SAFE HARBOR
INDIRECT COST RATE
Discussion Topics

- What is Safe Harbor Indirect Cost Rate (SHR)
- Background
- SHR Objectives
- Federal Regulations
- Policies
- Eligibility Requirements
Discussion Topics – Cont.

- **Procedure Requirements**
  - A&E Prime and/or Subconsultants

- **Responsibilities**
  - Caltrans Audits and Investigations
  - Caltrans Division of Procurement and Contracts Office (DPAC)
  - Caltrans Division of Local Assistance (DLA) and their Subgrantees (Local Agencies)
  - Federal Highway Administration (FHWA)
What is Safe Harbor Indirect Cost Rate (SHR)?

- The SHR is a pre-set indirect cost rate
- Optional rate for eligible Architectural and Engineering Consulting (A&E) firms
- Assist them in competing for Federal-Aid Highway program funded contracts
Background

- Mid 1990s, FHWA implemented efforts to test and evaluate innovative ways for State DOT to get the most from Federal highway grants.

- The “Test and Evaluation Project TE-045” was to test and evaluate the use of a safe harbor indirect cost rate.

- The purpose is to evaluate the merit of the concept for consideration in future regulation, policy, and/or guidance.
SHR Objectives

- Removes financial management barriers
- Provides a framework to establish cost history
- Establishes the use of a pre-set indirect cost rate
- Can be used by new A&E firms
- No need to develop Federal Acquisition Regulations (FAR) compliant indirect cost rate during test period

California Department of Transportation, Audits and Investigations
Federal Regulation

- A&E contracts with federal aid highway funds are required by Federal Acquisition Regulation (FAR) to comply with:
  - 49 Code of Federal Regulations (CFR), Part 18 Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
  - 48 CFR, Part 31, Contract cost Principles and Procedures

Indirect cost rate is set at 110%

Not adjustable for the contract term

No retroactive adjustment to indirect costs will be allowed for past contracts utilizing SHR

SHR is permitted for Home office rate only, not for Field office rate
Eligibility Requirements

- Prime or subconsultant
- No history that required an Indirect Cost Rate (ICR) developed in compliance with 48 CFR, Part 31
- No Cognizant Agency approved ICR
- No audited or accepted ICR
- No cost history for development of an ICR
Eligibility Requirements Continued

- All firms are required to have an adequate project/cost accounting system that is capable to accumulate and segregate:
  - Direct labor costs
  - Other direct costs
  - Non-Billable (e.g. contract terms)
  - Unallowable costs (e.g. 48 CFR, Part 31)
Procedure Requirements

- A&E Firms (Prime and/or Sub-consultants) electing to use SHR in a contract are required to submit with their cost proposals a completed:
  - Consultant Certification of Contract Cost and Financial Management System and
  - SHR Questionnaire

Upon satisfactory review, Caltrans will issue an acceptance/approval.
Procedure Requirements Continued

DPAC Website: http://www.caltrans-opac.ca.gov/aeinfo.htm

DLA Website: http://www.dot.ca.gov/hq/LocalPrograms/DLA_OB/DLA_OB.htm

A&I Website for Certification and Questionnaire Forms
http://www.dot.ca.gov/hq/audits/

California Department of Transportation, Audits and Investigations
Responsibilities
Caltrans

- Allow eligible and qualified A&E firms to use and apply the SHR
- Conduct tests and evaluations
- Review Consultant’s Certification
- Review the Consultant’s SHR questionnaire
- Provide responses to FHWA on observations, experiences, and lessons learned
Responsibilities

FHWA

- FHWA Division Office is the primary point of contact for Caltrans
- Review and approve Caltrans oversight procedures
- Monitor Caltrans and their Subgrantees test and evaluation
- Ensures that Caltrans fulfills the expectations for reporting on experiences with the SHR
Questions?