

## Required overhead rate schedule format structure

### OVERHEAD SCHEDULE December 31, 2001

DESCRIPTION	Financial Stmt Expense	Unallowable Expense	FAR Reference	Total Proposed	NOTES
<b>Direct Labor</b>	12,500,000	12,000	(1)	12,512,000	B
<i>Direct labor costs generally are computed by multiplying all direct project labor hours by labor rates, as summarized for all employees within the applicable allocation unit. Labor rates are based on actual employee wages incurred.</i>					
<i><b>Direct cost</b> are any costs that is identified specifically with a particular final cost objective. Direct costs are not limited to items that are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives.</i>					
<b>Fringe Benefits</b>					
<i>Fringe Benefits are allowances and services provided to employees as compensation in addition to regular wages. Fringe benefits include, but are not limited to, the cost of vacations, sick leave, holidays, military leave, employee insurance, 401K/pensions, and supplemental unemployment benefit plans.</i>					
Vacation/Holiday/Paid Leave	1,700,000			1,700,000	
Payroll Taxes	1,550,000			1,550,000	
Group Insurance	1,100,000			1,100,000	
Profit Sharing	1,016,000	(500,000)	(2)	516,000	
Incentive Payments	1,550,000			1,550,000	
Seminars/ Education	400,000			400,000	
Employee Welfare	10,000	(4,000)	(3)	6,000	
<b>Total Fringe Benefits</b>	<b>7,326,000</b>	<b>(504,000)</b>		<b>6,822,000</b>	
<b>General Overhead</b>					
<i><b>Costs of operating a company</b> that are incurred by, or allocated to, a business unit and are not directly linked to the company's products or services. General Overhead may include direct cost but will show direct cost as unallowable.</i>					
<i><b>Unallowable</b> – An item of costs that is ineligible for cost reimbursement. Unallowable costs must not be billed to government contracts either directly or through the application of an overhead rate. When an unallowable cost is incurred its directly associated costs are also unallowable.</i>					
<i><b>Source Documents</b> – original documents that support the costs recorded in a company's accounting system, including general ledgers. Source documents include, but are not limited to timesheets, payroll registers, invoices, hotel receipts, rental slips, gasoline tickets, cancelled checks, tax returns, insurance policies, minutes of corporate meetings, ...</i>					
Non-Project Labor	4,900,000	(12,000)	(1)	4,888,000	B,C
Recruiting	190,000			190,000	
Building Cost (Rent)	1,400,000	(20,000)	(4)	1,380,000	
<i><b>Related Party (Common Control)</b> exists when business is conducted at less than arm's length between businesses and/or persons that have a family or business relationship. Examples are transactions between family members, transactions between subsidiaries of the same parent company, or transactions between companies owned by the same person or persons. Common control exists when a related party has effective control over the operating and financial policies of the related entity. Effective control may exist even if the related party owns less than 50% of the related entity. <b>Related Party Rent depreciation costs are on the Related Party's Tax Return and utilizes the Prompt Payment Act Interest Rate determined by the U.S. Secretary of the Treasury</b></i>					
Other Occupancy Cost	464,000			464,000	
Supplies	380,000			380,000	
Field Supplies & Equipment	100,000			100,000	
Postage & Shipping	78,000			78,000	
Equipment Rent/ Maintenance	386,000			386,000	
Interest	20,000	(20,000)	(5)	--	
Telephone	290,000			290,000	
Business Insurance	194,000			194,000	

Legal & Other Professional Fees	376,000	(25,000)	(6)	351,000	
Administrative Travel	597,000	(30,000)	(7)	567,000	
Dues, Memberships & Reg.	173,000			173,000	
Subscriptions & Publications	41,000			41,000	
Depreciation & Amortization	628,000	(10,000)	(8)	618,000	
Outside Payroll Service	45,000			45,000	
State Income /Personal Prop Tax	27,000			27,000	D
Direct Cost Credit	(833,000)			(833,000)	E
<b>Total General Overhead</b>	<b>9,456,000</b>	<b>(117,000)</b>		<b>9,339,000</b>	

<b>Total Indirect Cost</b> (total fringe benefits + total general overhead) (the total of fringe benefits and general overhead are divided by direct labor x 100 to calculate the overhead rate)				16,161,000	
<b>Facilities Capital Cost of Money (FCCM)</b> (FCCM amount is divided by direct labor x 100 to calculate the FCCM rate)				62,505	F
<b>Cost of Money or Facilities Capital Cost of Money (FCCM)</b> with the company's investment in fixed assets are allowable. Specifically, FCCM is an imputed cost determined by applying a charge rate to the company's fixed assets used in contract performance. FCCM is not required to be recorded in the company's formal accounting records; instead, FCCM is computed as a charge rate based on the following: 1) The average annual net book value of company's investments in the fixed assets used for allowable business activities, 2) The prorated average <a href="#">Prompt Payment Act Interest Rate determined by the U.S. Secretary of the Treasury</a> for the accounting period in question, and 3) The engineering consultant's direct labor base used to determine overhead rates. <b>The FCCM is calculated using the Company's Tax Return and cannot include intangible assets.</b> Intangible capital asset means an asset that has <u>no physical substance</u> , has more than minimal value, and is expected to be held by an enterprise for continued use or possession beyond the current accounting period for the benefits it yields.					

<b>Total Indirect Cost &amp; FCCM</b>	<b>16,223,505</b>	
<b>Percent of Direct Labor</b>	<b>129.7%</b>	<b>A</b>

**Notes:**

**FAR References:**

- (1) 31.202 - Uncompensated overtime for salaried employees considered to be direct labor and removed from indirect labor costs.
- (2) 31.205-6(a)(i)(A) &(B) - Compensation paid to owners in excess of reasonable amount and considered distribution of profits.
- (3) 31.205-14 - Costs of dues for social clubs is unallowable and considered entertainment.
- (4) 31.205-36 - Adjust rental costs to actual costs incurred to eliminate markups between subsidiaries under common control.
- (5) 31.205-20 - Interest and other financial costs not allowable.
- (6) 31.205-27 - Accounting and legal fees considered as organization costs are not allowable.
- (7) 31.205-6(m)(2) - Portion of the cost of company-furnished automobiles that relates to personal use by employees.
- (8) 31.205-49 - Amortization of acquisition intangibles (goodwill).

**Note:**

The above categories and amounts are for **illustration purposes only** and should not be mistaken for allowable or acceptable overhead rates. Overhead rates must be based on actual cost incurred by your company.

- A. Percent is Adjusted Amount divided by Adjusted Direct Labor Base Amount.
- B. Adjustments may need to be made to reclassify some indirect labor to direct labor.
- C. Unallowable indirect labor such as marketing salaries (to bring favorable attention to your company) or project labor not billed should be removed.
- D. Federal income tax is not an allowable expense.
- E. Adjustments must be made for any expenses shown above for which reimbursement has been received, such as travel expenses billed directly to a client.
- F. FCCM is only allowed if detailed calculations and supporting documentation is provided showing the amount was calculated in accordance with federal regulations.