



SUPPLEMENT TO INDIRECT COST RATE AUDIT REQUIREMENTS

SAFE HARBOR RATE

This document supplements the Arkansas Department of Transportation (ARDOT or Department) Indirect Cost Rate Audit Requirements adopted in July 2013 and applies to engineering and design service firms seeking participation in Federal-aid programs administered by the Department and local public agencies (LPAs), including cities, counties, and metropolitan planning organizations (MPOs).

Because of the cost and financial expertise needed to demonstrate compliance with Federal Acquisition Regulation (FAR) accounting requirements, some otherwise qualified consulting firms are unable to compete for Federal-Aid Highway Program (FAHP)-funded contracts. In 2019, the Federal Highway Administration (FHWA) provided guidance to contracting agencies for implementing a Safe Harbor indirect cost (overhead) rate and determining eligibility requirements as a component of risk-based oversight of costs allowable under FAR. This guidance provided the framework for ARDOT's Safe Harbor rate, which reduces initial financial and accounting burdens and encourages new, small, and Disadvantaged Business Enterprise (DBE) firms to seek participation in federally funded consultant contracts while developing a FAR-compliant indirect cost rate.

ARDOT's Safe Harbor rate is 110% and its use is voluntary for both the Department and the requesting firm. Firms may request use of the Safe Harbor Rate if they meet at least one (1) of the following eligibility criteria:

- Fewer than 25 employees,
- Certified DBE,
- New firm without cost history to develop a FAR-compliant indirect cost rate; or
- 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. ARDOT does not anticipate approving a firm's use of the Safe Harbor Rate for more than (3) consecutive years.

Upon the close of the first fiscal year in which a firm participates in a federally funded contract using the Safe Harbor Rate, submission of a written policy on bonuses, overtime, paid time off, personal use of vehicles, and plan for a path to FAR-compliance is required. Additionally, the firm may be required to attend training on FAR Compliance. Failure to meet this requirement may result in disallowance of further use of the Safe Harbor Rate.