

Chapter 10 **Consultant Selection**

OFFICE BULLETIN #21-06

10.1.3 Consultant Audit and Review Process

[NEW SUBSECTION]

Safe Harbor Rate

Developing ICRs annually can place a significant burden on some small or new and emerging A&E consulting firms that lack financial sophistication to develop an ICR, as well as on other established A&E consulting firms that may not have previous experience with federally funded contracts for which an ICR would have been developed in compliance with Federal Cost Principles 48 CFR Part 31. This may create a barrier for otherwise eligible and qualified firms to compete for federally funded contracts.

To help alleviate and remove potential barriers, the Division of Local Assistance (DLA) has adopted Caltrans Division of Procurement and Contract's (DPAC) Safe Harbor Rate (SHR) process and rates. The SHR information and rates can be found at the following DLA A&E website:

<https://dot.ca.gov/programs/local-assistance/guidance-and-oversight/consultant-selection-procurement>.

Eligible A&E consultant firms can choose to use the DLA SHR rate on new A&E contracts using federal-aid highway funds executed by local agencies in the State of California.

Use and application of the SHR by eligible firms provides reasonable assurance of consultant compliance with the federal cost principles per 23 CFR Part 172.11(c)(2). A&E consulting firms approved to use the established SHR will have their accounting system evaluated for capabilities of accumulating and tracking direct labor for applying the SHR, as well as for billing other direct costs by contract, segregating indirect costs, etc.

Use of the SHR is voluntary on behalf of the A&E consulting firm and local agencies. Local agencies have the discretion to determine certification of eligibility based on requirements shown on the following SHR certification form: [Consultant Firm Certification of Eligibility and Certification of Financial Management System](#).

A&E consultant firms (prime and/or sub consultants) that have not had an ICR previously accepted by a cognizant agency may elect and request to use the SHR in a contract by submitting the completed SHR certification form, [Consultant Firm Certification of Eligibility and Certification of Financial Management System](#), including the Questionnaire for Evaluating Consultant Firm's Financial Management System section, and any other documents as needed. This requirement is in addition to the A&E Consultant Audit and Review Process requirements described in this chapter.

It is the local agency's responsibility to:

- Collect and screen all requests to use the safe harbor indirect cost rate. See SHR certification form, [Consultant Firm Certification of Eligibility and Certification of Financial Management System](#), including the Questionnaire for Evaluating Consultant Firm's Financial Management System section.
- Submit all SHR documents to the Independent Office of Audits & Investigations (IOAI) as part of the A&E Consultant Financial Document Review Request (Exhibit 10-A) package. The IOAI email address is: Conformance.Review@dot.ca.gov.

Requests to use the safe harbor indirect cost rate must be accepted/approved by IOAI **before** contracts are executed.