



Florida Department of *TRANSPORTATION*

Office of Inspector General Memorandum

DATE: November 25, 2025

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

FROM: Kristofer B. Sullivan, Inspector General DocuSigned by:
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SUBJECT: Review of the Indirect Cost Rate Proposal for Fiscal Year 2026-27

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 2026-27. 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.

**Office of Inspector General
Florida Department of Transportation**

For several years, the Department has charged less than one 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
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%
SFY23	\$ 2,172,027,463	\$ 462,653	\$ 2,171,564,810	0.0213%	4.46%
SFY24	\$ 3,071,126,683	\$ 360,308	\$ 3,070,766,375	0.0117% ¹	4.17%
SFY25	\$ 2,852,949,259	\$ 340,937	\$ 2,852,608,322	0.0120%	4.25%

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

The Department chooses not to 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 accounted for less than one percent of total allowable indirect costs over 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 through interviews with the OOC.

One improvement introduced in recent years has been the implementation of the ICAP Report. 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, the rates have remained stable within the individual program cost pools. We observed an overall indirect rate of 4.25 percent for the SFY 2025, which represents a 0.08 percent increase from the 4.17 percent rate calculated for SFY 2024.

Conclusion

We determined that a full examination is not required for this year's 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 2026-27 to FHWA for review and approval.

¹ The SFY 24 Effective Indirect Rate was revised, decreasing the rate by .0043% as the result of a recalculation during the current review. This recalculation does not affect the overall submitted Department Indirect Rate. This figure is only used to ensure there are not any unusual increases in the Department's rates, and the revised figure is still within the allowable parameters.