

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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*Serious drought.
Help save water!*

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,

A handwritten signature in black ink that reads "Zilan Chen".

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

Enclosures

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

Attachment A

Indirect Cost Allocation Plan/Indirect Cost Rate Proposal Submission Processes and Documentation of Proposal

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 Minimis 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.

Attachment A

Indirect Cost Allocation Plan/Indirect Cost Rate Proposal Submission Processes and Documentation of Proposal

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.

Attachment A

Indirect Cost Allocation Plan/Indirect Cost Rate Proposal Submission Processes and Documentation of Proposal

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.

Attachment A

Indirect Cost Allocation Plan/Indirect Cost Rate Proposal Submission Processes and Documentation of Proposal

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.

Attachment A
Indirect Cost Allocation Plan/Indirect Cost Rate Proposal
Submission Processes and Documentation of Proposal

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”)

Attachment A

Indirect Cost Allocation Plan/Indirect Cost Rate Proposal Submission Processes and Documentation of Proposal

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.

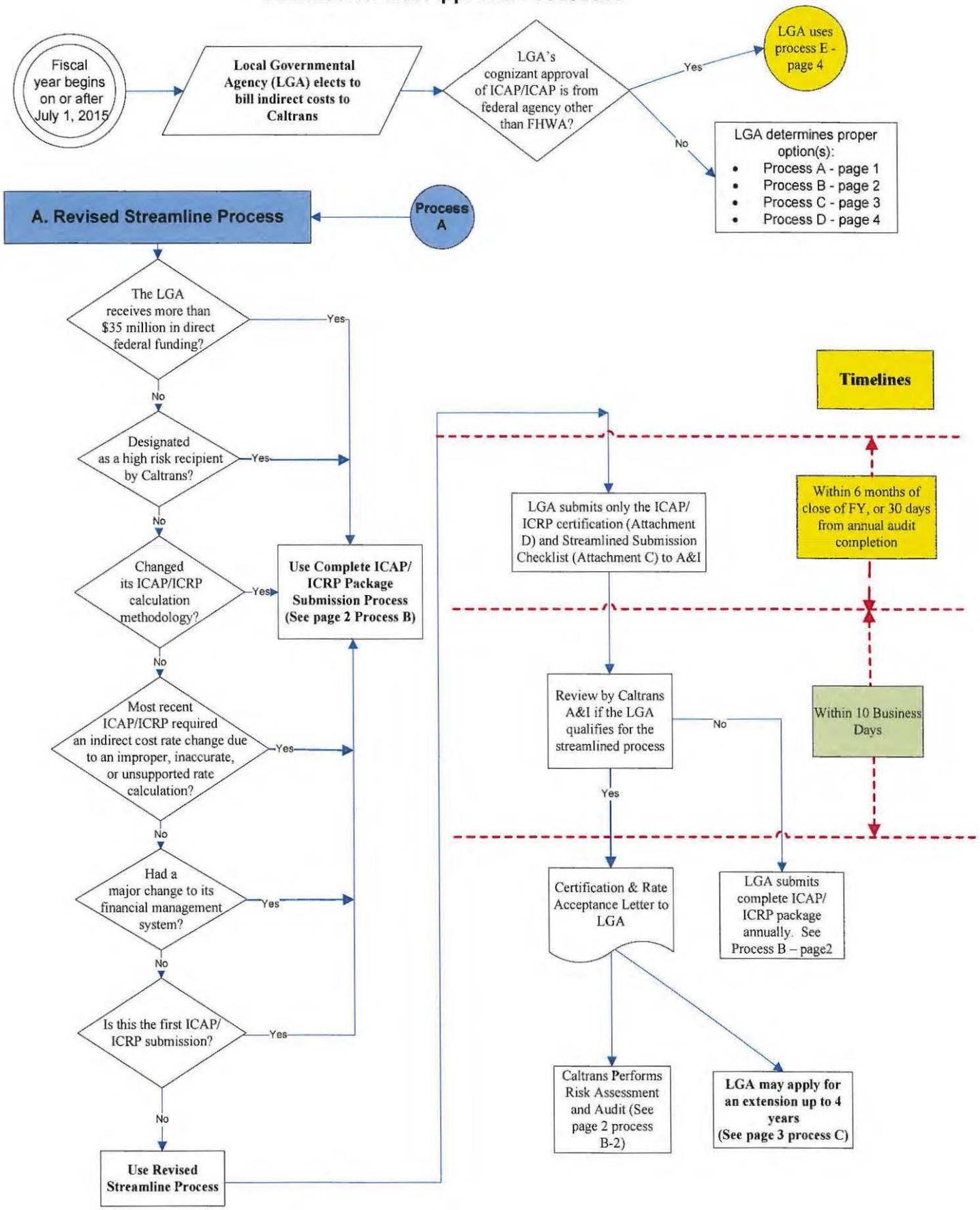
All Central Service Allocation Plan should include supporting documentation in accordance with 2 CFR Part 200, Appendix V, Section E. See ASMB C-10 (Assistant Secretary Management and Budget Cost Principles and Agreements with the Federal Government), issued by the Department of Health and Human Services)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

Attachment B – Page 1 ICAP/ICRP Submission and Approval Processes



Fiscal year begins on or after July 1, 2015

Local Governmental Agency (LGA) elects to bill indirect costs to Caltrans

LGA's cognizant approval of ICAP/ICRP is from federal agency other than FHWA?

LGA uses process E - page 4

- LGA determines proper option(s):
- Process A - page 1
 - Process B - page 2
 - Process C - page 3
 - Process D - page 4

A. Revised Streamline Process

Process A

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

Designated as a high risk recipient by Caltrans?

Changed its ICAP/ICRP calculation methodology?

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

Had a major change to its financial management system?

Is this the first ICAP/ICRP submission?

Use Revised Streamline Process

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

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

No

Yes

Certification & Rate Acceptance Letter to LGA

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

LGA may apply for an extension up to 4 years (See page 3 process C)

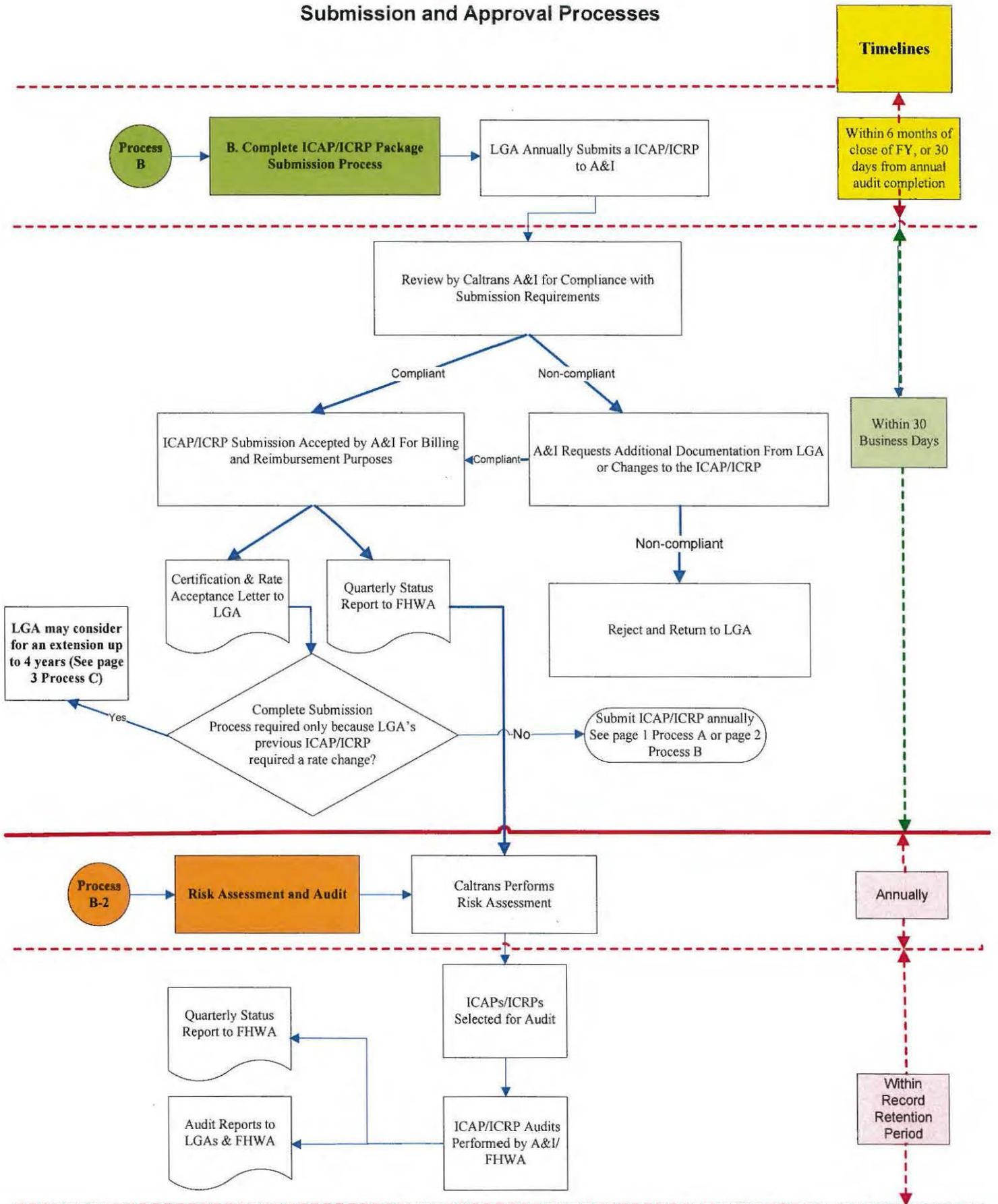
LGA submits complete ICAP/ICRP package annually. See Process B - page 2

Timelines

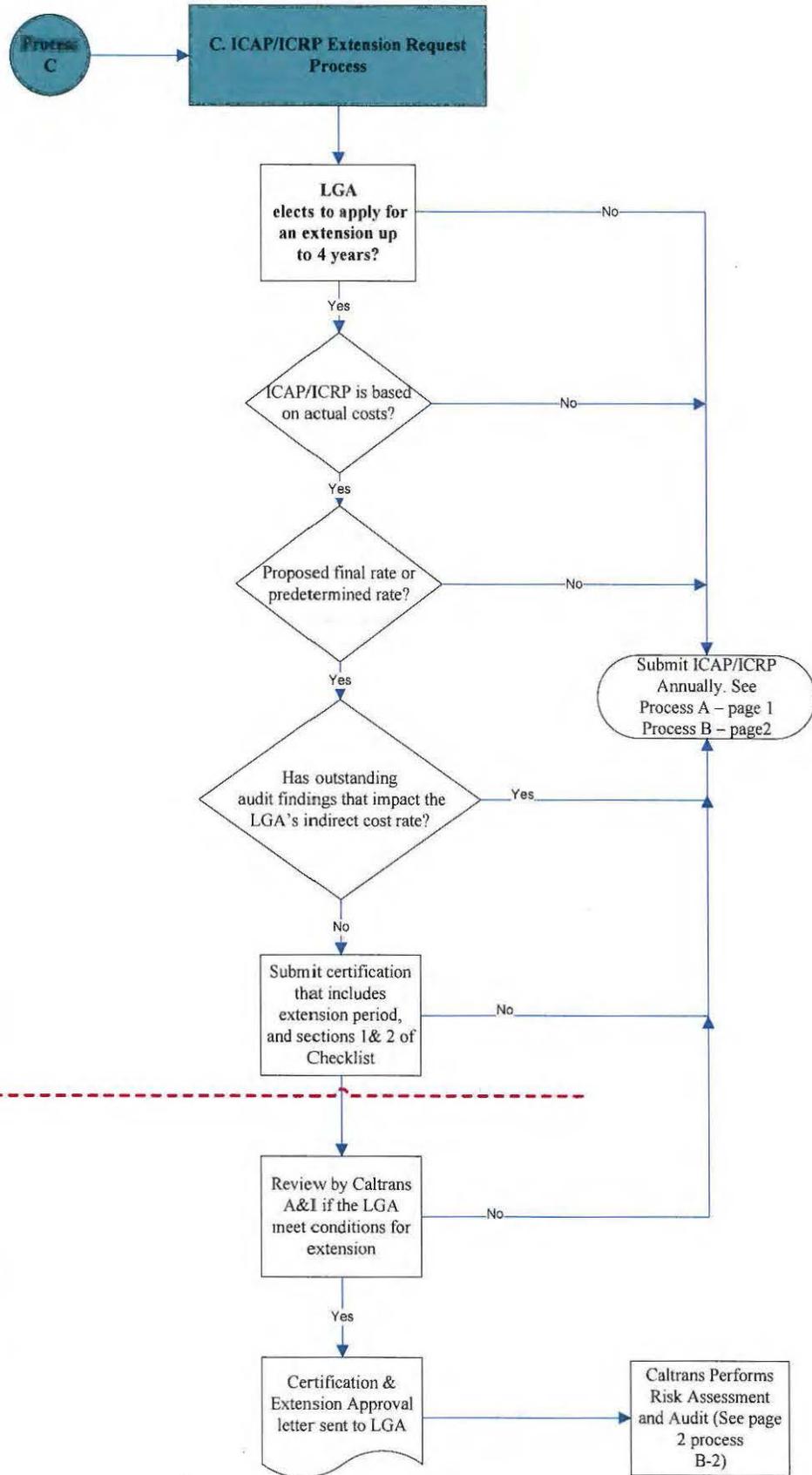
Within 6 months of close of FY, or 30 days from annual audit completion

Within 10 Business Days

Attachment B – Page 2 ICAP/ICRP Submission and Approval Processes

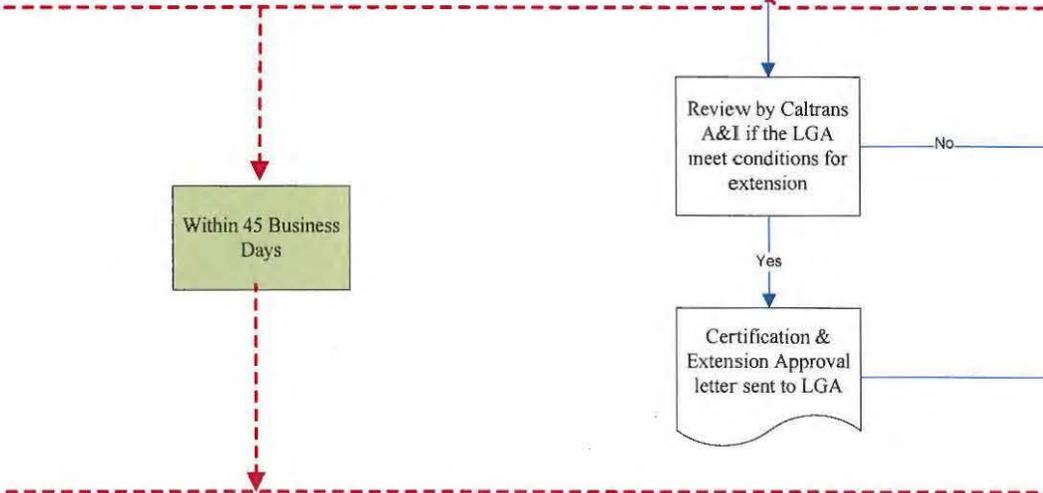


**Attachment B – Page 3
ICAP/ICRP
Submission and Approval Processes**

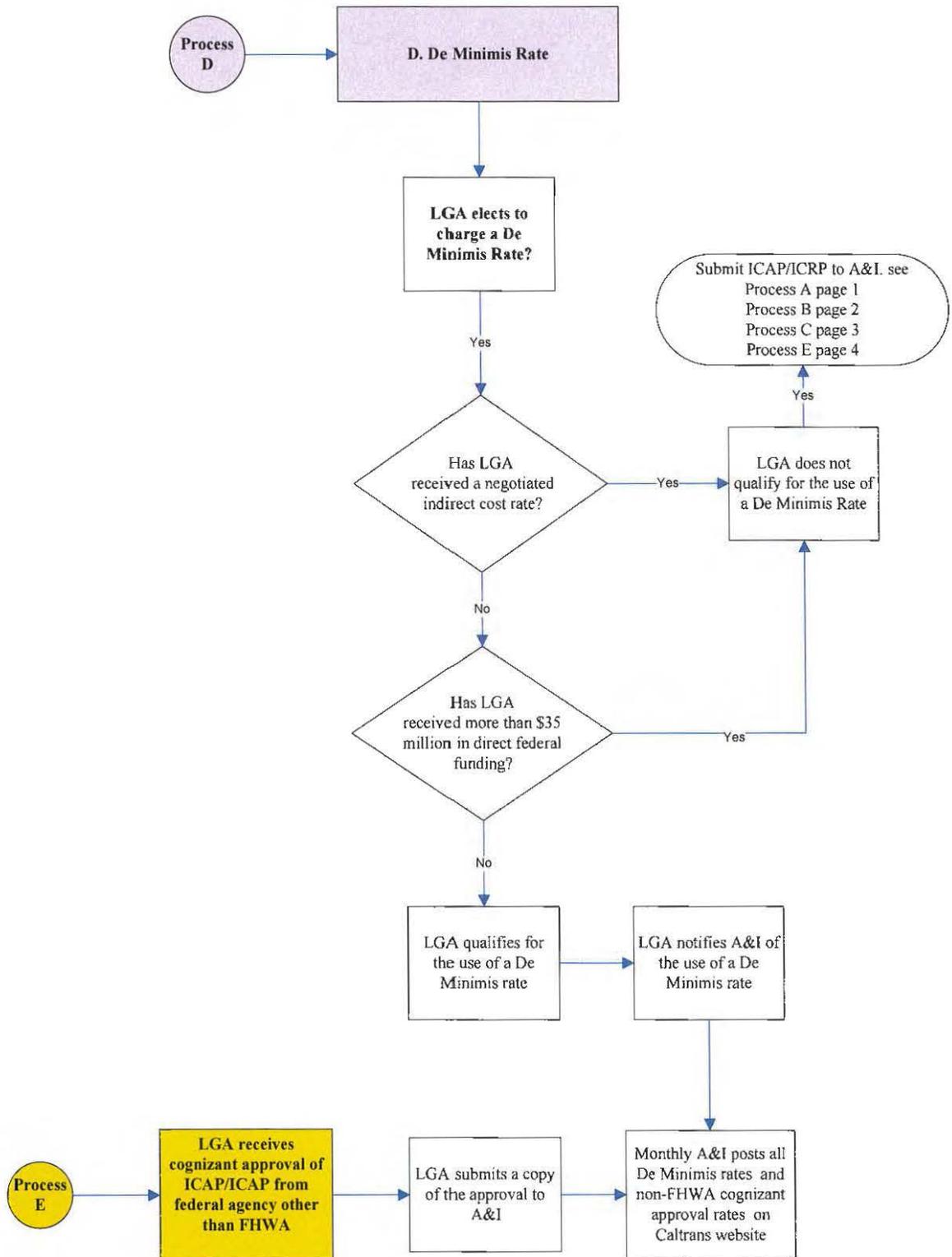


Timelines

Within 45 Business Days



**Attachment B – Page 4
ICAP/ICRP
Submission and Approval Processes**



Attachment C LGA ICAP/ICRP CHECKLIST

Name of Agency _____ Date Completed _____
 Name of Preparer _____ Current ICAP/ICRP Period _____

- 1. ICAP/ICRP STREAMLINED SUBMISSION Checklist:**
- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|--------------------------|--------------------------|--------------------------|
| • Has the LGA received more than \$35 million in direct federal funding? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Is the LGA currently designated as a High Risk Recipient by Caltrans? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the LGA changed its ICAP/ICRP calculation methodology since the last acceptance of LGA's ICAP/ICRP? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the LGA's most recent ICAP/ICRP required an indirect cost rate change due to an improper, inaccurate, or unsupported rate calculation? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • 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? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Is this the first ICAP/ICRP submission by the LGA? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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 Predetermined Rate and Extension Checklist:

Request Predetermined 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)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Will there be any substantial change to the LGA's organizational structure and program for the period of the predetermined rate? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Have you included a summary schedule showing the accepted ICAP/ICRP rates for the last five consecutive submission years? (If rates were audited, the audited rates should be included) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Attachment C LGA ICAP/ICRP CHECKLIST

- Have you included a schedule of recalculated rates based on actual costs if last five submissions accepted/audited by A&I were fixed rates?

- Proposed predetermined rate based on the lower of either:
The lowest of the last five year's accepted/audited fixed rates reduced by fifteen percent of the rate, **or**
the lowest of the last five year's actual rates reduced by fifteen percent of the rate?

- For Metropolitan Planning Organizations and Regional Transportation Planning Agencies, the current year's approved Budget is provided?

- If the LGA used a fixed rate for prior 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 is provided? (Include the carry-forward calculation worksheet.)

- Prepared a schedule to resolve the carry-forward for the last two approved fixed rate year(s) by providing one of the following?
 - Evidence that Caltrans was reimbursed for projects over-billed, or evidence that an invoice was adjusted to compensate Caltrans for the over-billing, or

 - Dividing the over-recovery amount by the number of years in the proposed predetermined period and reduce the total indirect costs used in the proposed predetermined rate by this amount.

Request Extended Rate(s) for the fiscal year(s) of _____

- Has the LGA changed its ICAP/ICRP calculation methodology?

- Has the LGA had a major change to its financial management system (i.e. change in processes, or in accounting software) since the approval of a predetermined rate(s)?

- Will there be any substantial change on the LGA's organizational

Attachment C LGA ICAP/ICRP CHECKLIST

structure and program for the period of the extension?

3. Complete ICAP/ICRP Package Submission Checklist

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| <p>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?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> • Are subsidiary worksheets included that show the following: <p style="margin-left: 20px;">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?</p> <p style="margin-left: 20px;">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?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> • 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.) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> • 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. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> • Are fringe benefit rate computations included in the Plan? If not, please explain why. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> • 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. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> • Is a chart identifying the organizational structure of the agency | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Attachment C LGA ICAP/ICRP CHECKLIST

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)

- 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:

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|--------------------------|--------------------------|--------------------------|
| • Is the Certificate of the Cost Allocation Plan dated and signed by an appropriate official? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • 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.) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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:
\$ _____.
- 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?

Attachment C LGA ICAP/ICRP CHECKLIST

- 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.)

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

| | |
|--|--|
| | |
| | |
| | |
| | |

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|--------------------------|--------------------------|--------------------------|
| • Are schedules and supporting documentation provided for each central service department indirect cost allocation included in the Plan? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are narratives provided for each central service department? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are rate-setting methodologies included for each central service department? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Attachment D

ICAP/ICRP SUBMISSION CERTIFICATION

[LOCAL AGENCY NAME]

Indirect Cost Rate

FY XXXX

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

| <u>Rate Type*</u> | <u>Effective Period</u> | <u>Rate*</u> | <u>Applicable to</u> |
|-----------------------------------|-------------------------|--------------|-----------------------|
| Fixed w/ carryforward or | 7/1/14 to 6/30/15 | xx.xx% | LIST APPLICABLE AREAS |
| Final w/o carryforward or** | 7/1/14 to 6/30/15 | xx.xx% | LIST APPLICABLE AREAS |
| Predetermined w/o carryforward** | 7/1/14 to 6/30/xx | xx.xx% | LIST APPLICABLE AREAS |
| Fringe Benefit (if applicable)*** | 7/1/14 to 6/30/15 | xx.xx% | LIST APPLICABLE AREAS |

* 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.

Attachment D

H. Rate Calculation for Fixed Rate with Carryforward (Example):

| | |
|--|----------------|
| FY 2015 Budgeted/Estimated Indirect Costs | \$x,xxx,xxx |
| Carry Forward from FY 2013 | <u>\$x,xxx</u> |
| 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 during the predetermined (or extension) period, there will be no changes to the ICAP/ICRP calculation methodology used, no changes to our financial management system (i.e. change in processes, or in accounting software), and no substantial changes to our organizational structure and program(s).
- (4) 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).
- (5) 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.

Attachment D

- (6) 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 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.

Attachment D

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: _____

ATTACHMENT E

SAMPLE ICAP/ICRP SCHEDULES

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:

| | | | |
|--|----|---------------|---|
| FY 15/16 Budgeted/Estimated Indirect Costs | \$ | 235,630 | <See indirect cost calculation detail page 3> |
| Carry Forward From FY 2013-14 | \$ | <u>26,874</u> | <Carryforward Calculation page 2> |
| Adjusted Indirect Costs for FY 2015/16 | \$ | 262,504 | |
| FY 2015/16 Budgeted/Estimated Direct Salaries and Wages plus Fringe Benefits | \$ | 352,444 | <See indirect cost calculation detail page 3> |
| FY 2015/16 Indirect Cost Rate | | 74.48% | |

FOR EXAMPLE PURPOSES ONLY

ATTACHMENT E

SAMPLE ICAP/ICRP SCHEDULES

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

| | Actual FY 13/14 | Reference | ACTUAL FY 14/15 | Estimated FY 15/16 | Reference |
|---|--------------------|---|--------------------|-----------------------|---|
| Approved ICAP Rate | 60.25% | <i>FY 13/14 approved rate</i> | | | |
| Beginning Carryforward (FY 11/12) | \$ 15,346 | <i>FY 13/14 approved ICAP/ICRP</i> | | \$ 26,874 | <i>FY 13/14 carryforward **</i> |
| Actual Indirect Costs | 181,654 | <i><Actual cost detail from page 4></i> | | 235,630 | <i><from ICAP/ICRP rate detail page 3></i> |
| Total Indirect Costs | <u>\$ 197,000</u> | | <u>\$ -</u> | <u>\$ 262,504</u> | |
| Actual Direct Salaries & Fringe Benefits | \$ 282,366 | <i><Actual cost detail from page 4></i> | | \$ 352,444 | <i><from ICAP/ICRP rate detail page 3></i> |
| Approved Rate | 60.25% | <i>FY 13/14 approved rate</i> | | | |
| Recovered Indirect Costs (approved rate x actual base) | \$ 170,126 | | | | |
| Ending Carryforward (total Indirect costs - Recovered Indirect Costs) | \$ 26,874 | <i>To FY 15/16 rate calculation <To page 1></i> | | | 74.48% FY 15/16 Calculated Rate (Total Indirect costs / Actual Direct Salaries & Fringe Benefits) |

* 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

ATTACHMENT E

SAMPLE ICAP/ICRP SCHEDULES

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.)

| Item | Direct Expense | Reference: | Indirect Expense | Reference: | Unallowable Expense | Reference/ Foot Note | TOTAL | Reference: |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|-------------------------|--------------------------|--|
| Salaries | \$ 240,000 | | \$ 114,000 | | \$ 6,000 | See *** below | \$ 360,000 | |
| Fringe Benefits (46.8517 %) | 112,444 | | 53,411 | | 2,811 | | 168,666 | |
| Total | \$ 352,444 | <To page 1> | \$ 167,411 | | \$ 8,811 | | \$ 528,666 | <Financial document at page/s > |
| Direct costs | | | | | | | | |
| Rent | | | \$ 20,000 | | | | \$ 20,000 | |
| Utilities | | | 5,000 | | | | 5,000 | |
| Telephone | | | 3,800 | | \$ 200 | | 4,000 | |
| Advertising/Pub. | \$ 100,000 | | 3,000 | | | | 103,000 | |
| Office Supplies | | | 7,500 | | | | 7,500 | |
| Computer Supplies | | | 2,000 | | | | 2,000 | |
| Travel | | | 3,419 | | 581 | | 4,000 | |
| Consultants | 200,000 | | 11,500 | | | | 211,500 | |
| Insurance | 50,000 | | 4,000 | | | | 54,000 | |
| Conference/training | | | 6,000 | | | | 6,000 | |
| Miscellaneous | | | 2,000 | | 500 | | 2,500 | |
| Subtotals | <u>\$ 350,000</u> | | <u>68,219</u> | | <u>\$ 1,281</u> | | <u>\$ 419,500</u> | |
| TOTAL COSTS | <u>\$ 702,444</u> | | <u>\$ 235,630</u> | <To page 1> | <u>\$ 10,092</u> | | <u>\$ 948,166</u> | |

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.

ATTACHMENT E

SAMPLE ICAP/ICRP SCHEDULES

FY 13/14 ACTUAL COSTS DETAILED FOR FY 15/16 CARRYFORWARD CALCULATION <See Note 1 Below>

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

| | Direct Expense | Reference | Indirect Expense | Reference | Unallowable Expense | Reference/ Foot Note | TOTAL | Reference: |
|-----------------------------|-------------------|-----------|---------------------|-----------|------------------------|-------------------------|------------------|--|
| Salaries | \$ 195,936 | | \$ 70,300 | | \$ 4,000 | See *** below | \$270,236 | <Audited Financial document at page/s _____> |
| Fringe Benefits (44.1111 %) | 86,430 | | 31,010 | | 1,764 | | 119,204 | |
| Total | \$ 282,366 | | \$ 101,310 | | \$ 5,764 | | \$389,440 | |
| | <To page 2> | | | | | | | |
| Indirect Costs | | | | | | | | |
| Rent | | | \$ 35,885 | | | | \$ 35,885 | <page 5> |
| Utilities | | | 3,431 | | | | 3,431 | <page 5> |
| Telephone | | | 2,830 | | \$ 200 | | 3,030 | |
| Advertising/Pub. | \$ 75,000 | | 3,464 | | | | 78,464 | |
| Office Supplies | | | 8,811 | | | | 8,811 | |
| Computer Supplies | 5000 | | 217 | | | | 5,217 | |
| Travel | | | 5,993 | | 581 | | 6,574 | |
| Contracts | 3000 | | 11,363 | | | | 14,363 | |
| Insurance | | | 1,449 | | | | 1,449 | |
| Conference/training | 1000 | | 5,946 | | 1400 | | 8,346 | |
| | | | 955 | | | | 955 | |
| Subtotals | \$ 84,000 | | \$ 80,344 | | \$ 2,181 | | \$166,525 | |
| TOTAL COSTS | \$ 366,366 | | \$ 181,654 | | \$ 7,945 | | \$555,965 | |
| | | | <To page 2> | | | | | |

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.)

FOR EXAMPLE PURPOSES ONLY

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

Account # XXXXXXXX
Account Rent

| Date | Description | Amount |
|--------|----------------|-------------------------------------|
| Jul-13 | July Rent | \$ 2,987.92 |
| Aug-13 | August Rent | \$ 2,987.92 |
| Sep-13 | September Rent | \$ 2,987.92 |
| Oct-13 | October Rent | \$ 2,987.92 |
| Nov-13 | Nov. Rent | \$ 2,987.92 |
| Dec-13 | December Rent | \$ 2,987.92 |
| Jan-14 | Jan. Rent | \$ 2,987.92 |
| Feb-14 | February Rent | \$ 2,987.92 |
| Mar-14 | March Rent | \$ 2,987.92 |
| Apr-14 | April | \$ 2,987.92 |
| May-14 | May Rent | \$ 2,987.92 |
| Jun-14 | June Rent | \$ 2,987.92 |
| | Total | <u><u>\$ 35,855.00</u></u> <page 4> |

Account # XXXXXXXX
Account Utilities

| Date | Description | Amount |
|--------|---------------|------------------------------------|
| Aug-13 | Utility costs | \$ 625.20 |
| Oct-13 | Utility costs | \$ 530.20 |
| Dec-13 | Utility costs | \$ 515.90 |
| Feb-14 | Utility costs | \$ 525.19 |
| Apr-14 | Utility costs | \$ 580.45 |
| Jun-14 | Utility costs | \$ 654.06 |
| | Total | <u><u>\$ 3,431.00</u></u> <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.

FOR EXAMPLE PURPOSES ONLY

Supplementary Guidance

ICAP/ICRP Extension Request Process

In addition to the guidance outlined in Attachment A, Subsection C, of the new Indirect Cost Allocation Plan/Indirect Cost Rate Proposal (ICAP/ICRP) process issued on February 4, 2015, Local Government Agencies (LGAs) that wish to apply for an extension must first submit and negotiate a predetermined rate(s) with the California Department of Transportation (Caltrans) Audits & Investigations (A&I). Extension requests can be made prior to the predetermined rate period expiration for an additional one to four years. Predetermined rates will only be allowed for LGAs requesting an extension.

Establishing a Predetermined Rate

A predetermined rate(s) is based on an estimate of the costs to be incurred during a current or future period. A&I will not negotiate a predetermined rate(s) with an LGA that has not previously submitted an ICAP/ICRP to A&I. The negotiation of a predetermined rate(s) for indirect costs for a period of two to four years will be considered where the cost experience and other pertinent facts available are deemed sufficient to enable A&I and the LGA involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

LGAs should provide the following information which will be used to determine if the LGA qualifies for a predetermined rate and for negotiating a predetermined rate(s):

- Summary schedule showing the following:
 - The accepted ICAP/ICRP rates for the last five consecutive submission years. If rates were audited, the audited rates should be included **and**
 - Recalculated rates based on actual costs if last five submissions accepted/audited by A&I were fixed rates.
- Proposed predetermined rate based on the lowest of:
 - The lowest of the last five year's accepted/audited fixed rates reduced by fifteen percent of the rate, **or**
 - The lowest of the last five year's actual rates reduced by fifteen percent of the rate.
- The period of the proposed predetermined rate(s) to be used.
- Metropolitan Planning Organizations and Regional Transportation Planning Agencies should submit the current year's approved budget.
- *A signed certification* (Attachment D) stating the LGA's ICAP/ICRP calculation methodology and its financial management system (i.e. change in processes, or in accounting software) will remain unchanged, and that the LGA's organizational structure and program will not substantially change for the period of the predetermined rate, and a completed Checklist that includes Sections 1 & 2 of Attachment C.

Supplementary Guidance

ICAP/ICRP Extension Request Process

LGAs with a fixed rate(s) with carry-forward agreement(s) for previous year(s) that are requesting a predetermined rate(s), must resolve any over-recovery from the last two approved fixed rate year(s) using one of the following options:

1. Provide evidence that Caltrans was reimbursed for projects over-billed, or provide evidence that an invoice was adjusted to compensate Caltrans for the over-billing.
2. Divide the over-recovery amount by the number of years in the proposed predetermined period and reduce the total indirect costs used in the proposed predetermined rate by this amount.

Within 45 business days of receipt of request, A&I will either negotiate or reject the LGAs proposed predetermined rate(s):

- Sign and return the ICAP/ICRP certification with an Approval Letter, or
- Notify the LGA that the proposed predetermined rate was not accepted and the LGA may resubmit an ICAP/ICRP annually in accordance with the ICAP/ICRP submission process.

Requesting a One-Time Extension

Once a Predetermined Rate(s) is negotiated with A&I and prior to the predetermined rate period expiration, LGAs may submit a one-time request to extend their predetermine rate(s) for a period of one to four years unless the LGA has the following conditions:

- 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, or in accounting software).
- The LGA's organizational structure and program will substantially change for the period of the extension.

LGAs should provide a *signed certification* (Attachment D) indicating the proposed extension period and a completed Checklist that includes Sections 1 & 2 of Attachment C.

Within 20 business days of receipt, A&I will review the extension request and the Extension Checklist to determine whether the extension will be granted to the LGA and notify the LGA if the extension request is approved or rejected.

- If the extension is granted to the LGA, A&I will sign and return the ICAP/ICRP certification with an Acceptance Letter.
- If the extension is not granted to the LGA, A&I will notify the LGA that the LGA must continue to follow the ICAP/ICRP submission process annually.

Once the extension is granted, the LGA may not request a rate review until the extension period ends.

Supplementary Guidance

ICAP/ICRP Extension Request Process

Requesting a Rate after the Extension Period is Over

After the extension period is over, LGAs can seek reimbursement of indirect costs by choosing one of the options detailed in Attachment A. If the LGA requests a predetermined rate, it will be based on either the LGA's ICAP/ICRP for the current year or the current year plus the last two to four consecutive years. A&I will determine the number of consecutive years required based on the LGA's history and overall risk. LGAs should propose a predetermined rate based on the same criteria outlined under the section above titled, "Establishing a Predetermined Rate".