

DIVISION OF LOCAL ASSISTANCE
Office of Guidance and Oversight

Daniel Burke
Program Reviews & Outreach Branch (PRO)
daniel.burke@dot.ca.gov

Local Assistance Website: <https://dot.ca.gov/programs/local-assistance>

Local Assistance Training: <https://dot.ca.gov/programs/local-assistance/training>



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2021-22 Indirect Cost Allocation Plan (ICAP) Stats

- The Independent Office of Audits and Investigations (IOAI) has issued acceptance letters for 106 submitted ICAPs
 - This includes 298 rates over various fiscal years
 - Fixed indirect cost rate with carry-forward was the most common
- Four open ICAP reviews; all were submitted in May 2022
- IOAI's typical review period was 30 to 60 days



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2021-22 ICAP Audit Stats

- IOAI has issued three (3) final audit reports for ICAP audits conducted by the California Department of Finance
- Five (5) ICAP audits are in progress



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Common Deficiencies with ICAPs

- Over a six-year history, ICAPs have the following common audit deficiencies
 - [Common audit deficiencies](#)



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Direct & Indirect Costs

- Direct Cost: Identified with a particular final cost objective, such as a federal award ([2 CFR 200.413](#))
 - Includes salary, benefits, materials, equipment, etc. used on a project
- Indirect Cost: Incurred for common or joint purposes that may benefit more than one cost objective ([2 CFR Appendix VII](#))
 - Facilities: E.g. Lease, utilities, etc.
 - Administration: E.g. Agency Directorate, Accounting, HR, etc.

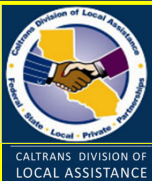


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What is Carry-Forward?

- Fixed with carry-forward ICRP basis: Negotiated and approved ICAP for a future fiscal year ([Appendix V to 2 CFR 200](#))
 - E.g. After July 2022, your agency will **estimate** (not actual) their indirect cost rate for fiscal year (FY) 2022-23
 - Only applied on a fixed with carry-forward ICAP basis
- Actual costs must be reconciled at end of estimated FY
 - Results of actual “carry-forward” amount used in two fiscal years
 - Methodology can be higher risk of error



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Common Carry-Forward Deficiencies

- Not including carry-forward in future ICAP submittals
 - Not subtracting estimated costs in 2021-22 ICAP submission from actual costs incurred in 2021-22:

2021-22 Actual Costs (calculated after July 2022)

Less, 2021-22 Estimated Costs in Accepted ICAP

Carry-Forward in 2023-24 ICAP Submission

- Misclassified direct and/or indirect costs impacting carry-forward calculation



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Example of Carry-Forward

2019-20			
Description	Proposed Amounts	Adjustments	Final Amounts
Direct Costs			
Salaries and Wages	1,084,315	-	1,084,315
Fringe Benefits**	354,395	-	354,395
Total Direct Salaries and Wages plus Fringe Benefits	1,438,710	-	1,438,710
Indirect Costs Pools			
Salaries and Wages	1,707,520	-	1,707,520
Fringe Benefits	252,449	-	252,449
Legal - Agency Support	25,000	-	25,000
Auto/Travel	2,000	-	2,000
Training/Memberships	30,000	-	30,000
Auditing/Accounting	100,000	-	100,000
Risk Management	30,000	-	30,000
Insurance	131,000	-	131,000
Equipment Expense	100,360	-	100,360
Office Expense	266,000	-	266,000
Office Operations	48,500	-	48,500
Other	50,000	-	50,000
Amortization of CalPERS Prerefund	87,441	-	87,441
Total Indirect Costs Pools	\$ 2,630,909	-	\$ 2,630,909
Carry Forward (2017-19)	\$ (38,711)	-	\$ (38,711)
Adjustments to Indirect Costs	-	-	-
Total Carry Forward Adjustment	(38,711)	-	(38,711)
Budgeted Indirect Costs	\$ 2,630,909	\$ -	\$ 2,630,909
Total Indirect Costs**	\$ 2,792,189	-	\$ 2,792,189
Total Direct Salaries and Wages plus Fringe Benefits	1,438,710	-	1,438,710
Indirect Cost Rate**	194.1%	0.0%	194.1%
Fringe Benefit Rate***	32.68%	0.00%	32.68%

** Total Indirect Costs is the sum of Total Carry Forward Adjustments and Budgeted Indirect Costs
 *** Fringe Benefit Rate is the quotient of Direct Fringe Benefits divided by Direct Salaries and Wages



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Summary

- Develop procedures for calculating ICAP as stated in [Common Audit Deficiencies matrix](#)
 - Include procedures within [2 CFR 200](#), especially [Subpart E](#) where specific allowable costs are defined
 - Include dates and application of reconciliation procedures if “fixed with carry-forward” ICAP methodology is used
- Ensure agency staff can access and are trained on procedures



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