

STAFF REPORT



MEETING DATE: October 20, 2020
SUBJECT: Approve Fiscal Year (FY) 2020/21 Indirect Cost Allocation Plan
AGENDA ITEM: 5-8
STAFF CONTACT: Jessica Carlson, Chief Fiscal Officer

STAFF RECOMMENDATION:

It is recommended that the board of directors:

1. Authorize the chair and executive director to sign the Indirect Cost Allocation Plan (ICAP) Submission Certificate (attached); and
2. Authorize the executive director to make minor administrative corrections as needed in response to the Caltrans review and approval process.

DISCUSSION:

Indirect costs are those incurred for a common or joint purpose benefiting more than one project or work element in SRTA's overall work program. Examples include clerical support, human resources, accounting, payroll, financial audits, rent, utilities, supplies, and so forth.

SRTA may include indirect costs when seeking reimbursement for grants, contracts, and other agreements with the federal government and Caltrans, but only after an ICAP has been approved by the board of directors and Caltrans. The FY 2020/21 ICAP will be submitted to Caltrans upon approval by the board of directors. The new indirect cost rate is 95.23%, meaning that for every \$100 submitted for reimbursement, \$95.23 in reimbursement may be added for indirect costs. A historical table has been provided to illustrate that the new rate is within normal limits:

Fiscal Year	Approved ICAP Rate
2020/21	95.23% (pending approval)
2019/20	72.39%
2018/19	107.18%
2017/18	109.74%

ALTERNATIVES:

The board of directors may defer approval to the December meeting to request additional information. This would delay SRTA's ability to be reimbursed for indirect costs.

OTHER AGENCY INVOLVEMENT:

The ICAP must be approved by Caltrans before SRTA is eligible for indirect cost reimbursement.

FISCAL IMPACT:

The FY 2020/21 indirect cost rate of 95.23% is an increase of 22.84% over the prior year, meaning that SRTA may receive a greater reimbursement for indirect costs than last year. The anticipated building improvements are allowable as a depreciated expense in the current ICAP calculation, and have been applied to this new rate.

A handwritten signature in blue ink that reads "Dan Little".

Daniel S. Little, AICP, Executive Director

Attachment: FY 2020/21 ICAP Submission Certificate



FIXED WITH CARRYFORWARD ICAP/ICRP SUBMISSION CERTIFICATION

LOCAL GOVERNMENT AGENCY: Shasta Regional Transportation Agency (SRTA)

Indirect Cost Rate
FISCAL YEAR 2020-21

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 Shasta Regional Transportation Agency (SRTA) and accepted by the Independent Office of Audits and Investigations (IOAI).

Note: For entities with multiple tier rates, please include a worksheet with the information below as an attachment to this certification.

SECTION 1: Rates:

Rate Type	Effective Period	Rate	Applicable To	Identify Base
Fixed with Carryforward*	07/01/20-06/30/21	95.23%	SRTA	Direct salaries and wages, plus fringe benefits
Rate Type	Effective Period	Rate	Applicable To	Identify Base
Fringe Benefit (if applicable)*				

***A Fringe Benefit Rate is only required if you intend to use an additional rate, a separate fringe benefit rate.**

[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 2: 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 IOAI. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or the IOAI; (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) The rate(s) is based on an estimate of the costs to be incurred during the period.

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 CarryForward:

The fixed rate(s) used in this Agreement is based on an estimate 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

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 IOAI 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.

H. Rate Calculation for Fixed Rate with Carryforward:

Note: For entities with multiple tier rates, please include a worksheet with all your rate calculations as an attachment to this certification.

INDIRECT

FY <u>2020-21</u>	Budgeted/Estimated Indirect Costs	\$ <u>883,969</u>
	Carryforward from FY <u>2018-19</u>	\$ <u>121,547</u>
	Budgeted FY <u>2020 21</u> Indirect Costs	\$ <u>1,005,516</u>
FY <u>2020-21</u>	Budgeted Direct Salaries & Wages (or applicable base) _____	\$ <u>1,055,858</u>
FY <u>2020-21</u>	Indirect Cost Rate	<u>95.23</u> %

FRINGE BENEFIT

FY _____	Budgeted/Estimated Costs	\$ _____
	Carryforward from FY _____	\$ _____
	Budgeted FY _____ Costs	\$ _____
FY _____	Budgeted Direct Salaries & Wages (or applicable base) _____	\$ _____
FY _____	Fringe Benefit Rate	_____ %

CERTIFICATION OF INDIRECT COSTS

This is to certify that I, Daniel Little, have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- All costs included in the proposal to establish billing of an indirect cost rate(s) for fiscal year 2021 (July 1, 2020 to June 30, 2021) 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.
- 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 IOAI will be notified of any accounting changes that would affect the fixed, final, or predetermined rate(s).
- 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).
- 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).

- 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.
- 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.

I acknowledge as a representative of Shasta Regional Transportation Agency that the proper use and application of the indirect rate contained in this indirect cost rate proposal is the responsibility of the Shasta Regional Transportation Agency (SRTA) and such use may be subject to audit by the IOAI or Federal Highway Administration. Failure to cooperate with an audit can result in the withdrawal of IOAI acceptance and require immediate reimbursement of previously reimbursed indirect costs.

I declare that the foregoing is true and correct.

Government Unit: Shasta Regional Transportation Agency

Signature: _____
(Sign in blue ink only)

Reviewed, Approved, and Submitted by:

Name of Official: Leonard Moty

Title: Board Chair

Date of Execution: _____

Email: _____

Signature: _____
(Sign in blue ink only)

Prepared By:

Name of Official: Daniel Little

Title: Executive Director

Telephone No.: 530-262-6190

Email: _____

INDIRECT COST RATE(S) SUBMISSION ACCEPTANCE

The IOAI has received this ICAP/ICRP and accepts the plan for billing and reimbursement purposes.

Signature

Date: _____

Accepted by:
MARSUE MORRILL, CPA
Chief
Planning and Modal Office
Independent Office of Audits and Investigations
(916) 323-7105