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

Presented by A/E Clarity Consulting and Training, LLC

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
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

State DOT Overhead Deadlines

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

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
**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

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**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
Employee Benefits

Additional costs may include:
• Expanded sick leave
• Work-from-home benefits
• Wellness benefits
• Health insurance / self-insurance costs
• Other benefits

Alcohol Costs

• Unfortunately, still UNALLOWABLE!
Supporting Documentation

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

Accounting for Cost Recoveries

- Insurance recoveries
- Government disaster relief
Other Labor Cost Issues

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

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
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**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

**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
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
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Thank you for your participation!