



**Secretary of Transportation**  
South Carolina Department of Transportation

MEMORANDUM

**TO:** Kenny Eargle, Assistant Chief Engineer of Operations  
Carmen Wright, Director of Contract Services  
Mike Burke, Director of Procurement  
Sherry Barton, Director of Contract Assurance  
Herbert J. Cooper, Local Program Administrator  
Leland Colvin, Director of Construction  
Senior Staff

**FROM:** H. B. Limehouse, Secretary of Transportation *HBL*

**DATE:** February 2, 2011

**RE:** Procurement Policy Memorandum  
Implementing FHWA Order 4470.1A, dated October 27, 2010

---

This Procurement Policy Memorandum implements the requirements of Federal Highway Administration (FHWA) Order 4470.1A, dated October 27, 2010. Effective February 15, 2011, all consultants and sub-consultants proposing to provide engineering and design related consultant services (as defined in 23 USC §112(b)(2)(A), 23 CFR §172.3, 40 USC §1102 and state laws and regulations) for Federal-aid projects to the South Carolina Department of Transportation (SCDOT) and its sub-recipients must have an approved Federal Acquisition Regulations (FAR) compliant indirect cost rate on file with the SCDOT Office of Contract Assurance (OCA). As required by the FHWA Order 4470.1A, indirect cost proposals submitted to OCA for approval must include a properly completed "Certification of Indirect Costs". The SCDOT certification form is attached.

In addition, effective for fiscal years ending on or after December 31, 2010, consultants and sub-consultants who perform \$250,000 or more annually on SCDOT contracts must provide an indirect cost rate **audited** by an independent certified public accountant (CPA), a federal agency, or another state department of transportation. The audit must be performed in accordance with *Generally Accepted Government Auditing Standards* and the *2010 AASHTO Uniform Audit and Accounting Guide*. The audit must be conducted to test compliance with the requirements of Federal Acquisition Regulations, part 31. Prior to approval, OCA may perform a review of the audit work papers. The consultant must make the work papers available to OCA upon request.

Procurement Policy Memorandum

Page 2

February 2, 2011

Consultants and sub-consultants who perform less than \$250,000 annually on SCDOT contracts may submit a FAR compliant indirect cost schedule prepared in-house or compiled by an independent CPA. SCDOT reserves the right to perform an audit of the submitted rate or require an **audited** indirect cost rate if deemed necessary.

Indirect cost rate audit reports or FAR compliant indirect cost schedules must be submitted to OCA within 180 days of the end of the firm's fiscal year. OCA will issue acceptance letters once the indirect cost rates are approved. The approved indirect cost rates will be used for estimating, negotiating, and billing purposes, until the rate for the next year is submitted and approved. Audit reports or indirect cost schedules must be submitted for every year the consultant has an active project with SCDOT and must include the "Certification of Indirect Costs".

As we phase in these new requirements, temporary exemptions to the policy may be granted to firms on a case by case basis. Exemptions will typically be granted for one year. At the end of the exemption period, firms must be able to provide a FAR compliant indirect cost rate. A firm can only be granted this exemption once. Firms should contact OCA to request an exemption and establish an acceptable provisional rate to be used during the exemption period. I am directing that the OCA publish a list of firms that are in compliance with this requirement, or that have been granted a temporary exemption, on the SCDOT website so that firms considering team make-up will be able to determine if their potential partners are in compliance with this requirement.

All firms must be in compliance with these requirements in order to enter into contracts with SCDOT resulting from solicitations issued after February 15, 2011. These rules apply to both prime and sub-consultants. This requirement will also be included in all sub-recipient or participation agreements involving federal-aid engineering and design-related services.

Questions regarding this policy may be directed to the Office of Contract Assurance at 803-737-1237.

HBL:jt

Enclosure

cc: John Walsh, Deputy Secretary for Engineering  
Angela Feaster, Deputy Secretary Finance & Administration  
Hart Baker, Deputy Secretary Intermodal & Freight Programs

**CERTIFICATION OF FINAL INDIRECT COSTS**

Firm Name: \_\_\_\_\_

Final Indirect Cost Rates:

Home Rate: \_\_\_\_\_ Field Rate: \_\_\_\_\_

Cost of Capital: \_\_\_\_\_ Other: \_\_\_\_\_

Fiscal Period Covered (mm/dd/yyyy): \_\_\_\_\_

I, the undersigned, certify that I have reviewed the proposal to establish final indirect cost rates for the fiscal period as specified above and to the best of my knowledge and belief:

- 1.) All costs included in this proposal to establish final indirect cost rates are allowable in accordance with the cost principles of the Federal Acquisition Regulations (FAR) of title 48, Code of Federal Regulations (CFR), part 31.
  
- 2.) This proposal does not include any costs which are expressly unallowable under the cost principles of the FAR of 48 CFR 31.

\*Signature: \_\_\_\_\_

\*Name of Certifying Official (Print): \_\_\_\_\_

\*Title: \_\_\_\_\_

Date of Certification (mm/dd/yyyy): \_\_\_\_\_

\*Note: This form is to be completed by an individual executive or financial officer of the consultant at a level no lower than a Vice President or Chief Financial Officer, or equivalent, who has the authority to represent the financial information utilized to establish the indirect cost rate proposal submitted in conjunction with the contract.