

COVID-19 Effects on Your Overhead Rate and Actions to Take Now

Presented by A/E Clarity Consulting and Training, LLC

1

Course Topics

- State DOT overhead deadlines
- Allowability of costs
- Supporting documentation requirements
- Accounting for cost recoveries
- Labor cost issues
- Effects on utilization
- Projecting your 2020 overhead rate

Copyright 2020 A/E Clarity Consulting and Training, LLC

2

Learning Outcomes

After completing this course, you should be able to:

- Identify issues related to cost allowability and requirements for supporting documentation
- Describe labor cost issues that you will likely encounter
- Estimate the effect of key changes on your 2020 overhead rate

Copyright 2020 A/E Clarity Consulting and Training, LLC



3

State DOT Overhead Deadlines

- ACEC / AASHTO discussions and reporting process
- No changes to deadlines currently identified
- We will provide updates on this issue

Copyright 2020 A/E Clarity Consulting and Training, LLC

4

Allowability of Costs

Labor costs

- Management time, HR, IT, and training
- Mobilization and oversight

Non-labor costs

- Technology to support work-from-home
- Idle capacity of vehicles, equipment, offices
- Employee benefit costs

Copyright 2020 A/E Clarity Consulting and Training, LLC

5

Allowability of Labor Costs

- Management time, HR, IT, and training
- Mobilization and oversight
- For both:
 - Segregate labor hours and costs
 - Consider establishing administrative / overhead project number to track these costs
 - Separate labor charge codes, G/L accounts may be useful

Copyright 2020 A/E Clarity Consulting and Training, LLC

6

Allowability of Non-Labor Costs

- Technology to support work-from-home
- Idle capacity of vehicles, equipment, offices
- Employee benefit costs
- Important to segregate costs, for:
 - Overhead reporting
 - Other potential cost reimbursements from insurance or government disaster relief

Copyright 2020 A/E Clarity Consulting and Training, LLC

7

Company Vehicle Costs

- More than ever, mileage logs are important to support allowability
- Costs must be allocated based on use of vehicles



Mileage logs are critical to support proper allocation of costs to:

Direct vs. indirect
Allowable vs. unallowable

Copyright 2020 A/E Clarity Consulting and Training, LLC

8

Employee Benefits

Additional costs may include:

- Expanded sick leave
- Work-from-home benefits
- Wellness benefits
- Health insurance / self-insurance costs
- Other benefits



Copyright 2020 A/E Clarity Consulting and Training, LLC

9

Alcohol Costs

- Unfortunately, still UNALLOWABLE!



Copyright 2020 A/E Clarity Consulting and Training, LLC

10

Supporting Documentation

- Cost segregation
- Clear documentation of business purpose
- Written policies and procedures

Copyright 2020 A/E Clarity Consulting and Training, LLC

11

Accounting for Cost Recoveries

- Insurance recoveries
- Government disaster relief

Copyright 2020 A/E Clarity Consulting and Training, LLC

12

Other Labor Cost Issues

- Salary reductions or reduced work schedules
- Furlough / severance costs
- Employees / teams working remotely

Copyright 2020 A/E Clarity Consulting and Training, LLC

13

Other Labor Cost Issues (Cont.)

- Efficiency impacts of employees / teams working remotely
- FAR cost principle of allocability still applies
- Accurate tracking of hours is critical
- Establish company policy and clearly communicate to employees

Copyright 2020 A/E Clarity Consulting and Training, LLC

14

Effects on Utilization

- Possibly most significant effect on your overhead rate
- Note the following rule of thumb:
 - 1 point change in utilization = 4 point change in overhead rate
- Important to evaluate the effect on your 2020 overhead rate

Copyright 2020 A/E Clarity Consulting and Training, LLC

15

Projecting Your Overhead Rate

- Develop a process to estimate your overhead rate before year-end
- Particularly important in years of substantial change
- Start with PY actual or CY budget
- Adjust for: utilization changes, additional costs, reduced costs

Copyright 2020 A/E Clarity Consulting and Training, LLC

16

Questions and Answers

- What questions do you have about the topics we have covered, or any other related topics?
- If you have questions after the webinar, please contact me:
- Email – dan@aeclarity.com
- Phone – (919) 215-7708

Thank you for your participation!

Copyright 2020 A/E Clarity Consulting and Training, LLC

17