

Consultant Advisory  
2010-5 - Revised  
December 22, 2010

## MANDATORY OVERHEAD COST RATE CERTIFICATION EFFECTIVE JANUARY 1, 2011

The Federal Highway Administration (FHWA) has issued a new policy, effective **January 1, 2011**. FHWA Order 4470.1A, dated October 27, 2010 requires that consultants provide a document certifying the following with regard to overhead rates: That the costs used to establish overhead cost rates for Federal-aid engineering and design related services contracts do not include any costs which are expressly unallowable; and that the overhead cost rate was established only with allowable costs. The certification is to provide assurance that the overhead cost rate was calculated in accordance with the applicable cost principles contained in the Federal Acquisition Regulations (FAR) of Title 48, Code of Federal Regulations (CFR) part 31. The FHWA Order is available on FHWA's Consultant Services web site at <http://www.fhwa.dot.gov/programadmin/consultant.cfm>.

All engineering and design related consultant services contracts awarded or modified, after January 1, 2011, must include a consultant certification of the allowability of costs used to establish the overhead cost rate(s). **This requirement is applicable for prime consultants as well as subconsultants.** MDOT will not accept or approve overhead cost rates, or award any contracts, until the overhead costs have been certified by an official (Executive or Chief Financial Officer) of each company as being allowable, in accordance with the applicable FAR cost principles.

Prime and Subconsultants will be required to submit form 5108, attached, with each cost derivation, prior to contract award, as well as with any contract revision/amendment, or when an overhead cost rate has been modified during the course of a contract.

Please note penalty for falsification of this document can be severe. A prime consultant or subconsultant found to have knowingly charged unallowable costs to a Federal-aid funded contract is subject to suspension and debarment action by the FHWA (as specified in FHWA Order 2000.2A, FHWA Nonprocurement Suspension and Debarment process (Federal-Aid Program), dated June 19, 2000.

If you have any questions, please contact Carol Rademacher at (517) 373-3382.

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