

ENGINEERING GUIDANCE 98-06

SUBJECT: Auditing of Consultants' Overhead Charges

PURPOSE: Provide consistent application of the requirements for audit of consultants overhead charges.

CANCELLATION: This Engineering Guidance replaces Safety & Standards Guidance No. 22, dated August 14, 1989.

DISCUSSION: Advisory Circular (AC) 150/5100-14C contains requirements that consultants be prepared to validate their overhead costs for "cost plus a fixed payment" contracts. Consultants working in our region have not been treated consistently in being required to submit an overhead audit.

GUIDANCE: The audit for overhead charges should be required to be submitted by the consultants for all "cost plus a fixed payment" contracts. Audits should be submitted with a certification by the sponsor's auditor, state's auditor, or consultant's accountant. An audit by an agency of the Federal Government within the previous 12 months may be used to establish the overhead rate. The audit should be conducted in conformance with AC 150/5100-14C and Title 48, Code of Federal Regulations, Subpart 31.2.

The costs for the overhead audit is not directly related to the project work and not considered an eligible line item cost in the grant. However, the cost of the audit would be included in the annual overhead.

REFERENCES: AC 150/5100-14C.

APPROVAL: _____ signed _____
Matthew Cavanaugh, Manager
Northwest Mountain Region
Safety & Standards Branch, Airports Division

DATE: _____ 3/4/98 _____