

# ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT)

## ENGINEERING CONSULTANTS SECTION (ECS)

### ADVANCE AGREEMENT GUIDELINE

#### 1. **Direct Labor**

Direct labor will be billed at actual costs, as defined in FAR 31.001 (Directly associated costs), unless a specific classification or individual's billing rate is capped. However, for partners, sole proprietors and Limited Liability Companies (LLCs) where owners may not be paid an hourly wage or salary, direct labor will be billed at rates agreed to by ADOT. Also see FAR 31.001 "**Compensation for personal services**".

Only the pay rates of those employees who will likely be expected to be directly involved on the project stated in the contract can be used in developing cost proposal rates.

#### 2. **Home Office Allocations or Similar Allocated Costs**

FAR 31.109(h)(13) states, "General and administrative costs (e.g., corporate, division, or branch allocations) attributable to the general management, supervision, and conduct of the contractor's business as a whole." These costs may represent a significant portion of indirect (Overhead) costs.

All Cost Principles addressed in the ADOT Contract Cost Allowability Guidelines and Policies ("CCAGP") must be followed by a Consultant/Subconsultant's home office, division or other related entity that allocates costs to the Consultant/Subconsultant (see the CCAGP **A.3 Allocability of Costs**). These costs should be identified and agreed to in advance as to the amounts considered reasonable and allocable to ADOT contracts.

#### 3. **Overhead Rates by Type of Engineering Discipline or Specialty**

Firms qualified to provide more than one engineering discipline or specialty must be able to substantiate separate overhead rates for each of the following disciplines:

- Construction Administration
- Design
- Geotech
- Supplemental Services

#### **4. Compensation for Personal Services**

Compensation for personal services (see CCAGP B 31.205-6) is normally the most significant element of indirect cost. The components of compensation for personal services should be identified and the amounts to be considered reasonable and allocable to ADOT contracts agreed to in advance.

In particular, the following elements of Compensation for Personal Services, if applicable, should be agreed to in advance:

- Both the reasonableness and allocability of compensation paid to partners, sole proprietors, or owners and family members of same, along with highly compensated employees.
- Allowability of bonuses. See FAR 31.205-6(f) **“Bonuses and incentive compensation.”**

#### **5. Cost of Money**

If this item is requested, it must be properly proposed as a separate line item in the Derivation of Costs Proposal and documented in accordance with FAR 31.205-10. Also see FAR 31.201-1.

#### **6. Bid and Proposal Costs and Selling/Marketing Costs**

Bid and proposal costs (see FAR 31.205-18) and selling/marketing costs (see FAR 31.205-38) will be looked at carefully in the Pre-Award review. Any unreasonable and/or unallocable costs being claimed will be disallowed. Adequate documentation will be expected for such claimed costs. Unallowable portions will be expected to be properly identified.

#### **7. Other Direct Costs**

It will be expected that Other Direct Costs (any expense/cost other than Direct Labor and Subconsultants) be included in the Overhead cost pool. If a Consultant/Subconsultant proposes Other Direct Costs, it will need to obtain prior approval of its accounting methods by ADOT Office of Audit & Analysis - External Audit Team before it can include such costs in its Derivation of Costs Proposal submitted to ADOT Engineering Consultants Section.

The list of incidental costs that follow should not be considered to be "all-inclusive". However, the items noted below are specific costs ADOT has identified as being onerous to deal with as Other Direct Costs. Most Consultants/Subconsultants already include such costs in Overhead cost pools.

- Audio/Video equipment and supplies, including VCRs and video cameras
- Cell phones
- Copy machines
- Densometer
- FAX
- Internet/electronic mail
- Mileage for company vehicles
- Office space considered to be "extra". (Exception is for Construction Administration field office.)
- Postage and/or Courier
- Survey supplies
- Telephone calls--both local and long distance

Additional points to consider:

- If a Consultant/Subconsultant does not have separate cost pools (for example CADD and Reproduction Costs), ADOT believes it will be very difficult to adequately substantiate such costs.
- Be aware that if the costs of specific services normally provided by a Consultant/Subconsultant are included in its Overhead Cost Pool, then any unexpected costs that may be incurred to provide those same services must be charged to an Overhead cost account. Any questions regarding this matter should be directed by ADOT Office of Audit & Analysis - External Audit Team.

## **8. Incidental Costs Which Should Normally Be Charged Directly to the Contract**

- Lease/rental of vehicles or other specialty equipment. (This cost should be substantiated by evidence of appropriate bidding including support for the bid accepted.)
- Mobilization of equipment.
- Travel and Lodging, including per diem, following ADOT Travel Policy.
- Special reproduction costs provided by outside vendors