



Welcome!!!

***Disadvantaged Business Enterprise
Supportive Services Webinar:
“FAR 31 Compliance”***

We will begin the webinar shortly!

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Disadvantaged Business Enterprise Supportive Services Webinar

“FAR 31 Compliance”
Monica Miles, President
MHM Financial Services, Inc.



Your Host: Chloe Miles




1. Today's presentation will be available on our website at www.mhmiles.com
2. You will be in listen mode during this webinar
3. You can "Raise your hand" if you have a question by utilizing the control panel
4. There will be time for questions and answers at the end of the presentation

Disadvantaged Business Enterprise Supportive Services Consultant

MHM Financial Services, Inc.
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Washington, DC 20001
Full Service Certified Public
Accounting Firm



Today's Agenda

1. Introduction of Today's Webinar Guest Speaker
 2. The "Basics" of FAR 31 Compliance
 3. Overview of Disadvantaged Business Enterprise Supportive Services
 4. Questions & Answers
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Your Presenter:

Monica Miles

Ms. Miles, President of MHM Financial Services, Inc. (MHMFS) has more than eighteen (18) years of experience in the fields of auditing, accounting, and consulting. During the past fourteen (14) years, Ms. Miles has specialized in governmental contract auditing and contract compliance. During the past eight (8) years, she has specialized in the transportation industry. Ms. Miles has extensive experience with DBE Supportive Services (DBE SS), DBE eligibility (49 CFR Part 26 and Part 23), contract compliance auditing, Davis-Bacon compliance, and with FAR 31 compliance.

Monica received a MBA from Adelphi University and a BS from Cornell University. She is a Certified Public Accountant and is a member of the Greater Washington Society of CPAs.



Monica Miles,
President, MHM
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Inc.

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The “Basics” of FAR 31 Compliance



This Webinar is particularly relevant to Architectural & Engineering (A&E) firms and to non-engineering professional services firms and suppliers that participate on Transportation-related contracts.

Learning Objectives

- You will learn about FAR 31 cost principles
 - You will learn how FAR 31 is relevant in the contracting environment
 - You will learn what costs are typically unallowable per FAR 31 cost principles
 - You will learn how having an adequate accounting system will help you to maintain your firm's compliance with FAR 31 cost principles
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What is FAR 31?

- The “*Federal Acquisition Regulation, Part 31*” (FAR) is codified at 48 CFR Part 31.
 - “CFR” - Code of Federal Regulations detail general and permanent rules and are published in the Federal Register by executive departments and agencies of the Federal Government.


What is FAR 31? (continued)

- The “*Federal Acquisition Regulation, Part 31*” (FAR) is the primary regulation governing the acquisition of supplies and services with Federal Funds.

When is FAR 31 Relevant?

- Federal-Aid Contracts
 - Refers to agreements for the acquisition of supplies and services that are partially- or fully-funded from Federal sources. “Government contracts” is a more encompassing term, as it includes Federal-aid contracts and all other contracts with governmental entities, including contracts that are fully funded by State or municipal governments.


Cost Principles of FAR Subpart 31.2

- These principles establish the framework for determining allowable and unallowable charges against Federal-aid contracts. FAR Subpart 31.2 lists expressly unallowable costs and establishes criteria for determining the allocability and reasonableness of cost items.
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Allowable Cost

- May either be billed directly to contracts or included as overhead costs; however, FAR 31.201-2 provides that a cost is an *allowable* charge to a Government contract only if the cost is-
 - Reasonable in amount,
 - Allocable to Government contracts,
 - Compliant with the terms of the contract

Allowable Cost (continued)

- Compliant with Generally Accepted Accounting Principles and standards promulgated by the Cost Accounting Standards Board (when applicable), and
 - Not prohibited by any of the FAR Subpart 31.2 cost principles.
- 

Allowable Cost (continued)

- Reasonable in amount


A cost is “reasonable” if, in its nature and amounts, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

Allowable Cost (continued)

- Allocable to Government contracts

A cost is “allocable” if it is assignable or chargeable to one or more cost objectives or cost centers on the basis of either the relative benefits received or some other equitable relationship.

Allowable Cost (continued)

- Compliant with Generally Accepted Accounting Principles and standards promulgated by the Cost Accounting Standards Board (when applicable)
- 

Allowable Cost (continued)

- Compliant with the terms of the contract

Allowable Cost (continued)

- Not prohibited by any of the FAR Subpart 31.2 cost principles.

Unallowable Costs

Costs that are expressly or mutually agreed to be unallowable, **including directly associated costs**, must be identified and excluded from any billings, claim, or proposal applicable to a Government contract.

Direct and Indirect Costs

Direct cost- any cost (whether reimbursable or not) that can be identified specifically with a particular project or contract.

Indirect cost- costs not associated with a particular project/contract or single cost objective.


Indirect Costs (continued)

Indirect costs are accumulated into what is known as the “indirect cost pool” or “overhead cost pool”.

- Logical groupings (i.e. fringe benefits; general overhead)
- Recorded in accordance with GAAP
- Consistently allocated (i.e. direct labor cost; direct labor hours)


Selected Areas of Cost Trade Show Expenses and Labor

Per FAR 31.205-1(f)(2), unallowable public relations and advertising costs include “all costs of trade shows and other special events which do not contain a significant effort to promote the export sales of products normally sold to the US Government.”



Selected Areas of Cost Trade Show Expenses and Labor (continued)


The unallowable costs specified in FAR 31.205-1(f)(2) pertain to exhibiting products and services at trade shows. Accordingly, labor costs for booth attendants, and other associated costs such as booth rental and promotional items, must be disallowed- unless incurred for the export sales purposes described above.



Selected Areas of Cost (continued)

Bad Debt and Collection Costs


Per FAR 31.205-3, Bad debts, including actual or estimated losses arising from uncollectible amounts receivable due from customers and other claims, and any directly associated costs such as collection and legal costs are unallowable.



Selected Areas of Cost (continued)

Personal Use of Company Vehicles


Per FAR 31.205-6(m)(2), this cost is unallowable, including the portion of cost related to transportation to and from work regardless of whether the cost is reported as taxable income to the employees. Cost associated with luxury vehicles warrant additional attention to ensure costs are reasonable, allowable, and allocable.



Selected Areas of Cost (continued)

Contributions or Donations


Per FAR 31.205-8, contributions or donations, including cash, property, and services, are unallowable except for costs of participation in community service activities such as blood bank drives, charity drives, disaster assistance, and/or similar types of activities.



Selected Areas of Cost (continued)

Employee Morale, Health, and Welfare


Per FAR 31.205-13 (Employee Morale) and FAR 31.205-14 (Entertainment), unallowable costs include, but are not limited to:

- Entertainment provided as part of public relations, employee relations, or **company celebrations**;
 - Gifts to the public;
 - **Gifts to employees** that are not based on performance/achievement or are not made according to an established plan or policy;
 - **Travel tickets or tickets to shows or sporting events**; and
 - Recreational trips, shows, picnics or **parties**.
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Selected Areas of Cost (continued)

Fines and Penalties

Per FAR 31.205-15, costs of fines and penalties resulting from violations of, or non-compliance with, Federal, State, local, or foreign laws and regulations, are unallowable except when incurred as a result of compliance with specific terms and conditions of the contract or written instructions from the contracting officer.



Selected Areas of Cost (continued)

Interest Costs

Per FAR 31.205-20, interest on borrowings (however represented), bond discounts, costs of financing and refinancing capital, legal and professional fees paid in connection with preparing prospectuses, and costs of preparing and issuing stock rights are unallowable.

Selected Areas of Cost (continued)


Organization and Reorganization Costs

Per FAR 31.205-27, all costs incurred in connection with planning or executing the organization or reorganization of the corporate structure of a business, including mergers and acquisitions, or raising capital are unallowable.

Selected Areas of Cost (continued)

Rent/Lease Costs

Per FAR 31.205-36, rent/lease costs paid to a third party at prevailing market rates are generally allowable in full. By contrast, special consideration is required for arrangements that are either structured as capital leases (a.k.a. financing leases) or involve common control.



Selected Areas of Cost (continued)

Alcoholic Beverages

Per FAR 31.205-51, costs of alcoholic beverages are unallowable, and the engineering consultant's records should clearly segregate these costs, which must be excluded from the indirect cost schedule. Additionally, these costs must be excluded from any direct billings to Government contracts.

Selected Areas of Cost (continued)

Listing of Common Unallowable Costs

FAR Ref	Unallowable Costs
31.205-1 & 31.205-38(b)(1)	Advertising
31.205-1(f)(2)	Trade Show Expenses
31.205-1(f)(2)	Trade Show Labor
31.205-1(f)(5)	Brochures and Other Promotional Materials
31.205-1(d)(2)	Souvenirs/Imprinted Clothing Provided to Public
31.205-1(f)(7)	Membership in Civic & Community Orgs
31.205-3	Bad Debts

Selected Areas of Cost (continued)

Listing of Common Unallowable Costs

FAR Ref	Unallowable Costs
31.205-3	Collection Costs
31.205-6(m)(2)	Personal Use of Company Vehicles
31.205-8 & 31.205-1(e)(3)	Contributions or Donations
31.205-13(b)	Employee Gifts and Recreation
31.205-14	Membership in Social, Dining, & Country Clubs
31.205-14	Social Activities
31.205-15(a)	Fines, Penalties, and Mischarging Costs Related to Violation of Laws

Selected Areas of Cost (continued)

Listing of Common Unallowable Costs

FAR Ref	Unallowable Costs
31.205-19(e)(2)(v)	Life Insurance on Key Employees
31.205-19	Costs to Correct Defects in Materials and Workmanship
31.205-20	Interest Expense
31.205-22	Lobbying and Political Activity Costs
31.205-27	Organization/Reorganization Legal Fees
31.205-27	Organization/Reorganization Accounting Fees
31.205-46	Travel Costs in Excess of FTR Rates

Selected Areas of Cost (continued)
Listing of Common Unallowable Costs

FAR Ref	Unallowable Costs
31.205-49	Goodwill
31.205-51	Alcoholic Beverages

Burden of Proof

Costs must be supported and per FAR 31.201-2(d), engineering consultants must maintain adequate records, including supporting documentation to demonstrate that the costs comply with applicable FAR cost principles. The contracting officer may disallow all or part of a claimed cost that is inadequately supported.

Why It Is Critical to Know Allowable Costs

- Cost Plus Fixed Fee Agreement
 - An agreement in which all the cost factors, except the fixed fee, are based on the engineering consultant's actual allowable costs. The fixed fee is a specific, predetermined amount, as identified in the agreement.

Why It Is Critical to Know Allowable Costs (continued)


- Lump Sum (Fixed Price) Agreement
 - An agreement in which all the method of payment for delivered goods and/or services is a fixed amount that includes salaries, overhead, and profit. Once the lump-sum amount is determined, the goods and/or services must be provided regardless of the engineering consultant's actual costs. No adjustments are permitted to compensate the engineering consultant for costs in excess of the contract's fixed amount unless there is a significant change in the scope of work that results in an approved change order.

Why It Is Critical to Know Allowable Costs

- Negotiated Hourly Rate Agreement
 - An agreement in which hourly billing rates (including labor, overhead, and net fee) are negotiated in advance and are listed for a period of one year or more.


How To Maintain Compliance With FAR 31

- **Keys to Success**


- Ensure that your firm invests in an accounting system that properly captures, processes, and reports data.
 - Ensure that the system is regularly monitored and that internal controls are in place and are functioning.
 - Ensure that written policies and procedures are adopted and adhered to.
 - Ensure that your firm has personnel in place who are familiar with the FAR and with FAR compliance.
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Elements of a FAR 31 Compliant Accounting System

At a minimum, your system should:

- Incorporate a timekeeping system that records labor by cost objective.
 - Allows for separation of direct vs. indirect costs.
 - Identifies and segregates FAR 31 unallowables.
 - Produces a comprehensive job cost ledger.
 - Allows for invoicing directly from the accounting system.
 - Allows for the generation of financial statements.
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References

- Federal Acquisition Regulations Part 31
 - American Association of State Highway and Transportation Officials (AASHTO) Guide
 - Generally Accepted Accounting Principles
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Disadvantaged Business Enterprise Supportive Services



MHM-FS is working on behalf of DDOT to provide technical assistance and consulting services to DDOT and WMATA-certified DBE firms to assist them in developing and growing their business, and increasing their capacity to perform on DDOT projects.

Through workshops, webinars and trainings, the DBE Supportive Services team is providing DBE firms with the necessary technical assistance and knowledge to become competitive, self-reliant businesses. Some of the events hosted by the DBE Supportive Services staff include:

- Architecture and Engineering (A/E) Workshop
- One-on-One Technical Assistance with the completion of Standard Form 330
- One-on-One Marketing Assistance
- Contract Basics: A Two Part Webinar Series
- Doing Business with DDOT: How to Prepare a Winning Bid Proposal
- Construction Math, Blueprint Reading and Estimating
- DDOT 101 Orientation (bi-monthly webinar)

Disadvantaged Business Enterprise Supportive Services Locations & Hours

Personnel

Monica Miles, Contract Administrator

Cherese Myree, Assistant Contract Administrator

Chloe Miles, Disadvantaged Business Enterprise Supportive Services
Administrator

Susan Sessum, Disadvantaged Business Enterprise Supportive Services
Assistant Administrator

On-Site Office: District Department Of Transportation's Business Opportunity and Workforce Development Center (BOWDC)

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MHM Financial Services Office Hours at the BOWDC:

Tuesday: 9:00 am- 1:00 pm

Thursday: 12:30 pm- 4:30 pm



Questions?



Monica Miles
President
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Chloe Miles
Project Administrator
District Department of
Transportation- Disadvantaged
Business Enterprise Supportive
Services

We will keep the question window panel open until 12:00 pm
Participants will receive an emailed copy of all questions and answers related to this webinar



Would you like a copy of this presentation?

Send an email to cmiles@mhiles.com

For additional information contact:

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SAVE THE DATE

Register Now !

Disadvantaged Business Enterprise Supportive Services

“Marketing: The Next Level” Webinar

Tuesday, October 2nd, 2012, 2:00 pm- 4:00 pm

“DDOT 101 Orientation” Webinar

Monday, October 15th, 2012, 10:00 am- 12:00 pm

“Doing Business with Parsons Brinckerhoff Information and Networking Session”

Tuesday, October 16th, 2012, 2:00 pm – 4:00 pm

For more information, please contact Chloe Miles at cmiles@mhmmiles.com
or (202) 525-2740

