

Policy on Costs Incurred by the Responsible Charge (RC) Person For Federal-aid Projects Funded through FHWA

The following is the Nebraska Department of Roads (NDOR) policy with respect to Federal-aid reimbursement for duties carried out by the designated Responsible Charge (RC) person on a Federal-aid transportation project in Nebraska.

Costs associated with work performed by the RC will be allowed to the extent that they are eligible for Federal-aid participation and are properly attributable or allocable to Federal-aid transportation projects.

Local Public Agency (LPA) can claim reimbursement for both direct and indirect RC costs.

LPA must be mindful that indirect costs will only be allowed if: 1) the LPA has an indirect cost allocation rate that is supported by an Indirect Cost Allocation Plan (ICAP) which has been developed in accordance with 2 CFR 225 – Cost Principles for State, Local and Tribal Governments [OMB Circular A-87], and 2) the indirect cost allocation rate has been approved in advance by NDOR. *(If the LPA has already in place an ICAP which has been reviewed and approved by the LPA's cognizant Federal agency, the ICAP will be considered for acceptance by FHWA and NDOR.)*

A. - **Direct costs** are incurred specifically for the benefit of a Federal-aid transportation project, and include:

1. Direct Salaries and Wages costs – for time devoted and identified specifically to project related activities and based upon actual hours as documented by time reports that account for all hours compensated during the pay period and billed at actual labor rates. Time reports must include project description, project number, pertinent work phase, dates of service, individual's name and position (*as required by LPA Manual Chapter 13, paragraph. 13.4.7*).
2. Labor Fringe Benefits – provided they are:
 - a) reasonable,
 - b) required either by law, labor agreements or an established policy of the LPA,
 - c) are equitably allocated to all activities,
 - d) the accounting basis (cash or accrual) is consistently followed by the LPA,
 - e) are eligible in accordance 2 CFR part 225 (OMB Circular A-87), and
 - f) the allocation rate has been reviewed and approved by NDOR and/or FHWA.

Typical fringe benefit costs include:

- Paid Leaves (holiday, vacation, sick, court, military, etc.)
 - Employer contributions or expenses for:
 - a. Social Security and Medicare
 - b. Employee life and life insurance
 - c. Unemployment insurance
 - d. Worker's compensation insurance
 - e. Retirement/Pension plan costs
 - f. Other similar benefits
3. Direct Non-labor costs – subject to limitations and restrictions in the project agreement and provided that costs of this nature are not also included in an indirect cost rate and are necessary to fulfill the RC's responsibilities toward Federal-aid transportation projects.
Typical costs might include:

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- Vehicle use – mileage rates established per project agreement
- Travel expenses – meals, lodging, etc. – subject to limitations in project agreement
- Materials or items purchased or used specifically for a project
- Rental or use of other machinery, equipment or engineering surveying instruments, etc.
- Purchase of approved equipment or other capital expenditures necessary for the project
- Contracted services or expense items necessary to carry out the project
- Advertisements soliciting personnel, goods or services necessary to carry out the project

B. - **Indirect costs** are incurred for common purposes and provide a benefit to the entire organizational entity. These costs are recovered through an indirect cost rate applied as a percentage to direct labor. Important considerations for LPA's in deciding whether to bill for indirect costs, include, but are not limited to:

1. The indirect cost rate **must be approved in advance** by NDOR.
2. There must be adequate documentation to support the indirect cost rate.
3. The LPA's accounting system must have the ability to identify, segregate and accumulate project and non-project costs.
4. Costs must meet the following general criteria:
 - a. Be necessary and reasonable.
 - b. Be allocable to Federal-aid projects under the provisions of 2 CFR part 225.
 - c. Be authorized or not prohibited under State or local laws or regulations.
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal-aid project, or other governing regulations as to types or amounts of cost items.
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal-aid projects and other activities of the governmental unit.
 - f. Be accorded consistent treatment. A cost may not be assigned to a Federal-aid project as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal-aid project as an indirect cost.
 - g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
 - i. Be the net of all applicable credits.
 - j. Be adequately documented.