



Expires – Upon Issuance of LPP

Indirect Cost Allocation Plan / Indirect Cost Rate Proposal Review / Approval Process

I. BACKGROUND

On July 1, 2021, the Caltrans Internal Audits Office (CIAO) was established in response to CA Government Codes 1237 and 13886.5. CIAO will be assuming some responsibilities from the Independent Office of Audits and Investigations (IOAI). One of those responsibilities is performing the Indirect Cost Allocation Plan (ICAP)/Indirect Cost Rate Proposal (ICRP) review for Local Public Agencies (LPAs) seeking reimbursement of their indirect costs.

[CA Government Code 1237](#): All state and local agencies with an aggregate spending of fifty million dollars (\$50,000,000) or more annually shall consider establishing an ongoing audit function.

[CA Government Code 13886.5](#): The Controller, the Director of Finance, and the respective staffs thereof, and all state agencies that have their own internal auditors or that conduct internal audits or internal audit activities, shall conduct internal audit activity under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate.

II. POLICY

The current policy specified in the Local Assistance Procedures Manual (LAPM) Chapter 5 provides instructions to LPA ICRPs to be reviewed by IOAI.

Effective July 1, 2022, new ICRP applications will be reviewed and approved through CIAO. CIAO will accept ICRP rates submitted for FY 19/20 and thereafter. ICRP applications submitted prior to July 1, 2022 will continue to be reviewed/approved by IOAI.

If the LPA has an ICRP previously approved by IOAI for FY 19/20 and 20/21, the approval is still valid.

III. PROCEDURE

LPAs seeking approval of their Indirect Cost Rates will be directed to the Caltrans Internal Audits Office's (CIAO) public website for instructions:
<https://dot.ca.gov/programs/audits>.

All applications are to be submitted electronically: icap-icrp@dot.ca.gov.



IV. APPLICABILITY / IMPACTS

This Office Bulletin applies to all LPAs seeking approval of Indirect Cost Rates for reimbursement beginning on July 1, 2022, and thereafter.

Please note: IOAI will continue to conduct Indirect Cost Rate audits, and review/approve ICRPs for consultant contracts.

Chapter Section / Exhibit	Description of Changes that supersede current publications
<p>LAPM 5.3 Reimbursable Project Costs - Indirect Costs</p>	<ul style="list-style-type: none"> Change references from Caltrans Independent Office of Audits and Investigations (IOAI) to Caltrans Internal Audits Office (CIAO) with links to their website for instructions.
<p>LAPM 5.13 Obtaining Approval for Indirect Costs</p>	<ul style="list-style-type: none"> All guidance in this section will be removed.
<p>Exhibit 5-I Sample Indirect Cost Rate Proposal</p>	<ul style="list-style-type: none"> This exhibit will be retired.
<p>COIN 18-01 ICAP/ICRP Submission</p>	<ul style="list-style-type: none"> This COIN will be retired.

Recommended: Original signature on file
Ross Foon, Area Engineer

June 16, 2022
Date

Approved: Original signature on file
Felicia Haslem, Chief
Office of Project Implementation – North

June 16, 2022
Date