



## Indirect Cost

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District Local Assistance Engineer

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### OVERVIEW

- What is Indirect Cost?
- What is the approval process?
- Where can I include the indirect cost?
- Why do an audit?
- Technical assistance

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### WHAT IS INDIRECT COST?

- (According to 2 CFR Part 225)  
“Indirect cost are those that have been incurred for common or joint purposes and cannot be readily identified with a particular final cost objective...”

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### TYPES OF INDIRECT COST

- Salaries & Fringe Benefits
- Equipment Rental
- Utilities
- Office Supplies
- IT Services
- Telephone
- Training & Travel
- Building Maintenance
- Membership
- Administrative Staff
- Reprographic Services
- Professional Services

2 CFR, Part 225  
 > Appendix A - E  
[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr225\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr225_main_02.tpl)

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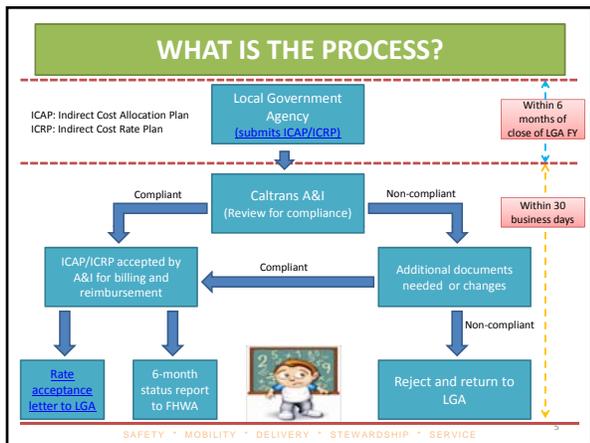
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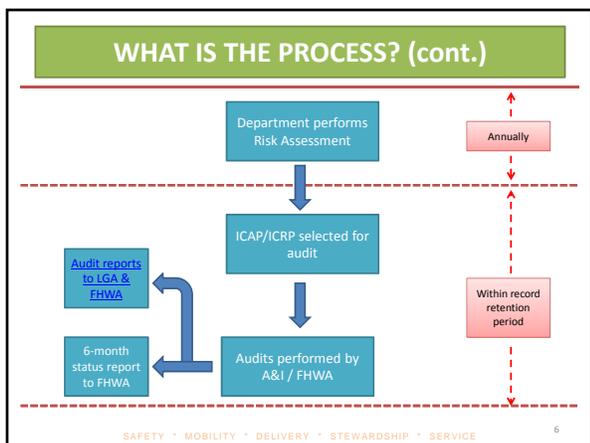
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**WHERE CAN I INCLUDE THE INDIRECT COST?**

- Federal-Aid transportation projects
- STIP projects
- State funded projects

Indirect Cost **cannot** be included in the following:

- Completed project with FROE (not eligible for retroactive reimbursement)
- Environmental Enhancement Mitigation program (EEM)
- Freeway Service Patrol (pursuant to S&H Code section 2564)

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**WHERE IS IT ON THE INVOICE?**

|   | Preliminary Engineering | Total        |
|---|-------------------------|--------------|
| Federal Appropriations Code                   | LJCE                    |              |
| Federal Authorization Date                    | 3/22/12                 |              |
| Participating Costs Item                      | 93612                   |              |
| To  | 93613                   |              |
| Total Indirect Costs to Date                  | \$ 228.57               | \$ 228.57    |
| Total Direct Costs to Date                    | \$ 89,710.47            | \$ 89,710.47 |
| Less: Non-participating Costs                 | (18,293.80)             | (18,293.80)  |
| Total Federal Participating Costs to Date     | \$ 51,416.67            | \$ 51,416.67 |
| Less: Participating Costs on previous invoice | (48,556.86)             | (48,556.86)  |
| Change in Participating Costs                 | \$ 2,859.81             | \$ 2,859.81  |
| Reimbursement Rate                            | 88.53%                  |              |
| Amount of this claim                          | \$ 2,486.25             |              |
| <b>TOTAL INVOICE AMOUNT</b>                   | <b>\$ 2,486.25</b>      |              |

**INDIRECT COST CALCULATION**

| Preliminary Engineering Indirect Costs:                         | FY 2011-2012     |
|---|------------------|
| Direct Cost Base Expense  | \$ 521.60        |
| Approved indirect cost rate (Transportation)                    | 43.82%           |
| Total   | \$ 228.57        |
| <b>Total Indirect Costs to Date for Preliminary Engineering</b> | <b>\$ 228.57</b> |

From Rate Acceptance Letter

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**WHY DO AN AUDIT?**

- Determine if the ICRP is in compliance with 2 CFR Part 225.
- Determine if the ICRP is in compliance with the requirements of the Department of Local Program Procedures Manual (LPP) 04-10.
- Determine if the Local Agency/ MPO/ RTPA's cost accounting is adequate to accumulate and segregate costs.

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