

**Arkansas Department of Transportation
Paycheck Protection Program (PPP) Requirements**

Background

The Paycheck Protection Program (PPP) was established by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES ACT). Under the Paycheck Protection Program, a recipient of a covered loan may use the proceeds to pay (1) payroll costs, (2) certain employee benefits relating to healthcare, (3) interest on mortgage obligations, (4) rent, (5) utilities, and (6) interest on any other existing debt obligations. A recipient of a PPP loan can receive forgiveness of indebtedness on the loan in an amount equal to the sum of payments made for certain eligible expenses.

Effect on Indirect Cost Rate

Architectural and Engineering firms that received a PPP loan may have to adjust their indirect cost rates if their loan is forgiven, to provide the corresponding credit to the Federal government. Any amount of PPP loans which are forgiven may need to be reflected in the ICR schedule as a credit to the applicable accounts to which the loan amounts were applied in accordance with the loan forgiveness application and 48 CFR 31.201-5 which states "The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund." No credit to the Indirect Cost Rate is required for a PPP loan if a firm chooses to repay the full amount of the loan.

Calculation of Reduced Indirect Cost Rate

The amount of the forgiven PPP loan should be credited to the Indirect Cost Rate. The amount of the forgiven loan credited to the Indirect Cost Rate can be reduced for the following items:

- PPP funds spent on unallowable indirect costs included in the forgiveness application. Excluded unallowable costs must be supported by a detailed transaction summary.
- PPP funds spent on direct costs that were not reimbursed/estimated using Federal Acquisition Regulations (i.e. commercial/private). Excluded direct costs must be supported by schedules listing the detailed transactions by excluded contract including contract client, contract basis, employee name, hours, and wages that can be reconciled to the forgiveness application.

Required Documentation

All firms need to continue to submit an Indirect Cost Rate Audit with all information that has been required in the past. Consultants who have had PPP loans forgiven will also need to provide the PPP Loan Forgiveness Application, the documentation to support information reported on the application, documentation from SBA showing the amount of the loan forgiveness, and documentation for any adjustment to the credit for loan forgiveness.

The Indirect Cost Rate Audit should disclose information regarding PPP loans including loan amounts, approval dates, forgiveness status, forgiven amounts, covered period for forgiveness, application of forgiven funds and repayment of principal.