



Washington State
Department of Transportation

Indirect Cost Rate (ICR) Training

Where Do The Numbers Come From? (Module 4)

Indirect Cost Rate (ICR) Building Blocks ²

Business Structure

There are various types of business structures. This will determine how compensation and certain expenses are recorded.

- Determine services that are allowable and allocable per Federal Acquisition Regulations (FARs).
- Establish policies and procedures that outline costs considered as direct or indirect.



Business Structure

Limited Liability Company

S - Corp

Partnership

Compensation

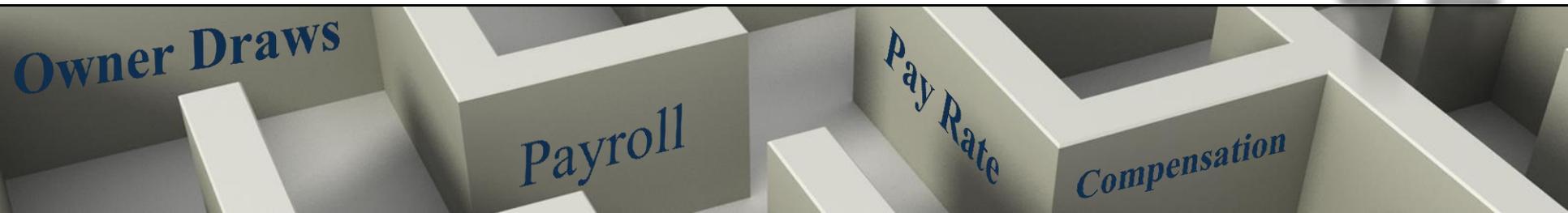
Payroll Records

- Represents what employees were actually paid.
- One source for labor expense accounts is the General Ledger (GL).
- May not line up with fiscal year – adjusting entries needed to align labor reported during the year in the financial records to the Indirect Cost Rate (ICR) Schedule –
See Module 5.

Owner Draws

- Shown on the Balance Sheet, not the Income Statement – **See Module 5.**
- Source for Owners raw labor rate.

All labor must be documented whether the payment is through a payroll register, a draw, or a distribution.



Compensation

Timesheets

- Source document to support labor hours (all hours worked).
- Source document for labor billed to an agreement.
- Should segregate direct labor from indirect labor.
- Record ALL hours worked for employees/owners (*to include administrative time*)

Refer to the timekeeping training –

<http://www.wsdot.wa.gov/Audit/guides.htm>

Your timekeeping must meet the Federal requirements in Chapter 6 of the AASHTO Audit Guide.



Timesheets

**Source
Document**

**Direct
Hours**

**Indirect
Hours**

Labor Reports

Standard LDR		Hourly Rate (based on 2080)	Total Hrs. Worked	Direct Hours	Direct \$	Direct OT Hours	OT \$ at 1.5	Indirect Office Hrs	Office \$	B&P Labor	B&P \$	Holiday Hrs	Holiday \$	Vacation Hrs	Vacation \$	Sick Hrs	Sick \$	Total \$ Column	Uncomp. O/T
Employee	Salary / Hourly																		
A. Adams	\$95,834	\$46.07	2,111.5	1,811	\$83,440.08	0	\$0.00	72.5	\$3,340.37	0	\$0.00	80	\$3,685.92	128	\$5,897.48	20	\$921.48	\$97,285.33	\$1,451.33
B. Bigsby	Hourly	\$30.00	828.0	125	\$3,750.00	22	\$990.00	605.5	\$18,165.00	66	\$1,965.00	28	\$840.00	0	\$0.00	4	\$120.00	\$25,830.00	\$0.00
C. Colton	\$143,692	\$69.08	2,297.5	1,512	\$104,453.03	0	\$0.00	403	\$27,840.33	55	\$3,799.55	88	\$6,079.28	161	\$11,122.31	78.5	\$5,422.99	\$158,717.49	\$15,025.49
D. Dean	\$143,692	\$69.08	2,246.0	1,710	\$118,131.40	0	\$0.00	295	\$20,379.39	0	\$0.00	48	\$3,315.97	185	\$12,780.30	8	\$552.66	\$155,159.73	\$11,467.73
E. Edwards	Hourly	\$17.00	147.5	13	\$221.00	14	\$357.00	134.5	\$2,286.50	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	\$2,864.50	\$0.00
Total			7,630.5	5,171	\$309,995.52	36	\$1,347.00	1,511	\$72,011.59	121	\$5,764.55	244	\$13,921.17	474	\$29,800.09	111	\$7,017.13	\$439,857.04	\$27,944.54

Labor Distribution Report (LDR)

- Populated from timesheets and from payroll records for Fiscal Year.
- Shows direct, premium overtime, and various indirect labor accounts separately.
- Indicate if employee is hourly or salary.
- Show standard rate for salary employees (Salary/2,080 Hours) and hourly rate for hourly employees (Payroll Rate).
- The LDR will show uncompensated overtime, if it applies to your firm.
- **For Examples of LDRs, please refer to Module 2.**

Some firms may have a Staff Utilization Report or other type of report that shows most of this information. These DO NOT typically show all of the categories that we need to see like uncompensated overtime.



Chart Of Accounts

Definition – Chart of Accounts is a listing of accounts used to document assets, liabilities, revenues and expenses. This should be tailored to reflect the operations of your company.

- Used to develop the General Ledger (GL) accounts.
- The list of accounts should be specific to your firm.
- Establish separate accounts for direct labor and indirect labor.
 - Indirect labor further segregated by type (e.g. bid & proposal, unallowable advertising, etc.).
- Establish accounts for Federal Acquisition Regulations (FARs) unallowable activities.
 - Segregate allowable from unallowable – **See Module 6**
 - **Example** – travel accounts. Your Chart of Accounts should include an allowable travel and an unallowable travel account.
 - Identify unallowable expenses at point of entry (when entered into the accounting system).



ABC Engineers

Chart of Accounts

Asset Accounts

1020 - Checking
 1035 - Petty Cash
 1120 - Accounts Receivable
 1130 - Allowance for Doubtful Accounts
 1200 - Work in Progress
 1320 - Supplies
 1390 - Prepaid Insurance
 1500 - Furniture & Fixtures
 1550 - Vehicles
 1600 - Land
 1650 - Building
 1670 - Accumulated Depr. - Building
 1700 - Equipment
 1750 - Accumulated Depr. - Equipment

Liability Accounts

2000 - Accounts Payable
 2050 - Notes Payable
 2100 - Sales Tax Payable
 2200 - Wages Payable
 2250 - Payroll Tax Payable
 2300 - Interest Payable
 2400 - Unearned Revenues
 2550 - Mortgage Loan Payable

Owner's Equity Accounts

2900 - Mary Smith, Capital
 2950 - Mary Smith, Drawing

Non-Operating Revenues and Expenses, Gains, and Losses

8100 - Interest Revenues
 9100 - Gain on Sale of Assets
 9600 - Loss on Sale of Assets

Operating Revenue Accounts

4000 - Consulting Income
 4100 - Reimbursable Income
 4150 - Subconsulting Income

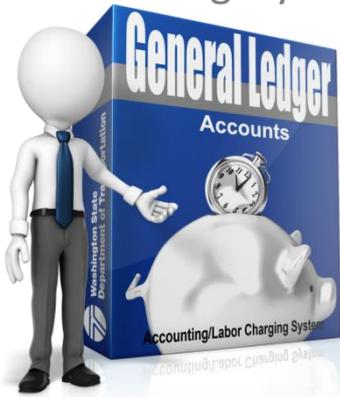
Operating Expense Accounts

5000 - Direct Labor
 5021 - Reimbursable Travel
 5025 - Reimbursable Meals
 5030 - Reimbursable Auto
 5050 - Consultant Expense
 5075 - Other Direct - Mileage/Parking
 6000 - Indirect Labor
 6010 - B&P Labor
 6011 - U/A Advertising Labor
 6012 - Direct Selling Labor
 6020 - Advertising
 6030 - Payroll Variance
 6100 - Payroll Taxes
 6120 - Travel
 6125 - U/A Travel
 6130 - Meals
 6135 - U/A Meals
 6140 - Auto
 6030 - Bank Charges
 6090 - Insurance
 6120 - Legal/Accounting Expenses
 6130 - License & Fees
 6170 - Office Expense
 6190 - Postage
 6195 - Printing/Reprographics
 6200 - Professional Memberships/Licenses
 6210 - Rent
 6280 - Telephone
 6300 - Training/Conferences
 6350 - IRA Contributions
 7500 - Depreciation

General Ledger (GL)

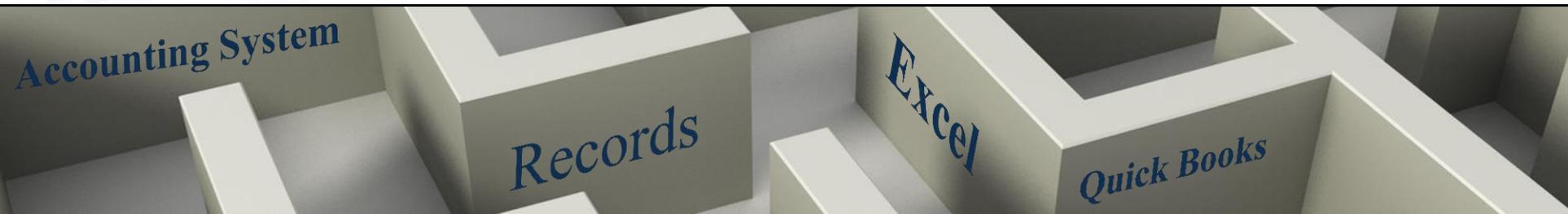
Accounting Systems

- The General Ledger (GL) is developed from the firm's Chart of Accounts.
- A number of small firms are using **QuickBooks** as their accounting system to track labor and expenses.
 - This is an acceptable method as long as there are additional controls in place to maintain the integrity of the data and documentation.



- Please refer to the following link for help on setting up internal controls when using **QuickBooks**: <http://longforsuccess.com/wordpress/wp-content/uploads/2010/09/Good-Internal-Controls.pdf>
- **Excel** is another acceptable method, but is not as secure as **QuickBooks**. For **Excel** to be accepted, the firm will need to keep supporting documentation to show a complete audit trail (track changes).

We suggest that small firms try to use at least QuickBooks, if possible.



Financial Statements

Income Statement (Profit & Loss)

It is produced from the General Ledger (GL) at fiscal year end after adjusting entries are performed (*balances do not carry forward to next fiscal year*).

- Shows revenue and expenses over a specific accounting period (fiscal year).



ABC Engineers	
Income Statement	
December 31, 2013	
Financial Statements in U.S. Dollars	
Revenue	
4000 - Sales	2,143,974
Net Sales	2,143,974
Cost of Sales	
5000 - Direct Labor	432,206
5021 - Reimbursable Travel	5,250
5030 - Consultant Expense	25,320
5075 - Other Direct - Mileage/Parking	6,523
Cost of Sales	469,299
Gross Profit (Loss)	1,674,675
Expenses	
6000 - Indirect Labor	198,249
6005 - Payroll Variance	(36,355)
6010 - B&P Labor	9,129
6015 - Advertising Labor	4,005
6020 - Direct Selling Labor	10,312
6025 - Public Relations Labor	2,580
6030 - Education/Research Labor	3,010
6040 - Vacation Pay	51,419
6041 - Sick Pay	11,117
6042 - Holiday Pay	24,869
6050 - Severance Pay	5,400
6070 - Bonus Pay	65,000
6100 - Advertising	25,650
6150 - Public Relations	18,240
6200 - Direct Selling	9,400
6250 - Employee Training/Recruiting	2,100
6400 - Worker's Comp Insurance	15,980
6450 - Health Insurance	25,490
6500 - Insurance	23,789
6600 - Professional Fees	38,000
6605 - Taxes & Fees	38,900
6700 - Automobile	16,420
6710 - Maintenance & Repair	18,340
6750 - Travel	25,600
6755 - Travel - Meals	42,000
6760 - Depreciation & Amortization	22,140
6800 - Professional Memberships/Licenses	6,500
6850 - Rent	98,000
6900 - Utilities	9,671
6870 - Telephone	11,125
6900 - Payroll Taxes	120,125
6910 - IRA Contributions	150,240
6950 - Interest	450
6980 - Computer	25,400
6990 - Supplies & Miscellaneous	35,900
Total Expenses	1,132,195
Net Operating Income	542,480
Other Income	
4060 - Interest Income	650
9000 - Gain (Loss) on Sale of Assets	2,500
Total Other Income	3,150
Net Income (Loss)	545,630

Financial Statements

Income Statement (Profit & Loss)

It is produced from the General Ledger (GL) at fiscal year end after adjusting entries are performed (*balances do not carry forward to next fiscal year*).

- Used to fill in the Indirect Cost Rate (ICR) Schedule financial statement column.



ABC Engineering Indirect Cost Rate Schedule For the Year Ended December 31, 2013						
Description	Financial Statement Amount	XYZ Adj.	WSDOT Adj.	Ref.	Accepted Amount	%
Direct Labor	<u>\$432,206</u>				<u>\$432,206</u>	100.00%
Indirect Costs:						
Fringe Benefits						
Vacation Pay	\$51,419				\$51,419	11.90%
Sick Pay	11,117				11,117	2.57%
Holiday Pay	24,869				24,869	5.75%
Payroll Taxes	120,125				120,125	27.79%
Health Insurance	25,490				25,490	5.90%
Workers' Comp. Insurance	15,980				15,980	3.70%
Profit Sharing (401-k)	150,240				150,240	34.76%
Severance	5,400	(\$5,400)		R	0	0.00%
Fringe Benefit Adjustment		(28,400)		O	(28,400)	-6.57%
Total Fringe Benefits	<u>\$404,640</u>	<u>(\$33,800)</u>	<u>\$0</u>		<u>\$370,840</u>	<u>85.80%</u>
General Overhead						
Indirect Labor	\$198,249				\$198,249	45.87%
Payroll Variance Account	(36,355)				(36,355)	-8.41%
Bid & Proposal Labor	9,129				9,129	2.11%
Advertising Labor	4,005	(\$4,005)		H	0	0.00%
Public Relations Labor	2,580	(2,580)		H	0	0.00%
Direct Selling Labor	10,312	(10,312)		N	0	0.00%
Education/Research Labor	3,010				3,010	0.70%
Incentive Bonus	65,000	(65,000)		Q	0	0.00%
Rent	98,000	(24,612)		A	73,388	16.98%
Maintenance & Repairs	18,340	(997)		P	17,343	4.01%
Automobile	16,420	(15,200)		B,C,P	1,220	0.28%
Travel	25,600	(1,600)		B,C	24,000	5.55%
Travel - Meals	42,000	(42,000)		B,C	0	0.00%
Insurance	23,789	7,000		D,P	30,789	7.12%
Telephone	11,125				11,125	2.57%
Utilities	9,671				9,671	2.24%
Taxes & Licenses	38,900	(25,140)		E	13,760	3.18%
Depreciation & Amortization	22,140	(7,664)		F,P	14,476	3.35%
Dues & Subscriptions	6,500	(1,175)		G	5,325	1.23%
Employee Train/Recruit/Moving	2,100	(1,500)		I	600	0.14%
Advertising	25,650	(23,250)		M	2,400	0.56%
Public Relations Expense	18,240	(15,140)		MI	3,100	0.72%
Direct Selling Expenses	9,400	(4,800)		N	4,600	1.06%
Professional Fees	38,000	(22,369)		J	15,631	3.62%
Interest	450	(450)		K	0	0.00%
Computer	28,400				28,400	6.57%
Supplies & Miscellaneous	36,900	(25,480)		L	11,420	2.64%
Total General Overhead	<u>\$727,555</u>	<u>(\$286,274)</u>	<u>\$0</u>		<u>\$441,281</u>	<u>102.10%</u>
Total Indirect Costs & Overhead	<u>\$1,132,195</u>	<u>(\$320,074)</u>	<u>\$0</u>		<u>\$812,121</u>	<u>187.90%</u>
Indirect Cost Rate (Less FCC)	261.96%	187.90%			<u>187.90%</u>	
Facilities Cost of Capital					\$0	0.00%
	<u>\$1,132,195</u>	<u>(\$320,074)</u>	<u>\$0</u>		<u>\$812,121</u>	
Indirect Cost Rate (Includes FCC)					<u>187.90%</u>	

Financial Statements

Income Statement (Profit & Loss)

It is produced from the General Ledger (GL) at fiscal year end after adjusting entries are performed (*balances do not carry forward to next fiscal year*).

- Direct and indirect labor (indirect labor should be further segregated into to the proper administrative and selling activity categories) should be segregated.



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6200 - Direct Selling	9,400
6250 - Employee Training/Recruiting	2,100
6400 - Worker's Comp Insurance	15,980
6450 - Health Insurance	25,400
6500 - Insurance	23,789
6600 - Professional Fees	38,000
6605 - Taxes & Fees	38,900
6700 - Automobile	16,420
6710 - Maintenance & Repair	18,340
6750 - Travel	25,600
6755 - Travel - Meals	42,000
6760 - Depreciation & Amortization	22,140
6800 - Professional Memberships/Licenses	6,500
6850 - Rent	98,000
6900 - Utilities	9,671
6870 - Telephone	11,125
6900 - Payroll Taxes	120,125
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6990 - Computer	25,400
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Other Income	
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9000 - Gain (Loss) on Sale of Assets	2,500
Total Other Income	3,150
Net Income (Loss)	545,630

Financial Statements

Balance Sheet

Details what a firm owns and owes, as well as the amount invested by the owners/shareholders at a point in time. Includes the following sections:

- Assets
- Liabilities
- Owner's Equity
 - Balances carry forward to next reporting period.
 - Most small firms that we see are currently having their financial statements prepared by an outside CPA or bookkeeper to assist with preparation of their Federal income taxes.



ABC Engineers	
Balance Sheet	
December 31, 2013	
ASSETS	LIABILITIES
Current Assets	Current Liabilities
Cash	Accounts payable
Accounts receivable	Short-term notes
(less doubtful accounts)	Interest payable
Prepaid expenses	Taxes payable
Total Current Assets	Accrued payroll
Fixed Assets	Current Liabilities
Property and Equipment	Long-Term Liabilities
(less accumulated depreciation)	Long-term liabilities
Total Net Fixed Assets	Total Long-Term Liabilities
TOTAL ASSETS	Equity
	Partner Draws
	Partner Equity
	Retained earnings
	Total Equity
	TOTAL LIABILITIES & EQUITY

Uncompensated Overtime

UNCOMPENSATED OVERTIME MAY OR MAY NOT APPLY TO YOUR FIRM!

- Uncompensated overtime applies to exempt salaried staff and/or owners who take draws/distributions.
- Uncompensated overtime is caused by hours worked over 40 in a week, or over 2,080 per year without additional pay.
- A variance account should be used to track the dollar value of these excess hours worked.
- The variance is reported in your General Ledger; on your Labor Distribution Report (LDR); on your Income Statement; and on your Indirect Cost Rate (ICR) schedule.



See our *Interpretive Guidance for Uncompensated Overtime.*



Uncompensated Overtime Example 11

Ten Person Firm With Staff Payroll And Uncompensated Overtime Example

- The firm has ten employees with a mix of hourly and salary employees.
- Of the ten, five are salary and five are hourly.
- All salaried employees worked over the standard 2,080 hours per year.

How does the firm account for the uncompensated overtime?

- The firm will first set up their Chart of Accounts with accounts for direct labor, indirect labor, and uncompensated overtime (Payroll Variance).
- During the year, the firm will need to record each employee's labor in the proper designated labor accounts. If the salaried employees worked more than the 2,080 standard hours during the year, their labor will be offset by the Payroll Variance (Uncompensated OT) account. Take the following employee of the firm for example:

ABC Engineers	
Chart of Accounts	
Asset Accounts	Operating Revenue Accounts
1020 - Checking	4000 - Consulting Income
1035 - Petty Cash	4100 - Reimbursable Income
1120 - Accounts Receivable	4150 - Subconsulting Income
1130 - Allowance for Doubtful Accounts	
1200 - Work in Progress	Operating Expense Accounts
1320 - Supplies	5000 - Direct Labor
1390 - Prepaid Insurance	5021 - Reimbursable Travel
1500 - Furniture & Fixtures	5025 - Reimbursable Meals
1550 - Vehicles	5030 - Reimbursable Auto
1600 - Land	5050 - Consultant Expense
1650 - Building	5075 - Other Direct - Mileage/Parking
1670 - Accumulated Depr. - Building	6000 - Indirect Labor
1700 - Equipment	6010 - B&P Labor
1750 - Accumulated Depr. - Equipment	6011 - U/A Advertising Labor
	6012 - Direct Selling Labor
Liability Accounts	6090 - Advertising
2000 - Accounts Payable	6030 - Payroll Variance
2050 - Notes Payable	6100 - Payroll Taxes
2100 - Sales Tax Payable	6120 - Travel
2200 - Wages Payable	6125 - U/A Travel
2250 - Payroll Tax Payable	6130 - Meals
2300 - Interest Payable	6135 - U/A Meals
2400 - Unearned Revenues	6140 - Auto
2550 - Mortgage Loan Payable	6030 - Bank Charges
	6090 - Insurance
Owner's Equity Accounts	6120 - Legal/Accounting Expenses
2900 - Mary Smith, Capital	6130 - License & Fees
2950 - Mary Smith, Drawing	6170 - Office Expense
	6190 - Postage
Non-Operating Revenues and Expenses, Gains, and Losses	6195 - Printing/Reprographics
8100 - Interest Revenues	6200 - Professional Memberships/Licenses
9100 - Gain on Sale of Assets	6210 - Rent
9600 - Loss on Sale of Assets	6280 - Telephone
	6300 - Training/Conferences
	6350 - IRA Contributions
	7500 - Depreciation

Uncompensated Overtime Example (Cont.) ¹²

How does the firm account for the uncompensated overtime? (Cont.)

- Once the firm has correctly accounted for each employee's labor in the firm's General Ledger (GL), then the labor and uncompensated overtime should tie correctly to the firm's Labor Distribution Report (LDR), Income Statement and the Indirect Cost Rate (ICR) Schedule.
- Looking at the previous employee and the firm's Labor Distribution Report (LDR), you can see the dollar amount recorded in the GL matches the hours recorded on the timesheets and the amount paid through payroll.

C. Colton, a salaried employee, worked 2,260.5 hours during the year and receives a yearly salary of \$143,692. Their standard hourly rate is \$69.08.

- The entries to the accounting system (General Ledger) would appear as (figures are rounded):

Direct Labor	\$104,453	(1,512 hours x \$69.083 per hour)
Office Labor	\$20,932	(303 hours x \$69.083 per hour)
B&P Labor	\$3,800	(55 hours x \$69.083 per hour)
Direct Selling Labor	\$3,938	(57 hours x \$69.083 per hour)
Education Labor	\$414	(6 hours x \$69.083 per hour)
Holiday	\$6,079	(88 hours x \$69.083 per hour)
Vacation	\$11,122	(161 hours x \$69.083 per hour)
Sick	\$5,423	(78.50 hours x \$69.083 per hour)
Payroll Variance	(\$12,469)	(180.5 hours not paid x \$69.083 per hour)
Total Labor	\$143,692	

(Matches what employee was paid yet still records the value of the 2,260.5 hours worked)

Standard LDR																											
Employee	Salary / Hourly	Hourly Rate (based on)	Total Hrs. Worked	Direct Hours	Direct \$	Direct OT Hours	OT \$ at 1.5	Indirect Office Hrs	Office \$	B&P Labor	B&P \$	Advertising Labor	Advertising \$	Public Relations	Public Relations \$	Direct Selling Labor	Direct Selling \$	Education Labor	Education \$	Holiday Hrs	Holiday \$	Vacation Hrs	Vacation \$	Sick Hrs	Sick \$	Total \$ Column	Uncomp. O/T
A. Adams	\$95,834	\$46.07	2,174.50	1,811	\$83,440.08	0.00	\$0.00	72.50	\$3,340.37	0.00	\$0.00	0.00	\$0.00	56.0	\$2,580.15	0.00	\$0.00	7.00	\$322.52	80.00	\$3,685.92	128.00	\$5,897.48	20.00	\$921.48	\$100,188.00	\$4,354.00
B. Bigsby	Hourly	\$30.00	836.00	125	\$3,750.00	22.00	\$990.00	500.50	\$15,015.00	65.50	\$1,965.00	0.00	\$0.00	0.0	\$0.00	105.00	\$3,150.00	8.00	\$240.00	28.00	\$840.00	0.00	\$0.00	4.00	\$120.00	\$26,070.00	\$0.00
C. Colton	\$143,692	\$69.08	2,260.50	1,512	\$104,453.03	0.00	\$0.00	303.00	\$20,932.06	55.00	\$3,799.55	0.00	\$0.00	0.0	\$0.00	57.00	\$3,937.71	6.00	\$414.50	88.00	\$6,079.28	161.00	\$11,122.31	78.50	\$5,422.99	\$156,161.43	\$12,469.43
D. Dean	\$143,692	\$69.08	2,256.00	1,710	\$118,131.40	0.00	\$0.00	295.00	\$20,379.39	0.00	\$0.00	0.00	\$0.00	0.0	\$0.00	0.00	\$0.00	10.00	\$690.83	48.00	\$3,315.97	185.00	\$12,780.30	8.00	\$552.66	\$155,850.55	\$12,158.55
E. Edwards	Hourly	\$17.00	154.50	13	\$221.00	14.00	\$357.00	134.50	\$2,286.50	0.00	\$0.00	0.00	\$0.00	0.0	\$0.00	0.00	\$0.00	7.00	\$119.00	0.00	\$0.00	0.00	\$0.00	0.00	\$0.00	\$2,983.50	\$0.00
F. Franks	\$92,700	\$44.57	2,124.50	1,175	\$52,366.59	0.00	\$0.00	691.75	\$30,829.44	0.00	\$0.00	0.00	\$0.00	0.0	\$0.00	0.00	\$0.00	7.00	\$311.97	88.00	\$3,921.92	123.75	\$5,515.20	39.00	\$1,738.13	\$94,683.25	\$1,983.25
G. Grant	\$102,375	\$49.22	2,189.50	1,062	\$52,270.31	0.00	\$0.00	689.00	\$33,911.72	0.00	\$0.00	0.00	\$0.00	0.0	\$0.00	65.50	\$3,223.83	10.00	\$492.19	80.00	\$3,937.50	246.00	\$12,107.81	37.00	\$1,821.09	\$107,764.45	\$5,389.45
H. Hewitt	Hourly	\$27.35	2,139.25	522	\$14,276.70	0.00	\$0.00	1300.00	\$35,555.00	123.00	\$3,364.05	0.00	\$0.00	0.0	\$0.00	0.00	\$0.00	6.00	\$164.10	80.00	\$2,188.00	88.50	\$2,420.48	19.75	\$540.16	\$58,508.49	\$0.00
I. Irvin	Hourly	\$45.00	855.00	0	\$0.00	6.00	\$405.00	708.00	\$31,860.00	0.00	\$0.00	89.00	\$4,005.00	0.0	\$0.00	0.00	\$0.00	3.00	\$135.00	20.00	\$900.00	35.00	\$1,575.00	0.00	\$0.00	\$38,880.00	\$0.00
J. Johnson	Hourly	\$15.00	387.00	103	\$1,545.00	0.00	\$0.00	276.00	\$4,140.00	0.00	\$0.00	0.00	\$0.00	0.0	\$0.00	0.00	\$0.00	8.00	\$120.00	0.00	\$0.00	0.00	\$0.00	0.00	\$0.00	\$5,805.00	\$0.00
Total			15,376.75	8,033	\$430,454.12	42.00	\$1,752.00	4970.25	\$198,249.47	243.50	\$9,128.60	89.00	\$4,005.00	56.0	\$2,580.15	227.50	\$10,311.54	72.00	\$3,010.10	512.00	\$24,868.59	967.25	\$51,418.58	206.25	\$11,116.51	\$746,894.66	\$36,354.67

Uncompensated Overtime Example (Cont.) 13

How does the firm account for the uncompensated overtime? (Cont.)

- Once the firm finalizes their Income Statement generated from the General Ledger (GL), then the finalized figures should match the firm's Labor Distribution Report (LDR) with the Payroll Variance (Uncompensated OT) account being reported as a separate account (Your labor is reconciled).
- The firm will then create the Indirect Cost Rate (ICR) Schedule from the Income Statement figures with the Payroll Variance (Uncompensated OT) account presented in the overhead section of the schedule.

ABC Engineers	
Income Statement	
December 31, 2013	
Financial Statements in U.S. Dollars	
Revenue	
4000 - Sales	2,143,974
Net Sales	2,143,974
Cost of Sales	
5000 - Direct Labor	432,206
5021 - Reimbursable Travel	5,350
5030 - Consultant Expense	25,320
5075 - Other Direct - Mileage/Parking	6,523
Cost of Sales	469,299
Gross Profit (Loss)	1,674,675
Expenses	
6000 - Indirect Labor	198,249
6005 - Payroll Variance	(36,355)
6010 - B&P Labor	9,129
6015 - Advertising Labor	4,005
6020 - Direct Selling Labor	10,312
6025 - Public Relations Labor	2,580
6030 - Education/Research Labor	3,010
6040 - Vacation Pay	51,419
6041 - Sick Pay	11,117
6042 - Holiday Pay	24,869
6050 - Severance Pay	5,400
6070 - Bonus Pay	65,000
6100 - Advertising	25,850
6150 - Public Relations	18,240
6200 - Direct Selling	9,400
6250 - Employee Training/Recruiting	2,100
6400 - Worker's Comp Insurance	15,980
6450 - Health Insurance	25,490
6500 - Insurance	23,789
6600 - Professional Fees	38,000
6605 - Taxes & Fees	38,900
6700 - Automobile	16,420
6710 - Maintenance & Repair	18,340
6750 - Travel	25,600
6755 - Travel - Meals	42,000
6780 - Depreciation & Amortization	22,140
6800 - Professional Memberships/Licenses	6,500
6850 - Rent	98,000
6860 - Utilities	9,671
6870 - Telephone	11,125
6890 - Payroll Taxes	120,125
6910 - IRA Contributions	150,240
6950 - Interest	450
6980 - Computer	28,400
6990 - Supplies & Miscellaneous	36,900
Total Expenses	1,132,195
Net Operating Income	542,480
Other Income	
4060 - Interest Income	650
9000 - Gain (Loss) on Sale of Assets	2,500
Total Other Income	3,150
Net Income (Loss)	545,630

Standard LDR																										
Employee	Hourly Rate based on	Total Hrs. Worked	Direct Hours	Direct OT	Indirect - Office Hrs	Office \$	B&P Labor	B&P	Advertising Labor	Advertising \$	Public Relations	Public Relations \$	Direct Selling Labor	Direct Selling \$	Education Labor	Education \$	Holiday Hrs	Holiday \$	Vacation Hrs	Vacation \$	Sick Hrs	Sick \$	Total Column	Uncomp. O/T		
A. Adams	\$85,834	\$46.07	2,174.50	1,811	\$83,440.08	0.00	\$0.00	72.50	\$3,340.37	0.00	\$0.00	0.00	0.00	0.00	7.00	\$322.52	80.00	\$3,665.92	128.00	\$5,897.48	20.00	\$921.48	\$100,188.00	\$4,354.00		
B. Bishop	Hourly	\$30.00	836.00	125	\$3,750.00	22.00	\$990.00	500.50	\$15,015.00	65.50	\$1,965.00	0.00	\$0.00	0.00	105.00	\$3,150.00	8.00	\$240.00	28.00	\$840.00	0.00	\$0.00	\$120.00	\$26,070.00	\$0.00	
C. Colton	\$143,692	\$69.08	2,260.50	1,512	\$104,453.03	0.00	\$0.00	303.00	\$20,932.06	55.00	\$3,799.55	0.00	\$0.00	0.00	57.00	\$3,937.71	6.00	\$141.50	88.00	\$6,079.28	161.00	\$11,122.31	78.50	\$1,422.99	\$156,161.43	\$12,469.43
D. Dean	\$143,692	\$69.08	2,256.00	1,710	\$118,131.40	0.00	\$0.00	295.00	\$20,379.39	0.00	\$0.00	0.00	\$0.00	0.00	10.00	\$690.83	48.00	\$3,315.97	185.00	\$12,780.30	8.00	\$532.66	\$155,830.53	\$12,158.53		
E. Edwards	Hourly	\$17.00	154.50	13	\$221.00	14.00	\$237.00	134.50	\$2,286.50	0.00	\$0.00	0.00	\$0.00	0.00	7.00	\$119.00	0.00	\$0.00	0.00	\$0.00	0.00	\$0.00	\$2,983.50	\$0.00		
F. Francis	\$92,700	\$44.57	2,124.50	1,175	\$32,366.59	0.00	\$0.00	691.75	\$30,829.44	0.00	\$0.00	0.00	\$0.00	0.00	7.00	\$311.97	88.00	\$3,921.92	123.75	\$5,515.20	39.00	\$1,738.13	\$94,683.25	\$1,983.25		
G. Grant	\$102,375	\$49.22	2,189.50	1,062	\$32,270.31	0.00	\$0.00	689.00	\$33,911.72	0.00	\$0.00	0.00	\$0.00	0.00	65.50	\$3,223.83	10.00	\$492.19	80.00	\$3,937.50	246.00	\$12,107.81	37.00	\$1,821.09	\$107,764.45	\$5,389.45
H. Hewitt	Hourly	\$27.35	2,139.25	522	\$14,276.70	0.00	\$0.00	1300.00	\$35,555.00	123.00	\$3,364.05	0.00	\$0.00	0.00	6.00	\$164.10	80.00	\$2,188.00	88.50	\$2,420.48	19.75	\$540.16	\$38,508.49	\$0.00		
I. Irvin	Hourly	\$45.00	855.00	0	\$0.00	6.00	\$405.00	708.00	\$31,860.00	0.00	\$0.00	89.00	\$4,005.00	0.00	\$0.00	3.00	\$135.00	20.00	\$900.00	35.00	\$1,575.00	0.00	\$0.00	\$38,880.00	\$0.00	
J. Johnson	Hourly	\$15.00	387.00	109	\$1,645.00	0.00	\$0.00	776.00	\$4,140.00	0.00	\$0.00	0.00	\$0.00	0.00	8.00	\$120.00	0.00	\$0.00	0.00	\$0.00	0.00	\$0.00	\$5,805.00	\$0.00		
Total			15,976.75	8.0	\$490,454.12	42.00	\$1,752.00	4,701.50	\$198,249.47	43.0	\$9,128.60	9.00	\$4,005.00	0.00	\$2,580.15	227.50	\$10,311.54	2.00	\$4,868.59	67.00	\$51,418.58	206.50	\$11,116.51	\$746,894.66	\$36,354.67	

Uncompensated Overtime Example (Cont.) 13

How does the firm account for the uncompensated overtime? (Cont.)

- Once the firm finalizes their Income Statement generated from the General Ledger (GL), then the finalized figures should match the firm's Labor Distribution Report (LDR) with the Payroll Variance (Uncompensated OT) account being reported as a separate account (Your labor is reconciled).
- The firm will then create the Indirect Cost Rate (ICR) Schedule from the Income Statement figures with the Payroll Variance (Uncompensated OT) account presented in the overhead section of the schedule.

Description	Financial Statement Amount	XYZ Adj.	WSDOT Adj.	Ref.	Accepted Amount	%
Direct Labor	\$432,206				\$432,206	100.00%
Indirect Costs:						
Fringe Benefits						
Vacation Pay	\$51,419				\$51,419	11.90%
Sick Pay	11,117				11,117	2.57%
Holiday Pay	24,869				24,869	5.75%
Payroll Taxes	120,125				120,125	27.79%
Health Insurance	25,490				25,490	5.90%
Workers' Comp. Insurance	15,980				15,980	3.70%
Profit Sharing (401-k)	150,240				150,240	34.76%
Severance	5,400	(\$5,400)		R	0	0.00%
Fringe Benefit Adjustment		(28,400)		O	(28,400)	-6.57%
Total Fringe Benefits	\$404,640	(\$73,800)		\$0	\$370,840	85.80%
General Overhead						
Indirect Labor	\$198,249				\$198,249	45.87%
Payroll Variance Account	(36,355)				(36,355)	-8.41%
Bid & Proposal Labor	9,129				9,129	2.11%
Advertising Labor	4,005	(\$4,005)		H	0	0.00%
Public Relations Labor	2,580	(2,580)		H	0	0.00%
Direct Selling Labor	10,312	(10,312)		N	0	0.00%
Education/Research Labor	3,010				3,010	0.70%
Incentive Bonus	65,000	(65,000)		Q	0	0.00%
Rent	98,000	(24,612)		A	73,388	16.98%

Revenue		
4000 - Sales	2,143,974	2,143,974
Net Sales		
Cost of Sales		
5000 - Direct Labor	432,206	
5021 - Reimbursable Travel	5,350	
5030 - Consultant Expense	25,320	
5075 - Other Direct - Mileage/Parking	6,523	
Cost of Sales	469,299	
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6042 - Holiday Pay	24,869	
6050 - Severance Pay	5,400	
6070 - Bonus Pay	65,000	
6100 - Advertising	25,650	
6150 - Public Relations	18,240	
6200 - Direct Selling	9,400	
6250 - Employee Training/Recruiting	2,100	
6400 - Worker's Comp Insurance	15,980	
6450 - Health Insurance	25,490	
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6600 - Professional Fees	38,000	
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Total Expenses	1,132,195	
Net Operating Income	542,480	
Other Income		
4050 - Interest Income	650	
9000 - Gain (Loss) on Sale of Assets	2,500	
Total Other Income	3,150	
Net Income (Loss)	545,630	

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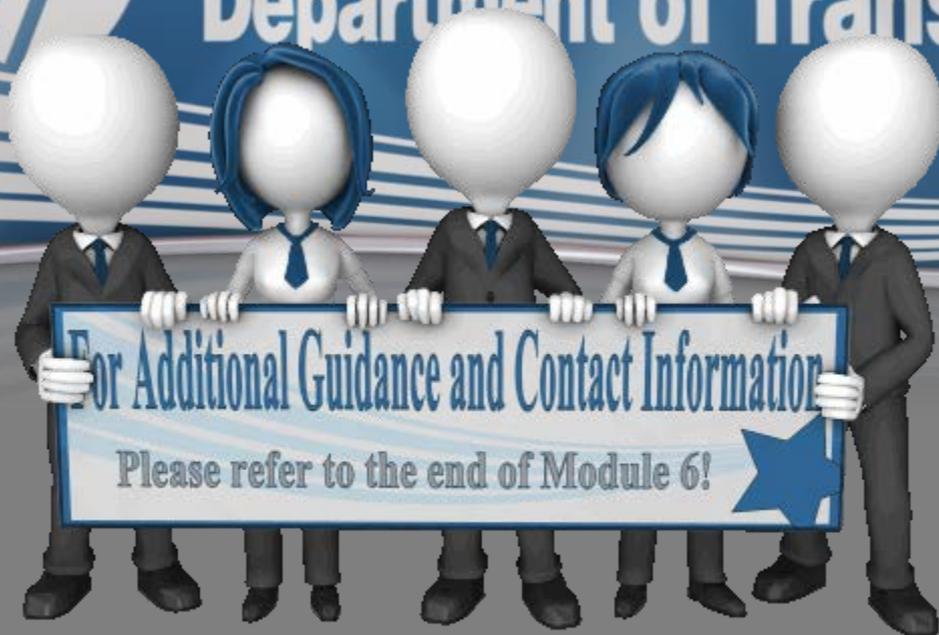
Our website is filled with educational material and guidance for all firms. We have published several interpretive guidance documents to further assist firms. The website below provides guidance on the following topics and we are continuing to add further topics:

- Small Firms
- Labor
- Uncompensated Overtime
- Direct Selling, Public Relations, Advertising and Bid & Proposal
- Allowable Bonus
- Auto Expense
- Meals
- Airfare

Please check this site regularly for updates.

URL - <http://www.wsdot.wa.gov/Audit/guides.htm>





For Additional Guidance and Contact Information

Please refer to the end of Module 6!

Questions? Comments?



We are more than
happy to help you!