



Indirect Cost Rates Adjustments for Paycheck Protection Program (PPP) Loan Forgiveness

Consultant Firms with Oregon Department of Transportation (ODOT) Approved Billing Rates

Interpretive Guidance Document

ODOT Procurement Office and ODOT External Audit Services

March 28, 2022

BACKGROUND

This guidance establishes the ODOT Procurement Office and External Audit Services' position on the treatment of professional service consultant firms' Paycheck Protection Program (PPP) loans received from and forgiven by the Small Business Administration. Our position is in compliance with the attached Federal Highway Administration (FHWA) Memorandum dated March 24, 2021.

This guidance document is intended to clarify how the federal regulations (FAR part 31) is applicable to the relief programs and how professional and related service consultants, required to utilize ODOT approved billing rates, should address the loans in their indirect cost rate (ICR) schedules (also known as overhead cost rate). The accounting treatments described herein apply only to loan amounts which are forgiven, loan amounts repaid do not require such treatment. *Please note we may update this guidance as we receive new information, or further guidance from the Federal Government regarding PPP loans.*

FEDERAL REQUIREMENTS – SUMMARY

The FAR and guidance from the Federal Highway Administration (FHWA) address how to treat forgiven PPP loans in ICR for government contracts.

The FAR requires a credit to the government, either as a cost reduction or by cash refund, when a firm receives an allowance, rebate or other credit relating to an allowable cost. The FAR, in 48 CFR 31.201-5 says in part:

...The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund...

FHWA's March 24, 2021 memorandum affirmed that when PPP loan proceeds are applied to a firm's costs (direct or indirect) within the scope of a federally funded contract and the PPP loan is forgiven, appropriate adjustments to consultant accounting records become necessary to comply with 48 CFR part 31.

CALCULATION OF OVERHEAD RATE ADJUSTMENT

- Applies only to PPP loan amounts which are forgiven (not to those that are paid).
- Credit for forgiven PPP funds will be made through an adjustment to the firm's indirect cost rate (ICR) per 48 CFR 31.201-5 and the attached FHWA Memorandum. ODOT will not accept a direct credit to individual projects.
- If the adjustment is split over multiple ICR accounts (e.g., indirect labor, rent, etc.), the firm must provide a reconciliation calculation verifying that the full forgiven PPP amount was credited.
- If the credited amount is less than the total forgiven amount, the firm must provide an explanation and detailed supporting documentation for the reduced credit.
- The firm must provide a completed PPP Information section of the cost disclosure questionnaire (CDQ) (attached) and all supporting documentation with their annual ICR submittal.
- All ICR schedules, audited or unaudited, should include a footnote stating whether the firm received a PPP loan and the current status of any loan forgiveness as of the date of issuance of the schedule or audit report.
- The audit report on the ICR schedule by an independent CPA firm should disclose information regarding PPP loans including loan amounts, approval dates, forgiveness status, forgiven amounts, covered period for forgiveness, application of forgiven funds and repayment of principal.
- When ODOT is performing a review of a consultant firm's ICR, and related audit report by their certified public accounting (CPA) firms (if applicable), we may request additional information to gain appropriate assurance that any PPP forgiveness credit was calculated and allocated properly.

Contact the External Audit Services group for specifics on the credit calculation, see below for contact information.

The External Audit Services group recommends that firms use this same guidance for other COVID-19 related Federal funding that requires a credit to the Federal government.

Interpretive Guidance - PPP Loan Forgiveness Indirect Cost Rate Adjustments

CONTACT

For questions regarding this guidance, please contact Margaret Cole, External Audit Manager, Margaret.A.Cole@odot.oregon.gov, (503) 586-9390, ODOTExternalAudit@odot.oregon.gov; or, the ODOT Billing Rate Specialists at ODOTBillingRateUpdates@odot.oregon.gov.

ATTACHMENTS

1. FHWA Memorandum: Treatment of Paycheck Protection Program Funds for Architectural and Engineering Consultants Guidance March 24, 2021
2. ODOT Cost Disclosure Questionnaire (CDQ) | Paycheck Protection Program (PPP) Questions
3. ODOT Guidance for Paycheck Protection Program (PPP) Adjusted Overhead Cost Rate | ODOT Procurement and Contract Administration