SAFE HARBOR ELIGIBILITY REQUIREMENTS

Only A/E consulting firms which satisfy the criteria provided below have the option of using the safe harbor indirect cost rate of 110%.

Consulting firms which use the safe harbor rate will still be required to have an accounting system capable of accumulating and tracking direct labor and other direct costs by contract and segregating indirect costs. The expectation will be for the firm to establish a cost history for the development of an indirect cost rate for the firm in accordance with the federal cost principles based on the actual costs of the firm.

New or start-up A/E firms:

- A new or start-up consulting firm which does not have a relevant contract cost history to use as a base for development of an indirect cost rate may choose to use the safe harbor indirect cost rate on contracts executed within the federal testing period from June 1, 2013 to May 31, 2016. These firms will generally have been in operation a year or less and have limited direct contract cost history to develop a representative indirect cost rate.

Small A/E consulting firms:

- A small consulting firm which lacks either the financial sophistication to develop an indirect cost rate or the resources to hire a Certified Public Accountant (CPA) to develop an indirect cost rate compliant with federal requirements may choose to use the safe harbor indirect cost rate on contracts executed within the test period.
    - As a result of limited or no federal contracting experience, the accounting structure of a small firm may be such that development of an indirect cost rate in accordance with the federal cost principles would be challenging and likely not result in a representative rate with a high degree of confidence.
    - Additionally, a small firm with limited or no federal contracting experience may lack the resources to hire a CPA to conduct an audit to develop a federally compliant indirect cost rate. As the audit may be cost-prohibitive for the size and scope of the federally–funded contract for which the firm could compete for.
    - Finally, for firms without a relatively consistent contract workload over multiple years, any resultant indirect cost rate would likely shift substantially in the early years of a firm's operation, due to fluctuations in the indirect costs incurred and contracts to which the rates would be charges.

Non-Eligible Criteria

- The safe harbor indirect cost rate is not intended for field-based contracts. It is expected that the new or small A/E consulting firms eligible to use a safe harbor indirect cost rate would not have a home and field based accounting structure.

- Consulting firms with an audited or otherwise calculated indirect cost rate developed in accordance with the Federal cost principles shall use the respective rate as specified in federal law and regulation; and will not be permitted to use the safe harbor rate.

CONTINUED

Safe Harbor Eligible Consultants will be required to complete the following forms.

Statement of Qualification

Secretary of State – Certificate of Good Standing

The Department of Homeland Security Federal Work Authorization Program E-Verify

Annual Worker Eligibility Affidavit

Safe Harbor Certification Form

Questions or comments may be addressed to Sandra.Riley@modot.mo.gov or call (573) 522-2002.

Submit the completed forms to:

MoDOT
Audits and Investigations Division
Attn: Sandra Riley
P.O. Box 270
Jefferson City, MO 65102-0270
Sandra.Riley@modot.mo.gov

The following links may be helpful to firms with limited MoDOT contracting experience. We encourage you to take a few moments and review the links to gain understanding of the federal contracting requirements.

Helpful Links:

Federal-aid Essentials for Local Public Agencies

AASHTO Uniform Audit and Accounting Guide – A tool develop to assist firms with FAR compliance

Federal Acquisition Regulations – Part 31 – Contract Costs Principles and Procedures

Overhead Rate Schedule – Sample Format

Common Unallowable Costs

Consultant Pre-qualification Process