

## **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.

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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.

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#### **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".