ACEC National Recap of AASHTO Audit Committee Meeting on Firm Overhead & PPP Loan Forgiveness

On August 28th, ACEC National Vice President for Transportation Programs Matt Reiffer and FAR consultant Dan Purvine led a meeting between ACEC member firm representatives, CPA firms, and State DOT auditors at the virtual American Association of State Highway Transportation Officials (AASHTO) Audit Committee Conference. There were approximately 170 participants in the liaison meeting, the vast majority of whom were DOT representatives.

Matt and Dan reviewed the questions and concerns they are hearing from ACEC member firms about the impact of the pandemic and resulting changes in business practices on their overhead rates. While the specific circumstances vary for each firm, in general, many firms anticipate a lower overhead rate for 2020 because of decreased indirect costs (less travel, conferences, marketing activities, etc.) and increased direct costs from higher-than-expected staff utilization. Some firm indirect cost rates will go up because of work stoppages and a significant amount of unproductive labor, and/or because of increased IT equipment purchases to accommodate remote work.

Matt and Dan also noted the uncertainty about the FAR treatment and potential of a credit to indirect costs from forgiven PPP loans. They summarized the current federal guidance and ACEC engagement seeking correction and clarification on this issue, including the impact on firms performing primarily state and local agency work, not direct federal contracting.

One State DOT representative said that there have been some basic conversations among the state DOT auditors about the impact of the pandemic on firm rates. There seems to be an understanding among the DOTs that 2020 is an anomalous year and rates will fluctuate much more widely than under normal circumstances. They are also aware of the PPP questions and concerns. The topics will be on the agenda for an October meeting of the DOT auditors. None of the states have developed any specific guidance or response yet, as the year is not over and the specific impacts are not completely known. They also noted that they would rely on FHWA guidance, especially on the FAR treatment of forgiven PPP loans.

ACEC and AASHTO representatives agreed to establish a small working group of members to continue talking through these issues and try to identify some consistent and reasonable options for accommodating industry concerns. No timeline was set, but there is an awareness of the urgency to provide as much certainty to firms as possible. FHWA officials will be included in those discussions. We will continue to keep you updated as new developments become available.