

AASHTO updating its cost rate guide

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As many architecture and engineering firms know, the AASHTO (American Association of State Highway and Transportation Officials) Uniform Audit & Accounting Guide has been a useful resource to develop Federal Acquisition Regulations (FAR)-compliant indirect cost rates since its last update in 2012.

However, the guide has also been a point of frustration for many firms due to varying interpretations of the guide and FARs by different government agencies.

Over the years, it was not uncommon for one state Department of Transportation to accept bonus compensation or business development costs as an allowable and reasonable expense while the DOT in another state would disallow the costs as excessive or not properly documented.

The result for firms working on these projects is different profits — or even losses — depending on the state or municipality it is working for. Having different interpretations of the information in the guide or of the FARs themselves results in complicated billing practices and confusing accounting records, not to mention the administrative burden of properly applying and documenting multiple interpre-

tations of the same rules.

The good news is that an updated AASHTO Guide is expected to be finalized in December. This new and improved guide is expected to clarify and update interpretations in several areas:

- Labor costing, uncompensated overtime and overtime premiums
- Compensation, including bonus plans and overall reasonableness
- Field and home office overhead rates
- Allowance of specific cost areas
- Areas related to CPA work paper review by transportation departments

We expect that the 2015 guide will further reduce the inconsistency in interpretation and related controversy. Architecture and engineering firms should pay particular attention to the changes in the 2015 guide as they prepare to close the accounting records for the 2015 calendar year and start preparing the annual indirect cost rate schedule for approval by the various government agencies.

Anyone interested in seeing the red-line draft of the 2015 guide can find it on the AASHTO website at audit.transportation.org.