Missouri Department of Transportation - **Audits and Investigations Division**

Common Control Rent Expense Policy

Reference

AASHTO Uniform Audit & Accounting Guide
FAR 31.205-36(b)(3)

MoDOT follows the Federal Acquisition Regulations (FAR) when determining the allowability of costs incurred as a result of rental costs from a related party under common control.

Common control exists when the party involved has the ability to exercise control over operating the financial policies of any related party. <u>An individual does not need to have over 50 percent ownership to have control.</u>

> *AASHTO Uniform Audit and Accounting Guide – 2012 Edition*
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> *"Common control is another important issue when considering the allowability of rental costs. In accordance with FAR 31.205-36(b)(3), charges in the nature of rent for property between any divisions, subsidiaries, or organizations under common control, are allowable to the extent that they do not exceed the normal costs of ownership, such as depreciations, taxes, insurance, facilities capital cost of money, and maintenance, provided that no part of such costs shall duplicate any other allowed costs."*
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> ***"Note:** If any portion of business assets, including square footage of a building, is used for a purpose other than the engineering consultant's business operations, then the associated costs must be excluded from the cost of ownership computation. This includes personal use of assets and /or the sublet of office space to another business entity. Costs that can be specifically identified with the sublet space should be disallowed entirely, and a commensurate amount of share costs. (e.g., deprecation and property taxes) should be disallowed based on the relative square footage of the sublet space."*

When a common control rent expense is included in the overhead, MoDOT auditors will require documentation to support those costs.

Firms must provide one of the following options:

OPTION 1:

- Related Party Rent Worksheet
- Facilities capital cost of money weighted average rate sheet
- The portion of the related party individual(s) tax return used to prepare the worksheet.

MoDOT may disallow unsupported costs listed in the worksheet.

Depreciation costs cannot include Section 179 or bonus depreciation

OPTION 2:

- The written methodology used to determine the common control rent expense. This methodology must be compliant with the FAR.