

SAFE HARBOR INDIRECT COST RATE



California Department of
Transportation, Audits and
Investigations

Discussion Topics

- ◆ What is Safe Harbor Indirect Cost Rate (SHR)
- ◆ Background
- ◆ SHR Objectives
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- ◆ Eligibility Requirements

Discussion Topics – Cont.

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 - 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

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

SHR Policy

- ◆ Effective July 1, 2013 – June 30, 2016
- ◆ 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/>

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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?

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