

Missouri Department of Transportation

Audits and Investigation Division

Contract/Purchased Labor Policy

Reference

AASHTO Uniform Audit & Accounting Guide
Reference Cost Accounting Standards (CAS) 418

MoDOT has developed the following policy as it relates to consultant us of design-related contract/purchased labor costs reported in a firm's overhead rate schedule. This policy ensures consistency of these costs in government contracting and adherence to federal requirements.

Per CAS 418, Contract/purchased labor must share in an allocation of indirect expenses where such a relationship exists and the allocation method is consistent with the engineering consultant's disclosed accounting practices.

Firms must provide in their financial prequalification documents, one of the following options:

- A written explanation of the process, policies and procedures used to identify, calculate, and track the labor costs to include payroll additives such as, taxes, fringe benefits, bonuses or commissions paid to the contract/purchased labor.

OR

- A separate allocation base may be necessary to allocate significant costs to contract/purchased labor, such as supervision and occupancy costs or to eliminate other costs, such as fringe benefits, that do not benefit contract/purchased labor.

If a separate allocation base is not created, or the contract/purchased labor costs cannot be supported by established accounting practices and actual costs, the cost must be removed from the overhead schedule.