

# **Review of Airport Contracts and Computing Overhead, Capital Cost of Money, and Mileage Rates**

**SDDOT  
Internal Services – Audit**

## **Reviewing Contracts**

- ◆ **All contracts are reviewed to verify the following rates are current and accurate:**
  - ◆ **Employee Hourly Wage**
  - ◆ **Overhead Rate (OH)**
  - ◆ **Facilities Capital Cost of Money (FCCM)**
  - ◆ **Mileage Rate**

## Overhead Rate

- ◆ **Overhead or overhead expense refers to an ongoing expense of operating a business. Overheads are expenditures which cannot be conveniently traced to or identified with any particular cost unit. Therefore, overheads cannot be immediately associated with services being offered, and thus do not directly generate profits.**

## Overhead Rate (cont.)

- ◆ **Overheads are often related to accounting concepts such as fixed costs and indirect costs. Overhead expenses are all costs on the income statement except for direct labor, direct materials, and direct expenses. Overhead expenses include accounting fees, insurance, legal fees, labor burden, rent, repairs, supplies, etc.**

## **Overhead Rate (cont.)**

- ◆ **If you look at the Overhead Rate handout you will find an example of how overhead is calculated.**

## **Facilities Capital Cost of Money**

- ◆ **Capital cost of money is an allowable cost and legally can be charged to government contracts. It is a formula based allocation applied on a contract similar to overhead. It helps offset government unique working capital costs required to execute the program.**

## **Facilities Capital Cost of Money (cont.)**

- ◆ **Where does the contractor get working capital? It comes from many sources but normally through debt instruments. The contractor leverages the financing of working capital to staff up the program, set up facilities, and incur other like costs. The FAR does not allow the government to reimburse the contractor for interest paid on that debt.**

## **Facilities Capital Cost of Money (cont.)**

- ◆ **However, it is a significant cost of doing business. The government has an obligation to bear some of that cost since it would not be there otherwise. Also, the government does not pre-pay the contractor for goods and services to finance the working capital. Therefore, there is an allowed charge based on a formula called Imputed Cost of Money.**

## **Facilities Capital Cost of Money (cont.)**

- ◆ **If you look at the Facilities Capital Cost of Money handout you will find an example of how it is calculated.**

## **Mileage Rate Calculation**

- ◆ **The GSA methodology is that the mileage reimbursement allowance is based on several factors:**
  - ◆ **Vehicle Expense**
  - ◆ **Depreciation**
  - ◆ **Maintenance, accessories, parts, and tires**
  - ◆ **Insurance**
  - ◆ **License/Permits**

## **Mileage Rate Calculation**

- ◆ **If you look at the Mileage Rate Calculation handout you will find an example of how it is calculated.**

	<u>Total</u>	<u>Unallowable Costs</u>	<u>Claimed Costs</u>	<u>SDDOT Audit Adjustments</u>	<u>Allowed Costs</u>	
<b>Direct Labor</b>						
710.00 Employee Direct Labor	\$ 2,271,045.59		\$ 2,271,045.59		\$ 2,271,045.59	
710.01 Principia Direct Labor	\$ 6,803.47		\$ 6,803.47		\$ 6,803.47	
710.00 Direct Labor	<u>\$ 2,277,849.06</u>		<u>\$ 2,277,849.06</u>		<u>\$ 2,277,849.06</u>	
<b>Fringe Benefits</b>						
611.00 Bonuses	\$ 253,400.00	\$ -	\$ 253,400.00	\$ -	\$ 253,400.00	11.12%
613.00 Employers FICA Tax	\$ 308,149.17	\$ -	\$ 308,149.17	\$ -	\$ 308,149.17	13.53%
613.50 Federal Unemployment	\$ 2,638.60	\$ -	\$ 2,638.60	\$ -	\$ 2,638.60	0.12%
551.00 Life and Disability Insurance	\$ 13,225.44	\$ -	\$ 13,225.44	\$ -	\$ 13,225.44	0.58%
552.00 BOD Life Insurance	\$ 2,601.49	\$ -	\$ 2,601.49	A \$ (2,601.49)	\$ -	0.00%
553.00 Health Insurance	\$ 197,082.28	\$ -	\$ 197,082.28	\$ -	\$ 197,082.28	8.65%
554.00 Dental Insurance	\$ 27,758.09	\$ -	\$ 27,758.09	\$ -	\$ 27,758.09	1.22%
555.00 Employee Related Insurance	\$ 28,118.15	\$ -	\$ 28,118.15	\$ -	\$ 28,118.15	1.23%
586.00 401(k) Match	\$ 159,230.11	\$ -	\$ 159,230.11	\$ -	\$ 159,230.11	6.99%
<b>Total Fringe Benefits</b>	<u>\$ 992,203.33</u>	<u>\$ -</u>	<u>\$ 992,203.33</u>	<u>\$ (2,601.49)</u>	<u>\$ 989,601.84</u>	<u>43.44%</u>
<b>General Overhead</b>						
610.00 Employee Indirect Labor	\$ 1,523,977.90	\$ -	\$ 1,523,977.90	\$ -	\$ 1,523,977.90	66.90%
610.01 Principal Indirect Labor	\$ 309,920.67	\$ -	\$ 309,920.67	\$ -	\$ 309,920.67	13.61%
520.00 Real Estate Taxes	\$ 25,106.34	\$ -	\$ 25,106.34	\$ -	\$ 25,106.34	1.10%
521.00 Rent	\$ 261,596.64	\$ -	\$ 261,596.64	B \$ (34,341.00)	\$ 227,255.64	9.98%
522.00 Facility Related Expense	\$ 27,320.91	\$ -	\$ 27,320.91	\$ -	\$ 27,320.91	1.20%
523.00 Supplies	\$ 45,488.34	\$ -	\$ 45,488.34	C \$ (526.60)	\$ 44,961.74	1.97%
524.00 Utilities	\$ 135,358.48	\$ -	\$ 135,358.48	\$ -	\$ 135,358.48	5.94%
525.00 Employee Relations	\$ 27,506.49	\$ -	\$ 27,506.49	D \$ (9,649.19)	\$ 17,857.30	0.78%
526.00 Equipment Lease	\$ 26,441.31	\$ -	\$ 26,441.31	\$ -	\$ 26,441.31	1.16%
527.00 Equipment Maintenance	\$ 9,315.96	\$ -	\$ 9,315.96	\$ -	\$ 9,315.96	0.41%
530.00 Promotion	\$ 40,570.87	\$ -	\$ 40,570.87	E \$ (40,570.87)	\$ -	0.00%
535.00 Employment Services	\$ 43,346.40	\$ -	\$ 43,346.40	\$ -	\$ 43,346.40	1.90%
541.00 Contributions	\$ 7,590.00	\$ -	\$ 7,590.00	F \$ (7,590.00)	\$ -	0.00%
556.00 Business Related Insurance	\$ 18,159.87	\$ -	\$ 18,159.87	\$ -	\$ 18,159.87	0.80%
557.00 Professional Liability Insurance	\$ 68,105.00	\$ -	\$ 68,105.00	\$ -	\$ 68,105.00	2.99%
561.00 Professional Development	\$ 49,174.85	\$ -	\$ 49,174.85	G \$ (1,562.64)	\$ 47,612.21	2.09%
562.00 Professional Licenses	\$ 5,473.75	\$ -	\$ 5,473.75	\$ -	\$ 5,473.75	0.24%
570.00 Publications	\$ 8,414.41	\$ -	\$ 8,414.41	\$ -	\$ 8,414.41	0.37%
580.00 Software Maintenance	\$ 76,481.62	\$ -	\$ 76,481.62	\$ -	\$ 76,481.62	3.36%
585.00 Use Tax Expense	\$ 1,217.08	\$ -	\$ 1,217.08	\$ -	\$ 1,217.08	0.05%
587.00 Profit Sharing	\$ 100,000.00	\$ -	\$ 100,000.00	H \$ (100,000.00)	\$ -	0.00%
595.00 Interest Expense	\$ 523.27	\$ -	\$ 523.27	I \$ (523.27)	\$ -	0.00%
596.00 Depreciation Expense	\$ 119,959.46	\$ -	\$ 119,959.46	\$ -	\$ 119,959.46	5.27%
597.00 Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
598.00 Uncollectible	\$ 2,300.00	\$ -	\$ 2,300.00	J \$ (2,300.00)	\$ -	0.00%
603.00 Job Cost Variance	\$ (72,546.35)	\$ -	\$ (72,546.35)	\$ -	\$ (72,546.35)	-3.18%
621.00 Travel	\$ 51,139.89	\$ -	\$ 51,139.89	\$ -	\$ 51,139.89	2.25%
622.00 Meals	\$ 6,916.39	\$ -	\$ 6,916.39	K \$ (18.18)	\$ 6,898.21	0.30%
623.00 Lodging	\$ 30,847.04	\$ -	\$ 30,847.04	\$ -	\$ 30,847.04	1.35%
624.00 Postage	\$ 16,664.58	\$ -	\$ 16,664.58	L \$ (408.31)	\$ 16,256.27	0.71%
625.00 Printing	\$ 9,168.60	\$ -	\$ 9,168.60	M \$ (987.50)	\$ 8,181.10	0.36%
627.00 Indirect Professional Consultant	\$ 63,821.60	\$ -	\$ 63,821.60	\$ -	\$ 63,821.60	2.80%
628.00 Indirect Misc	\$ 128.90	\$ -	\$ 128.90	N \$ (128.90)	\$ -	0.00%
691.00 Misc Expense Recovery	\$ (9,040.89)	\$ -	\$ (9,040.89)	\$ -	\$ (9,040.89)	-0.40%
<b>Total G &amp; A Overhead</b>	<u>\$ 3,030,449.38</u>	<u>\$ -</u>	<u>\$ 3,030,449.38</u>	<u>\$ (198,606.46)</u>	<u>\$ 2,831,842.92</u>	<u>124.32%</u>
<b>Total Fringe Benefits and General Overhead</b>	<u>\$ 4,022,652.71</u>	<u>\$ -</u>	<u>\$ 4,022,652.71</u>	<u>\$ (201,207.95)</u>	<u>\$ 3,821,444.76</u>	<u>167.77%</u>
Fringe Benefit Rate			43.559%		43.445%	
General Overhead Rate			133.040%		124.321%	
Total Combined Rate			<u>176.599%</u>		<u>167.766%</u>	

- A. FAR doesn't allow BOD Insurance 31.205-19
- B. FAR doesn't allow gain on related party rent 31.205-11 & 31.205-36
- C. FAR doesn't allow personal items such as flowers, donuts, and treats 31.205-13
- D. FAR doesn't allow for employee relation 31.205-13
- E. FAR doesn't allow for advertising/promotion 31.205-1 & 31.205-38
- F. FAR doesn't allow contributions 31.205-8
- G. FAR doesn't allow entertainment costs 31.205-14
- H. FAR doesn't allow profit sharing 31.205-6
- I. FAR doesn't allow interest expense 31.205-20

J.	FAR doesn't allow for uncollectible items	31.205-3
K.	FAR doesn't allow personal items such as donuts and treats	31.205-13
L.	FAR doesn't allow for personal items such as mailing Christmas cards	31.205-1
M.	FAR doesn't allow for personal items such as printing Christmas cards	31.205-1
N.	FAR doesn't allow for miscellaneous	31.201-2

Facilities Capital Cost of Money		
Average Net Book Value for 2016	\$ 973,360.00	\$ 973,360.00
Average Treasury Rate(for the year of review)	<u>2.19%</u>	<u>2.19%</u>
Computed Facilities Capital Cost of Money	\$ <u>21,316.58</u>	\$ <u>21,316.58</u>
Direct Labor Base	\$ <u>2,277,849.06</u>	\$ <u>2,277,849.06</u>
Facilities Capital Cost of Money Rate	<u>0.9358%</u>	<u>0.9358%</u>
Vehicle Costs and Mileage Rate		
Vehicle Expenses	\$ 27,081.88	\$ 27,081.88
Depreciation	\$ 13,075.00	\$ 13,075.00
Maintenance, accessories, parts, and tires	\$ 21,621.05	\$ 21,621.05
Insurance	\$ 11,895.00	\$ 11,895.00
Licenses/Permits	\$ <u>1,650.75</u>	\$ <u>1,650.75</u>
Total Vehicle Costs	\$ <u>75,323.68</u>	\$ <u>75,323.68</u>
Total Vehicle Miles	<u>95,370</u>	\$ 95,370.00
Vehicle Mileage Rate for 2013	\$ <u>0.7898</u>	\$ <u>0.7898</u>