

The consultant overhead rate expressed as a percentage is calculated as follows:

$$\text{Overhead Rate} = \frac{\text{Allowable Overhead Costs}}{\text{Direct Labor Costs}} \times 100\%$$

The Indirect Payroll Cost is calculated by multiplying the direct labor cost by the overhead rate divided by 100.

Overhead Submissions

The consultant shall have a current approved FAR overhead rate(s) on file with PennDOT in order to perform work on PennDOT projects. Approved FAR overhead rate(s) are valid up to eighteen months from the consultant's audit fiscal year end. In order to obtain PennDOT approval of their overhead rate(s), consultants must submit the following documentation to PennDOT :

- Cognizant approved indirect cost rate(s) if available (see Cognizant Audit below for requirements). If the consultant has received a cognizant letter, the only additional documentation required is the Contractor Cost Certification below.
- FHWA Order 4470.1A Appendix A – Contractor Cost Certification – See Publication 93 [Appendix 3C](#)
- Audit report disclosing the results of an indirect cost rate(s) FAR audit performed by an independent CPA in accordance with Generally Accepted government Auditing Standards. It is highly recommended that the CPA also utilize the guidance provided in the latest edition of the AASHTO Uniform Audit and Accounting Guide to perform the audit of the indirect cost rate(s). The FAR audit report shall be provided at no direct cost to PennDOT. The consultant may submit an unaudited FAR overhead rate(s) statement but will be limited to being a subconsultant on PennDOT projects with direct plus indirect costs for each subconsultant agreement limited to a maximum of \$250,000.
- A complete compensation analysis prepared in accordance with all criteria outlined in the AASHTO Uniform Audit and Accounting Guide Section 7.5 or the National Compensation Matrix (NCM) Executive Compensation Compliance Worksheet – See [Appendix 3D PennDOT Executive Compensation \(PEC\) Statement](#).
- AASHTO Internal Control Questionnaire (ICQ) and attachments.

The updated ICQ and NCM are available at <http://audit.transportation.org>.

Additional information may be requested by the PennDOT negotiator and shall be provided by the consultant in a timely manner.

Pro-Forma Overhead Rate

If the consultant is unable to generate a FAR Overhead Rate because the firm has not been in business for a complete fiscal year, the consultant shall generate a Pro-Forma Overhead Rate based on the best available accounting information. This Pro-Forma Overhead Rate will be used as provisional rate in the consultant's price proposal.

The office Pro-Forma overhead rate is limited to 130%. The field Pro-Forma overhead rate is limited to 95%.

Cognizant Audit

PennDOT will accept indirect cost rates deemed by a cognizant agency, to be established in accordance with the FAR cost principles. This determination may be made through an audit performed by the cognizant agency or through their concurrence with an audit performed by a CPA firm. A cognizant agency may be any of the following: (1) Federal agency; (2) The Home State DOT (the State where the consulting firm's accounting and financial records are located); or (3) A Non-Home State DOT to whom