



SAFE HARBOR INDIRECT COST RATE POLICY AND REQUIREMENTS

This policy supersedes the Arkansas Department of Transportation (ARDOT) Indirect Cost Rate Audit Requirements adopted in July 2013.

In 2019, the Federal Highway Administration (FHWA) provided guidance on allowing use of a Safe Harbor Rate to firms previously unable to participate in federally funded projects. This guidance provided the framework for ARDOT to establish requirements for use of a Safe Harbor Rate cost rate in the award of federally funded contracts and to expand the pool of engineering and professional service consultants available to perform work for ARDOT and Arkansas's Local Public Agencies including cities, counties, and Metropolitan Planning Organizations. The newly adopted policy removes financial hurdles that previously prevented new, small, and DBE consulting firms from participating in state and federally funded consultant contracts.

Use of the Safe Harbor Rate is voluntary for both ARDOT and the requesting firm. Firms may request the use of the Safe Harbor Rate if they meet at least one (1) of the following eligibility criteria:

- employ fewer than 25 employees,
- are a Certified DBE,
- are a new firm without the cost history needed to develop a FAR-compliant indirect cost rate; or
- have no accounting structure in place to develop a FAR-compliant indirect cost rate.

The Safe Harbor Rate is not intended for use by firms with an indirect cost rate that has been approved by ARDOT or another State Transportation Agency within the last three years. Use of the Safe Harbor Rate is not anticipated to be allowed for more than three (3) consecutive years.

Following the first year of use of the Safe Harbor Rate, the consultant must provide an annual audit, Internal Control Questionnaire, and Certification of Final Indirect Costs attesting that all costs included in the audit are allowable in accordance with the cost principles of FAR. The consultant must also adopt an accounting system capable of:

- identifying and accumulating direct costs by contract,
- identifying employee labor by cost objectives,
- segregating direct and indirect employee labor costs; and
- establishing a cost history for the development of a FAR-compliant indirect cost rate.

If the consultant fails to demonstrate a positive commitment to FAR compliance, use of the Safe Harbor Rate will be disallowed.

**ARKANSAS DEPARTMENT OF TRANSPORTATION
SAFE HARBOR RATE REQUEST**

I, the undersigned, request the use of the ARDOT Safe Harbor Rate of 110% and verify that the firm meets at least one (1) of the following eligibility criteria. (Please select the applicable reason(s) for the request).

- Employs fewer than 25 employees
- Certified DBE
- New firm without the cost history needed to develop a FAR-compliant indirect cost rate
- No accounting structure in place to develop a FAR-compliant indirect cost rate

I, the undersigned, affirm that:

- The firm has not previously had an audited overhead rate accepted by ARDOT or another STA (State Transportation Agency) within the last three (3) years.
- The firm has not requested the Safe Harbor Rate for more than three (3) consecutive years.
- While operating under a Safe Harbor Rate, the firm will implement an accounting system capable of identifying and accumulating direct costs by contract, identifying employee labor by cost objectives, segregating direct and indirect employee labor costs, and establishing a cost history for the development of a FAR-compliant indirect cost rate.
- If the firm obtains an audited rate accepted by ARDOT, the Safe Harbor Rate will become void, and the audited rate will be applied to payment for ongoing services and contracts awarded after acceptance of the rate.

I have read and understand the safe harbor policy.

Firm Name:
Fiscal Period (mm/dd/yy to mm/dd/yy):
Name of Certifying Official:
Title:
Signature:
Date of Request: