt, A&I will review the extension request and the Extension Checklist to determine whether the LGA meets the conditions listed above and notify the LGA if the extension request is approved.

- If the LGA meets the extension conditions, A&I will sign and return the ICAP/ICRP certification with an Acceptance Letter.
- If the LGA does not meet the conditions, A&I will notify the LGA that the LGA must continue to follow the ICAP/ICRP submission process annually.
Subsection D. De Minimis Rate

LGAs that have never received a negotiated indirect cost rate and receive less than $35 million in direct federal funding and elect to charge a De Minimis rate of 10% of modified total direct costs should send a letter signed by an LGA Official to A&I. A De Minimis rate may be used indefinitely. Costs must be consistently charged as either indirect or direct but may not be double charged or inconsistently charged as both. A&I will notify the LGA if it does not qualify for the use of a De Minimis rate. A&I may perform Incurred Cost Audits or Financial Management System Audits of LGAs to ensure compliance with 2 CFR Part 200 and Agreements with Caltrans. LGAs using a De Minimis rate(s) found to be inconsistently charging costs or not in compliance with 2 CFR Part 200 will be required to reimburse Caltrans for any identified overbillings.

Modified total direct cost means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). Modified total direct cost excludes equipment, capital expenditures, rental costs, and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Subsection E. Other Federal Cognizant Approval

LGAs with an ICAP/ICRP approved by a cognizant federal agency other than FHWA will submit a copy of the cognizant federal agency’s approval to A&I.

Subsection F. Fringe Benefit Rate

If the LGA’s overall fringe benefit rate is not approved for the LGA as part of its Central Service Cost Allocation Plan (i.e. citywide cost plan or countywide cost allocation plan), a proposed fringe benefit rate should be included as a separate rate in the ICAP/ICRP certification submittal. However, LGAs that charge actual fringe benefit costs per individual employees are not required to establish a fringe benefit rate.

Subsection G. Other Information

On a monthly basis, A&I will post a listing of all LGAs utilizing a De Minimis rate and non-FHWA cognizant approval rates on Caltrans Intranet website. Unless the LGA receives an extension for a fiscal year, LGAs will submit their ICAP/ICRP within six months after the close of the fiscal year or within 30 days from the date the LGA’s annual financial statement audit is complete. LGAs that submit an ICAP/ICRP after this time frame may be at risk of not being eligible for indirect cost billing and reimbursement.
Section II: Documentation of Proposal

Subsection A. Documentation for a Complete ICAP/ICRP Package

A complete ICAP/ICRP Submission Package should include the following as prescribed by 2 CFR Part 200, Subpart E – Cost Principles, and Appendices V and VII:

a. A schedule showing calculation of rates proposed including subsidiary worksheets and other relevant data, cross-referenced and reconciled to the financial data noted below.

b. Subsidiary worksheets that include the following:
   - Schedule of actual direct / indirect /unallowable costs incurred by cost category type (i.e., rent, utilities, etc.) as well as by departmental unit, or
   - Schedule of budgeted direct costs and indirect costs by cost category type and department unit supported by Board approved budget or prior year’s actual costs
   - Schedule showing calculation of the over/under carry-forward amount when “fixed rate” is used.

c. A copy of the financial data (audited financial statements, comprehensive annual financial report, single audit reports and management reports, if applicable, etc.) on which the rate(s) is based.

d. The approximate amount of direct base costs incurred under federal-aid and state reimbursement. These costs should be broken out between salaries and wages and other direct costs.

e. A chart identifying the organizational structure of the LGA during the period for which the proposal applies along with a functional statement noting the duties and/or responsibilities of all LGA units. (After initial submittal, only revisions need be included with subsequent proposals.)

f. Certification that the ICAP/ICRP was prepared in a manner consistent with and in compliance with the Cost Principles of 2 CFR Part 200, Subpart E and Appendices V & VII. (See Attachment D for Sample Certification)

g. A&I’s Submission Review Checklist to assist LGAs in understanding the documentation that is used to review submittals (See Sections 3, 4 and 5 of Attachment C “LGA ICAP/ICRP Checklist”)
Subsection B. Central Service Cost Allocation Plan

Central Service Cost Allocation Plans - If allocated central service costs are included in an ICRP, the LGA should submit its Central Service Cost Allocation Plans, along with the ICAP/ICRP, to A&I. If Agencies have an approved citywide and countywide cost allocation plan with a cognizant agency other than FHWA, the LGA should also submit to A&I, a Certificate showing approval from the cognizant agency. Approval by the cognizant agency must be obtained in order for costs to be included in the ICAP/ICRP.

All Central Service Allocation Plan should include supporting documentation in accordance with 2 CFR Part 200, Appendix V, Section E. See ASMB C-10 (Assistant Secretary Management and Budget Cost Principles and Agreements with the Federal Government), issued by the Department of Health and Human Services) for a Sample Central Service Cost Allocation Plan and supporting documentation.

Subsection C. Retention/Audit

All documents related to the ICAP/ICRP must be retained for audit in accordance with the record retention requirements in 2CFR Part 200.333, and Agreements between the LGA and Caltrans.

Annually, A&I will perform a risk assessment of accepted ICAPs/ICRPs for audit. If an ICAP/ICRP is selected for audit, the LGA will be notified. A&I will perform an audit to determine whether the ICAP/ICRP exists and complies with the applicable cost principles. Material audit adjustments will require reimbursement if proposals are found to have included costs that are unallowable as specified by law or regulation or by the terms and conditions of federal or state awards. These adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed or provisional). For rates covering a future fiscal year (i.e. extended rates), the unallowable costs will be removed from the indirect cost pool(s) and the rate(s) appropriately adjusted for all fiscal years covered by the extension. FHWA may also conduct reviews/audits.
Local Governmental Agency (LGA) elects to bill indirect costs to Caltrans

A. Revised Streamline Process

The LGA receives more than $35 million in direct federal funding?

No

Designated as a high risk recipient by Caltrans?

No

Changed its ICAP/ICRP calculation methodology?

No

Most recent ICAP/ICRP required an indirect cost rate change due to an improper, inaccurate, or unsupported rate calculation?

No

Had a major change to its financial management system?

No

Is this the first ICAP/ICRP submission?

No

Yes

Use Revised Streamline Process

Yes

Use Complete ICAP/ICRP Package Submission Process (See page 2 Process B)

LGA submits only the ICAP/ICRP certification (Attachment D) and Streamlined Submission Checklist (Attachment C) to A&I

LGA submits the ICAP/ICRP certification (Attachment D) and Streamlined Submission Checklist (Attachment C) to A&I

Review by Caltrans A&I if the LGA qualifies for the streamlined process

Certification & Rate Acceptance Letter to LGA

Caltrans Performs Risk Assessment and Audit (See page 2 Process B)

LGA submits complete ICAP/ICRP package annually. See Process B - page 2

Within 6 months of close of FY, or 30 days from annual audit completion

Within 10 Business Days

LGA may apply for an extension up to 4 years (See page 3 Process C)
ICAP/ICRP Submission and Approval Processes

**Process B**
- **B. Complete ICAP/ICRP Package Submission Process**
- LGA Annually Submits ICAP/ICRP to A&I
- Review by Caltrans A&I for Compliance with Submission Requirements
  - Compliant
    - ICAP/ICRP Submission Accepted by A&I for Billing and Reimbursement Purposes
  - Non-compliant
    - A&I Requests Additional Documentation From LGA or Changes to the ICAP/ICRP
      - Non-compliant
        - Reject and Return to LGA
        - Submit ICAP/ICRP annually
          - Within 30 Business Days
          - See page 1 Process A or page 2 Process B
      - Compliant
        - Complete Submission Process required only because LGA's previous ICAP/ICRP required a rate change?
          - Yes
            - LGA may consider for an extension up to 4 years (See page 3 Process C)
          - No
            - Complete ICAP/ICRP Package Submission Process

**Process B-2**
- **Risk Assessment and Audit**
- Caltrans Performs Risk Assessment
- ICAPs/ICRPs Selected for Audit
- ICAP/ICRP Audits Performed by A&I/FHWA
- Audit Reports to LGAs & FHWA
- Quarterly Status Report to FHWA
- Within Record Retention Period

**Timelines**
- Within 6 months of close of FY, or 30 days from annual audit completion
- Within 30 Business Days
- Annually
C. ICAP/ICRP Extension Request Process

LGA elects to apply for an extension up to 4 years?

Yes

ICAP/ICRP is based on actual costs?

Yes

Proposed final rate or predetermined rate?

Yes

Has outstanding audit findings that impact the LGA's indirect cost rate?

Yes

Submit ICAP/ICRP for approval annually. See Process A - page 1
Process B - page 2

No

Submit certification that includes extension period, and sections 1 & 2 of Checklist

No

Within 45 Business Days

Review by Caltrans A&I if the LGA meet conditions for extension

Yes

Certification & Extension Approval letter sent to LGA

No

Caltrans Performs Risk Assessment and Audit (See page 2 process B-2)
D. De Minimis Rate

LGA elects to charge a De Minimis Rate?

Yes

Submit ICAP/ICRP to A&I. see Process A page 1
Process B page 2
Process C page 3
Process E page 4

Has LGA received a negotiated indirect cost rate?

Yes

LGA does not qualify for the use of a De Minimis Rate

No

Has LGA received more than $35 million in direct federal funding?

Yes

LGA notifies A&I of the use of a De Minimis rate

No

LGA qualifies for the use of a De Minimis rate

Process E

LGA receives cognizant approval of ICAP/ICAP from federal agency other than FHWA

LGA submits a copy of the approval to A&I

Monthly A&I posts all De Minimis rates and non-FHWA cognizant approval rates on Caltrans website
**Attachment C**

**LGA ICAP/ICRP CHECKLIST**

Name of Agency __________________ Date Completed ________________  
Name of Preparer __________________ Current ICAP/ICRP Period ________________

1. **ICAP/ICRP STREAMLINED SUBMISSION Checklist:**
   - Yes  No  N/A
   - Has the LGA received more than $35 million in direct federal funding?  
   - Is the LGA currently designated as a High Risk Recipient by Caltrans?  
   - Has the LGA changed its ICAP/ICRP calculation methodology since the last acceptance of LGA’s ICAP/ICRP?  
   - Has the LGA’s most recent ICAP/ICRP required an indirect cost rate change due to an improper, inaccurate, or unsupported rate calculation?  
   - Has the LGA had major changes to its financial management system (i.e. processes or accounting software) since the last acceptance of LGA’s ICAP/ICRP?  
   - Is this the first ICAP/ICRP submission by the LGA?  

The LGA has determined that its federal cognizant agency is ________________

If LGA has answered “NO” to all of the above, then LGA may be eligible for the Streamlined Process

2. **ICAP/ICRP Extension Checklist:**

   - Request Extension of Current Rate(s) for the fiscal year(s) of _______ _______ _______ _______
   - Are there no outstanding audit finding(s) that would impact the LGA’s indirect cost rate(s)?  
   - Is the ICAP/ICRP(s) based on actual costs for a final rate(s) or prior year’s actual costs for a predetermined rate(s)?  
   - If the LGA used a fixed rate for prior year(s), a schedule is prepared to resolve the carry-forward for the last fixed year(s): a schedule showing the calculation of the over/under carry forward amount with component costs cross-referenced to ledger reports that cross-reference to audited financial statements? (Include the carry-forward calculation worksheet.)
3. **Complete ICAP/ICRP Submission Checklist**

   Are costs included in the rate calculation schedule (schedule showing component costs used in the calculation of the rates proposed) cross-referenced and reconciled to the financial data noted below?

   - Are subsidiary worksheets included that show the following:

     For ICAP/ICRP year(s) based on actual costs, a schedule(s) of actual direct, indirect, and unallowable costs incurred by cost category type (i.e. rent, utilities, depreciation, etc.) and by departmental unit with total costs reconciled to audited financial statements?

     For ICAP/ICRP year(s) based on budgeted or estimated costs, a schedule(s) of budgeted or estimated direct, indirect, and unallowable costs by cost category type and by department unit supported by Board-approved budget or prior year’s actual costs?

     When a fixed rate is used, a schedule showing the calculation of the over/under carry forward amount with component costs cross-referenced to ledger reports that cross-reference to audited financial statements?

     (Include the carry-forward calculation worksheet.)

   - Is a copy of the financial data (audited financial statements, comprehensive annual financial reports, single audit reports and management letters, including notes, if applicable, etc.) included on which the rate(s) is based.

   - Are fringe benefit rate computations included in the Plan? If not, please explain why.

   - Is the approximate amount of direct base costs to be incurred under federal-aid and State reimbursement been included?

     These costs should be distinguished between salaries and wages and other direct costs.

   - Is a chart identifying the organizational structure of the agency during the period for which the proposal applies along with a functional statement noting the duties and/or responsibilities of all agency units included? (Once this is submitted, only revisions need be submitted with subsequent proposals)
Attachment C
LGA ICAP/ICRP CHECKLIST

- Is a Certification, dated and signed by an appropriate official included, that states the ICAP/ICRP was prepared in a manner consistent and in compliance with the Cost Principles of 2 CFR Part 200, Subpart E and Appendices V & VII? (See Attachment D for Sample Certification)

4. **Central Service Cost Allocation Plan Submission Checklist:**

  - Is the Certificate of the Cost Allocation Plan dated and signed by an appropriate official?
  
  - Is supporting documentation included that demonstrates compliance with 2 CFR 200, Subpart E and Appendices V & VII? (See ASMB C-10 for a Sample Central Service Cost Allocation Plan and documentation.)

5. **Additional Information:**

   *(Note: The requested information below is useful to A&I for ICAP/ICRP acceptance purposes)*

   - Does the Plan contain an explanation of significant changes from procedures as reported in the previous cost plan?
   
   - Was the ICAP/ICRP audited for compliance with 2 CFR 200 by an Independent Auditor in accordance with Government Auditing Standards? (If so, please provide a copy of the audit report)
   
   - Insert the estimated indirect costs to be billed for reimbursement of state and federal funds: $

5. **For Other Post-Employment Benefits (OPEB) GASB 45 Compliance**

   *(Note: In accordance with FHWA Policy, the amortization period for compliance with GASB 45 must be a minimum of 20 years to ensure equitable, consistent, and reasonable OPEB reimbursement rates for all local agencies within the state of California receiving Federal funding from the FHWA. Therefore, only an amortization period of between 20 to 30 years will be allowed to calculate the reimbursement rate for OPEB benefits.)*

   - Does the Plan include a Certificate of Actuarial Assumption, dated and signed by a responsible official, that identifies the OPEB liability and amortization schedule?
   
   - Were OPEB costs included in the Plan funded within 6 months after the end of the ICAP Plan year as required in 2 CFR 200.431(h)(2)

- **Central Service Allocation:**

   *(Note: A LGA, which has been assigned a cognizant federal agency by the OMB, must submit its Indirect Cost Rate Proposal and Central Service Cost Allocation Plan to its cognizant federal agency for approval. A list of the cognizant federal agencies assigned to state and local agencies can be located at the Federal Audit Clearinghouse website. If allocated central service costs are included in an ICRP, the LGA should provide information noted below.)*
Attachment C  
LGA ICAP/ICRP CHECKLIST

- List all central service departments, including proprietary funds that indirectly bill departments:

<table>
<thead>
<tr>
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<th>Yes</th>
<th>No</th>
<th>N/A</th>
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- Are schedules and supporting documentation provided for each central service department indirect cost allocation included in the Plan?  

- Are narratives provided for each central service department?  

- Are rate-setting methodologies included for each central service department?
The indirect cost rate plan contained herein is for use on grants, contracts and other agreements with the Federal Government and the California Department of Transportation (Department), subject to the provisions in Section II. This rate(s) was prepared by the [LGA NAME] and accepted by the Department.

### SECTION I: Rates

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<th>Effective Period</th>
<th>Rate</th>
<th>Applicable to</th>
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</thead>
<tbody>
<tr>
<td>Fixed w/ carryforward or</td>
<td>7/1/14 to 6/30/15</td>
<td>xx.xx%</td>
<td>LIST APPLICABLE AREAS</td>
</tr>
<tr>
<td>Final w/o carryforward or**</td>
<td>7/1/14 to 6/30/15</td>
<td>xx.xx%</td>
<td>LIST APPLICABLE AREAS</td>
</tr>
<tr>
<td>Predetermined w/o carryforward**</td>
<td>7/1/14 to 6/30/xx</td>
<td>xx.xx%</td>
<td>LIST APPLICABLE AREAS</td>
</tr>
<tr>
<td>Fringe Benefit (if applicable)***</td>
<td>7/1/14 to 6/30/15</td>
<td>xx.xx%</td>
<td>LIST APPLICABLE AREAS</td>
</tr>
</tbody>
</table>

* Base: [IDENTIFY BASE]

** [A final or predetermined rate(s) must be used by a Local Governmental Agency (LGA) requesting a (1-4) year extension on its current proposed indirect cost rate(s).]

*** [A proposed fringe benefit rate computation should accompany the ICAP/ICRP if it is not approved as part of the LGA’s central service cost allocation plan. A fringe benefit rate is not required for Agencies that specifically identify fringe benefit costs to individual employees.]

### SECTION II: General Provisions

#### A. Limitations:
The rate(s) 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 rate(s) is subject to the following conditions: (1) Only costs incurred by the LGA were included in its indirect cost pool as finally accepted; such costs are legal obligations of the LGA and are allowable under the governing cost 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; (4) The information provided by the LGA which was used to establish the rate(s) is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate(s) 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(s) are contained in the LGA’s Single Audit which was prepared in accordance with 2 CFR 200. 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) For fixed and final rates, the rate(s) is based either on an estimate of the costs to be incurred or actual costs incurred during the period. For predetermined rates, the rate(s) will be based on actual costs or prior actual costs only.
Attachment D

B. Accounting Changes:
This Agreement is based on the accounting system purported by the LGA 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 cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. [Fixed Rate with Carry Forward, Final Rate, or Predetermined Rate]:
The [fixed/final/predetermined] rate(s) used in this Agreement is based on an [estimate/actual] of the costs for the period(s) covered by the rate(s).

[For fixed rates, when the actual costs for the period is determined by the LGA’s audited financial statements – any differences between the application of the fixed rate(s) 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 cost rate(s), to the second fiscal year subsequent to the fiscal year covered by this plan]. (Note: If a predetermined rate(s) or final rate(s) is used, then the carry forward provision does not apply).

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 LGA. For rates covering a future fiscal year, unallowable costs will be removed from the indirect cost pool(s) and the rate(s) appropriately adjusted.

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(s) will be billed or for three years after the fiscal year for which the rate(s) 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 the LGA to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT).

The acceptance will also be used by the Department 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(s) in this Agreement, the LGA should (1) credit such costs to the affected programs, and (2) apply the accepted rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.
H. Rate Calculation for Fixed Rate with Carryforward (Example):

FY 2015 Budgeted/Estimated Indirect Costs $x,xxx,xxx

Carry Forward from FY 2013 $x,xxx

Budgeted FY 2015 Indirect Costs $x,xxx,xxx

FY 2015 Budgeted/Estimated Direct Salaries & Wages (or applicable base) $x,xxx,xxx

FY 2015 Indirect Cost Rate xx.xx%

CERTIFICATION OF INDIRECT COSTS

This is to certify that I, [NAME OF RESPONSIBLE OFFICIAL], have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in the proposal to establish billing of an indirect cost rate(s) for fiscal year 201X (July 1, 201X to June 30, 201X) 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 200, "Cost Principles", Subpart E, and Appendices V & VII 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 fixed, final, or predetermined rate(s).

(3) I understand that if a rate extension is granted, I may not request a rate review until the extension period ends and that at the end of the extension period, I must re-apply to develop and negotiate a rate(s).

(4) I understand that the ICAP/ICRP package along with all supporting documentation from which the proposed rates are developed must be retained for audit in accordance with the record retention requirements of the State or Federal agreements for which the indirect rate(s) will be billed or for three years after the fiscal year for which the rate(s) is calculated, whichever is longer.

(5) Additionally, I understand that in accordance with 2 CFR, Part 200, Appendix VII, refunds shall be made if proposals are later found to have included costs that are unallowable as specified by law or regulation, as identified in Subsection 200.420 to this part, or by the
Attachment D

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(s) negotiated (predetermined, final, fixed or provisional). For rates covering a future fiscal year (i.e. extended rates), the unallowable costs will be removed from the indirect cost pool(s) and the rate(s) appropriately adjusted for all fiscal years covered by the extension.

I acknowledge as a representative of [NAME OF LGA] that the proper use and application of the indirect rate contained in this indirect cost rate proposal is the responsibility of the [NAME OF LGA] 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.

Government Unit: [LGA NAME]

Signature: ___________________________________  Signature: ___________________________________

Reviewed, Approved and Submitted by:  Prepared by:

Name of Official: ___________________________  Name of Official: ___________________________

Title: ___________________________  Title: ___________________________

Date of Execution: _______________  Telephone No.: _______________

INDIRECT COST RATE(S) SUBMISSION ACCEPTANCE

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

_____________________________________________________
Signature

Accepted by:

_____________________________________________________
NAME

Position: ___________________________

Date: ___________________________

Phone Number: ___________________________
To comply with the requirements of 2 CFR Part 200, Appendices VII. Section D. Submissions and Documentation of Proposals, the ICAP/ICRP rates proposed, including subsidiary work sheets and other relevant data should be referenced and reconciled to the financial data used to develop the rate proposal. A copy of the audited financial data or approved budget used to develop the rate should accompany the ICAP/ICRP and be referenced to the ICAP/ICRP and all supporting schedule(s).

Page 2 of ICAP/ICRP Certification Letter, H: Calculation of Rate:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 15/16 Budgeted/Estimated Indirect Costs</td>
<td>$235,630</td>
<td>&lt;See indirect cost calculation detail page 3&gt;</td>
</tr>
<tr>
<td>Carry Forward From FY 2013-14</td>
<td>$26,874</td>
<td>&lt;Carryforward Calculation page 2&gt;</td>
</tr>
<tr>
<td>Adjusted Indirect Costs for FY 2015/16</td>
<td>$262,504</td>
<td></td>
</tr>
<tr>
<td>FY 2015/16 Budgeted/Estimated Direct Salaries and Wages plus Fringe Benefits</td>
<td>$352,444</td>
<td>&lt;See indirect cost calculation detail page 3&gt;</td>
</tr>
<tr>
<td>FY 2015/16 Indirect Cost Rate</td>
<td>74.48%</td>
<td></td>
</tr>
</tbody>
</table>
## ATTACHMENT E
### SAMPLE ICAP/ICRP SCHEDULES

**FY 15/16 INDIRECT COST CARRYFORWARD CALCULATION FOR FY 13/14**

<table>
<thead>
<tr>
<th>Approved ICAP Rate</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>60.25%</strong> FY 13/14 approved rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Carryforward (FY 11/12)</td>
<td>$15,346</td>
<td>$26,874</td>
</tr>
<tr>
<td>Actual Indirect Costs</td>
<td>$181,654</td>
<td>$235,630</td>
</tr>
<tr>
<td>Total Indirect Costs</td>
<td>$197,000</td>
<td>$262,504</td>
</tr>
</tbody>
</table>

| Actual Direct Salaries & Fringe Benefits | $282,366 | $352,444 |
| Approved Rate | **60.25%** FY 13/14 approved rate | |
| Recovered Indirect Costs (approved rate x actual base) | $170,126 | |

Ending Carryforward (total Indirect costs - Recovered Indirect Costs)

- **$26,874** To FY 15/16 rate calculation <To page 1>

*As required by 2 CFR, Part 200 Appendix VII D 2 a, all costs and rates identified on this page are referenced to the schedule(s) and document(s) that support the stated amount and rate.*

**The costs for FY 15/16's Beginning Carryforward come from the FY 13/14 actual costs, i.e. two years prior to the ICAP/ICRP year submitted. The actual direct labor costs and actual indirect costs should be supported by audited financial statements. If the audited financial statements do not provide details then the audited general ledger detail should be provided and reconciled to the audited financial and/or any schedule(s) included in the ICAP/ICRP package. Any differences in the statements amounts should be fully explained. Any adjustments made to audited figures should also be fully explained (i.e. unallowable costs).**

---

**FOR EXAMPLE PURPOSES ONLY**

PAGE 2
## INDIRECT COST ALLOCATION PLAN DETAIL FY 15/16

The source of the information on this page should be identified by reference and provided in the ICAP/ICRP package. If the ICAP/ICRP is based
on budget then the submitting agency should provide an approved budget document with proof of approval (Board approval for example.) If it is
based on a prior years actual cost then the audited financial statements and supporting general ledger should be provided for that year (Pertains to some
Cities and Counties.)

<table>
<thead>
<tr>
<th>Item</th>
<th>Direct Expense</th>
<th>Indirect Expense</th>
<th>Unallowable Expense</th>
<th>Reference/ Foot Note</th>
<th>TOTAL</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$240,000</td>
<td>$114,000</td>
<td>$6,000</td>
<td>See *** below</td>
<td>$360,000</td>
<td></td>
</tr>
<tr>
<td>Fringe Benefits (46.8517%)</td>
<td>$112,444</td>
<td>$53,411</td>
<td>$2,811</td>
<td></td>
<td>$168,666</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$352,444</td>
<td>$167,411</td>
<td>$8,811</td>
<td></td>
<td>$528,666</td>
<td></td>
</tr>
</tbody>
</table>

### Direct costs

- **Rent**
  - $20,000
- **Utilities**
  - $5,000
- **Telephone**
  - $200
- **Advertising/Pub.**
  - $100,000
- **Office Supplies**
  - $7,500
- **Computer Supplies**
  - $2,000
- **Travel**
  - $3,419
- **Consultants**
  - $200,000
- **Insurance**
  - $9,000
- **Conference/training**
  - $6,000
- **Miscellaneous**
  - $2,000

**Subtotals**

- **$350,000**
- **$68,219**
- **$1,281**
- **$419,500**

### TOTAL COSTS

- **$702,444**
- **$235,630**
- **$10,092**
- **$948,166**

**NOTES:**
The detailed ICAP/ICRP spreadsheet should identify direct, indirect and unallowable costs that when added equal the audited financial records
and/or approved budget document. If the audited financial records or approved budget document do not break out expenses by the three categories
of costs then the submitting agency should identify in a schedule the breakout of expenses into these three categories and reference the total
expenses to the audited financial records or approved budget document.

If there are schedule(s) that support any figure(s) in the ICAP/ICRP the schedule(s) should be referenced to the audited financial records / approved budget
documents where the costs came from and those same audited financial records / approved budget documents should be submitted with the ICAP/ICRP package.

Any differences between the audited financial records and/or approved budget and the ICAP/ICRP amounts should be fully explained.

*** All unallowable costs should be identified as to the type of costs unallowed, (i.e. lobbying related, entertainment, etc.) If based on actual
costs then reference the financial documents where the costs originated.

**FOR EXAMPLE PURPOSES ONLY**

PAGE 3
The calculation should clearly show that unallowable costs are accounted for before the actual allowable indirect costs were calculated.

<table>
<thead>
<tr>
<th>Reference/ Foot Note</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 195,936</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>$ 86,430</td>
</tr>
<tr>
<td>Total</td>
<td>$ 282,366</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 195,936</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>$ 86,430</td>
</tr>
<tr>
<td>Total</td>
<td>$ 282,366</td>
</tr>
</tbody>
</table>

Indirect Costs

<table>
<thead>
<tr>
<th>Reference/ Foot Note</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$ 35,885</td>
</tr>
<tr>
<td>Utilities</td>
<td>$ 3,431</td>
</tr>
<tr>
<td>Telephone</td>
<td>$ 2,830</td>
</tr>
<tr>
<td>Advertising/Pub.</td>
<td>$ 75,000</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$ 8,811</td>
</tr>
<tr>
<td>Computer Supplies</td>
<td>$ 5000</td>
</tr>
<tr>
<td>Travel</td>
<td>$ 5,993</td>
</tr>
<tr>
<td>Contracts</td>
<td>$ 3,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$ 1,449</td>
</tr>
<tr>
<td>Conference/training</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>Subtotals</td>
<td>$ 84,000</td>
</tr>
</tbody>
</table>

TOTAL COSTS

FOR EXAMPLE PURPOSES ONLY

NOTE: 1) The costs for the carryforward come from the audited actual costs two years prior to the ICAP/ICRP year submitted. Therefore the actual direct labor costs and other actual costs (by direct, indirect & unallowable) should be supported by the audited financial statements. If the audited financial statements do not provide the details then the general ledger detail that supports the audited financial statement should be provided and referenced. If the general ledger does not support the audited financial statements than those differences should be fully explained.

*** All unallowable costs should be identified as to the type of costs unallowed, (i.e. lobbying related, entertainment, etc.)
ATTACHMENT E
SAMPLE ICAP/ICRP SCHEDULES

The example below shows the referencing of several accounts included in the Carryforward schedule for FY 13/14 actual costs. This is only an example your individual agency’s ICAP/ICRP and schedule(s) are dependent upon your financial management system.

Fiscal Year 13/14 General Ledger

<table>
<thead>
<tr>
<th>Account #</th>
<th>XXXXXXXX</th>
<th>Account</th>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Description</td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>Jul-13</td>
<td>July Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Aug-13</td>
<td>August Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Sep-13</td>
<td>September Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Oct-13</td>
<td>October Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Nov-13</td>
<td>Nov. Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Dec-13</td>
<td>December Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Jan-14</td>
<td>Jan. Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Feb-14</td>
<td>February Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Mar-14</td>
<td>March Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Apr-14</td>
<td>April</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>May-14</td>
<td>May Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
<tr>
<td>Jun-14</td>
<td>June Rent</td>
<td>$ 2,987.92</td>
<td></td>
</tr>
</tbody>
</table>
| Total     |           | $35,855.00 |     | <page 4>

Account # | XXXXXXXX | Account | Utilities |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Description</td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>Aug-13</td>
<td>Utility costs</td>
<td>$ 625.20</td>
<td></td>
</tr>
<tr>
<td>Oct-13</td>
<td>Utility costs</td>
<td>$ 530.20</td>
<td></td>
</tr>
<tr>
<td>Dec-13</td>
<td>Utility costs</td>
<td>$ 515.90</td>
<td></td>
</tr>
<tr>
<td>Feb-14</td>
<td>Utility costs</td>
<td>$ 525.19</td>
<td></td>
</tr>
<tr>
<td>Apr-14</td>
<td>Utility costs</td>
<td>$ 580.45</td>
<td></td>
</tr>
<tr>
<td>Jun-14</td>
<td>Utility costs</td>
<td>$ 654.06</td>
<td></td>
</tr>
</tbody>
</table>
| Total     |           | $ 3,431.00 | <page 4>

Note: All amounts reported in the ICAP/ICRP and supporting schedules must be supported by approved budget documentation and/or audited financial statements.