



Florida Department of Transportation

CHARLIE CRIST
GOVERNOR

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June 24, 2010

Notice: Change to Department's Field Office Direct Expense Policy for General Consultant Contracts and "Extension of Staff" Contracts

History:

Since 2003, Florida Department of Transportation (FDOT) has required consultant firms to provide annual audit reports that include an audited listing of actual direct costs recorded from the firm's job cost reports and the general ledger. The audit listing of direct costs is used to develop a direct expense rate, which is defined as direct costs in relation to the direct labor base. Separate direct expense listings are required for Home and Field Offices. Field Office direct costs are to be accumulated and reported from job cost records for projects associated with field offices. For purposes of calculating the field office direct expense rate, FDOT has defined field office projects as any projects where consultant staff are performing work from offsite locations. This would include projects where the consultant offices are in field locations (consultant engineering inspection type contracts), as well as "extension-of-staff" contracts involving consultant staff working away from their home or branch offices in State owned/leased offices.

Modified Policy:

The Department is modifying its policy regarding accounting treatment and calculation of the field office direct expense rate. For contracts where the consultant's staff are exclusively working in State owned/leased offices, the related direct expense costs will be treated differently. The field office direct expense rate will no longer be used to compensate direct expenses for general consultant or "extension of staff" type contracts where consultant staff work from State owned/leased offices. FDOT general consultant contracts and "extension of staff" contracts, both of which the consultant is exclusively working from an FDOT provided office should reimburse direct expense costs on the basis of actual expenses or lump sum expenses established from a detailed estimate, in lieu of the field office expense rate.

To implement this policy, the consultant's job cost accounting system and audit report must separate out all direct expenses related to projects on which consultant staff work from State owned/leased offices, including the related direct labor. These costs shall be excluded from the costs used for calculating the field office direct expense rate. This is not a termination of the field office direct expense rate, only an adjustment to the cost pool used to calculate the rate.

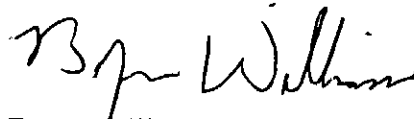
This policy impacts the field office direct expense rate only. The field office overhead rate and both of the home office rates will not be impacted. This policy is effective for the subject contracts executed after July 1, 2010.

Please note that the Department's policy for reimbursement of direct expenses for construction engineering inspection (CEI) type contracts remains unchanged. CEI contracts will continue to be reimbursed on the basis of direct expense percentage, except for field office setup, mobilization, rent, and utilities which are reimbursed directly on the CEI contract. For more details on reimbursement of direct expenses for CEI contracts, please refer to the policy letter dated April 13, 2007, available on the Procurement website at the following link: <http://www.dot.state.fl.us/procurement/prequalification.shtm>

All consultants should immediately forward this e-mail to the independent CPA who prepares their annual audits.

If there are any questions, please contact Jeffrey Owens at (850) 414-4539 or by e-mail at Jeffrey.owens@dot.state.fl.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron Williams". The signature is written in a cursive, flowing style.

Byron Williams, Manager
Procurement Office