

Consultant Advisory

2019-4

March 15, 2019

MDOT, CSD, Consultant
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Consultant Advisory
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Non-Labor Direct Costs on Actual-Cost Plus Fixed Fee Contracts

Non-labor direct costs, whether proposed or billed, must **not** represent costs that are **also** billed through an indirect cost rate, as in accordance with 48 CFR 31.201-2, 31.201-4, 31.202(a), and 31.203(b). The direct billing of unallowable costs is generally a by-product of billing at “standard” or “unit” rates, which typically are meant to be representative of actual costs.

Generally, and where applicable, in order to avoid disallowance of directly-billed non-labor costs, consultants must remove from the indirect cost rate all project-related usage, generally at the billing rate, regardless of the client.

Common examples of directly-billed costs that might be unallowable because of the inclusion of the associated costs in the indirect cost rate:

1. Daily usage rates for company-owned vehicles and equipment
2. Mileage on company-owned vehicles
3. Testing fees for company-performed tests
4. Service fees for company-performed services such as drilling

For example, a consultant might propose and bill daily usage costs for vehicles assigned to projects. Such daily rates could, and often do, represent a daily portion of the depreciation, insurance, fuel, maintenance, and other related costs for a vehicle. However, some or all costs might already be in the indirect cost rate and, therefore, ineligible for direct billing.

Of similar importance to crediting the indirect cost rate for direct billings on cost-type contracts is the concept that consultants must track usage and similarly credit their indirect cost rate across all contract types (e.g., lump sum) and all clients (e.g. private sector, local government). Failure to comprehensively track usage and credit indirect costs can result in both a) disallowance of directly-billed costs and b) adjustment to indirect cost rates.

Consultants desiring to directly-bill non-labor costs at standard rates should:

1. Ensure proper cost accounting (allocating costs between projects (direct) and indirect)
2. Keep detailed records to support usage across all projects and clients
3. Ensure that standard rates are reasonable and supportable

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Any allowable cost that a consultant does not directly associate with a project can generally remain classified as indirect and the consultant can recover the cost through the indirect cost rate.

A consultant's unbilled or unbillable project-related usage must remain classified as direct and must be credited to indirect costs.

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