


MEMORANDUM

TO: John Boylston, Director of Preconstruction
Andy Leaphart, Chief Engineer for Operations
Robbbie Isgett, Director of Construction
Doug Frate, Director, Office of Intermodal & Freight Programs
Darrin Player, Chief Procurement Officer
Kace Smith, Chief Financial Officer
Roxanne Ancheta, Director, Office of Local Government Services
Senior Staff

FROM: Christy A. Hall, P.E., Secretary of Transportation 

DATE: December 20, 2022

RE: SCDOT Policy for Architectural & Engineering Contractor Indirect Cost Rate Approval

This memorandum updates and revises SCDOT policy on indirect cost rate certification and approval for architectural & engineering (A/E) firms proposing to provide engineering and design related consultant services (as defined in 23 USC §112(b)(2)(A), 23 CFR §172.3, 49 USC §5325, 40 USC §1102 and state laws and regulations) on federal or state funded projects of the South Carolina Department of Transportation (SCDOT) and its sub-recipients. This memorandum supersedes the SCDOT Procurement Policy Memorandum, dated February 2, 2011, which implemented Federal Highway Administration (FHWA) Order 4470.1A, dated October 27, 2010, and SCDOT indirect cost rate certification and approval requirements.

All consultants and sub-consultants proposing to provide engineering and design related consultant services on federal or state funded projects of the South Carolina Department of Transportation (SCDOT) and its sub-recipients must have an approved Federal Acquisition Regulations (FAR) compliant indirect cost rate on file with the SCDOT Office of Contract Assurance (OCA). Indirect cost proposals submitted to the OCA for approval must include a properly completed "Certification of Indirect Costs." (This is a requirement of FAR Part 31.110, 23 CFR 172.11(c)(3) and FHWA Order 4470.1A). The SCDOT certification form is attached.

In addition, effective for fiscal years ending on or after December 31, 2022, consultants and sub-consultants who perform \$500,000 or more annually on SCDOT contracts must provide an indirect cost rate **audited** by an independent certified public accountant (CPA), a federal agency, or another state department of transportation. The audit must be performed in accordance with *Generally Accepted Government Auditing Standards* and the *AASHTO Uniform Audit and Accounting Guide*



(2016 edition). The audit must be conducted to obtain reasonable assurance that the firm has prepared its proposed Schedule of Indirect Costs (indirect cost rates) in accordance with requirements of the FAR, part 31. Prior to approval, OCA may perform a review of the audit work papers. Consultants must ensure their auditor agrees to make their work papers available to the OCA or its representative upon request.

Consultants and sub-consultants who performed less than \$500,000 on SCDOT contracts during the firm's most recently completed fiscal year must also submit a FAR compliant schedule of indirect costs. The schedule of indirect costs for these firms may be prepared in-house or compiled by an independent CPA. SCDOT reserves the right to perform an audit or review of the submitted rate or require an **audited** indirect cost rate if deemed necessary.

Indirect cost rate audit reports or FAR compliant indirect cost schedules must be submitted to OCA within 180 days of the end of the firm's fiscal year. OCA will issue acceptance letters once the indirect cost rates are approved. The approved indirect cost rates will be used for estimating, negotiating, and billing purposes, until the rate for the next year is submitted and approved. Audit reports or indirect cost schedules must be submitted for every year the consultant has an active project with SCDOT and must include the "Certification of Indirect Costs."

Firms that have never received an approved indirect cost rate by a cognizant agency or do not have relevant or sufficient contract cost history to use as a base may apply for the SCDOT Safe Harbor indirect cost rate of 110% for use on projects until the firm has developed sufficient cost history to develop its own FAR compliant indirect cost rate. Firms applying for the Safe Harbor rate must meet established criteria, as provided by the OCA. The expectation for firms approved for the Safe Harbor rate will be for the firm to establish a cost history for the eventual development of an indirect cost rate based on the actual costs of the firm and in accordance with federal cost principles.

All firms must be in compliance with these requirements in order to enter into contracts with SCDOT or its sub-recipients. These rules apply to both prime and sub-consultants. This requirement will also be included in all sub-recipient agreements and in other agreements/contracts involving federal-aid engineering and design-related services, where applicable.

Questions regarding this policy may be directed to the Office of Contract Assurance at 803-737-1237.

CAH:svs
Enclosure

cc: Justin Powell, Chief of Staff
Leland Colvin, Deputy Secretary for Engineering
Maggie Hendry, Acting Deputy Secretary for Finance & Administration
Brent L. Rewis, Deputy Secretary for Intermodal Planning



CONTRACTOR/CONSULTANT CERTIFICATION OF INDIRECT COSTS

Firm Name: _____

Fiscal Period Covered (mm/dd/yyyy): _____

Proposed Indirect Cost Rate(s):		Proposed FCCM Rate(s) (if applicable):	
Corporate/Combined Rate:	_____ %	_____ %	<input type="checkbox"/> Not applicable
Home Rate:	_____ %	_____ %	<input type="checkbox"/> Not applicable
Field Rate:	_____ %	_____ %	<input type="checkbox"/> Not applicable

I, the undersigned, attest that the Statement of Direct Labor, Fringe Benefits, and General Overhead (indirect cost rate schedule) and all related notes and supporting schedules were prepared in compliance with Part 31 of the Federal Acquisition Regulation (FAR).¹ Accordingly, all costs included in this proposal to establish final indirect cost rates are allowable in accordance with the cost principles of FAR Part 31, and no costs have been included that are expressly unallowable under the cost principles of FAR Part 31.

All known, material transactions or events affecting the company’s ownership, organization, and indirect cost rates have been disclosed. I recognize that the information is submitted for the purpose of allowing the South Carolina Department of Transportation to administer contract(s) with the company. By affixing my signature below, I attest that the financial information and other assertions submitted on the indirect cost rate schedule, the AASHTO ICQ, and related documents are true, accurate, and complete.

Signature of Certifying Official

Date of Certification

Typed or Printed Name of Certifying Official

Title

Telephone Number, including Area Code

Email Address

Note: This form is to be completed by a company officer at a level no lower than a Vice President or Chief Financial Officer, or equivalent, who has the authority to represent the financial information utilized to establish the indirect cost rate proposal submitted in conjunction with the contract.

¹ FAR Part 31 is codified at 48 CFR 31.