



Florida Department of
TRANSPORTATION

**Office of Inspector General
Memorandum**

DATE: December 2, 2022

TO: Jennifer Gunter, CPA, Contracts and Grants Funds Manager

DocuSigned by:
Kristofer B. Sullivan

FROM: Kristofer B. Sullivan, Inspector General

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SUBJECT: Review of the Indirect Cost Rate Proposal for Fiscal Year 2023-24

At the request of the Office of Comptroller (OOC), the Florida Department of Transportation's (Department) Office of Inspector General (OIG) reviewed the Department's proposed indirect cost allocation rates for fiscal year 2023-24. The OIG has traditionally performed this examination prior to the Department's submission of the proposed rates to the Federal Highway Administration (FHWA) for approval.

For purposes of supporting accurate cost accounting for both state and federally funded projects, the Department devotes substantial resources to developing rates using a sophisticated methodology. For billing purposes, the Department rarely uses the rates.

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For several years, the Department has charged around or less than 1 percent of allowable indirect costs to federal projects, as presented in Table 1.

Table 1 - Effective (Utilized) Indirect Rate vs. Approved by State Fiscal Year (SFY)

Fiscal Year	Total Billings	Total Indirect Billed	Total Direct	Effective Indirect %	Submitted Indirect
SFY12	\$ 1,863,300,141	\$ 36,546,559	\$ 1,826,753,583	2.0006%	7.50%
SFY13	\$ 1,864,285,813	\$ 6,370,852	\$ 1,857,914,961	0.3429%	4.53%
SFY14	\$ 2,322,013,336	\$ 825,390	\$ 2,321,187,945	0.0356%	4.11%
SFY15	\$ 2,092,647,395	\$ 1,564,189	\$ 2,091,083,207	0.0748%	4.17%
SFY16	\$ 2,356,605,868	\$ 467,294	\$ 2,356,138,575	0.0198%	4.05%
SFY17	\$ 2,154,231,061	\$ 682,467	\$ 2,153,548,594	0.0317%	4.03%
SFY18	\$ 2,383,363,177	\$ 326,214	\$ 2,383,036,963	0.0137%	3.58%
SFY19	\$ 2,195,015,314	\$ 947,076	\$ 2,194,068,238	0.0432%	3.82%
SFY20	\$ 1,993,117,896	\$ 2,058,784	\$ 1,991,059,112	0.1034%	4.16%
SFY21	\$ 1,904,619,951	\$ 4,087,031	\$ 1,900,532,920	0.2150%	4.39%
SFY22	\$ 1,752,217,224	\$ 530,902	\$ 1,751,686,322	0.0303%	4.21%

Source: OIG created table using data obtained from the OOC's Dashboard

The Department chooses to not charge the Federal Government for most of its share of indirect costs, as it pursues a robust work plan supported by substantial amounts of state funding. In general, the Department draws down its federal allotment of funding for direct project costs until the allotment is exhausted. The primary exception is emergency relief projects, for which all costs are submitted. However, these projects have trended at less than 1 percent of total allowable indirect costs for the past years.

We have examined the Indirect Cost Allocation Plans (ICAP) used during the past three submissions and determined the Department's rate calculation methodology has not changed substantially. We have confirmed this fact through interviews with the OOC.

One improvement introduced in recent years has been the implementation of the ICAP Report (named after the Indirect Cost Allocation Plan). This excel file adds transparency to the process by tracking the accounts filtered from the most recent trial balance to the expense accounts used in the development of the rates. Regulatory account exclusions and grouping direct and indirect costs are also processes evidenced in this file.

We have also reviewed the indirect cost schedule. Overall, rates have remained stable within the individual program pools. We observed the overall rate of 4.21 percent for fiscal year 2023-2024 represents a 0.18 percent decrease from the 4.39 percent rate calculated for fiscal year 2022-2023

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Conclusion

We determined that a full examination is not required for rate submission. We have also determined the underlying risk of miscalculated rates resulting in unallowable charges to federal grants does not justify a full examination.

We recommend the OOC submit the indirect cost allocation rates for fiscal year 2023-2024 to FHWA for review and approval.