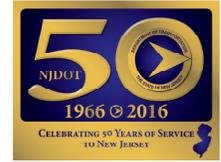




State of New Jersey

DEPARTMENT OF TRANSPORTATION
P.O. Box 600
Trenton, New Jersey 08625-0600



CHRIS CHRISTIE
Governor

RICHARD T. HAMMER
Commissioner

KIM GUADAGNO
Lt. Governor

Dear Consultant,

Policy Change: Indirect Cost Rates

Background:

Firms that provide construction inspection services may have employees who work for a period of time in an on-site office maintained by the New Jersey Department of Transportation (NJDOT). The hours associated with these employees would not qualify for the consultant's full overhead rate since they are not working out of their own offices and not receiving office support on a day-to-day basis. The purpose of a field rate is to pay the consultant for the fringe benefits and home office support that they provide to their field employees. Conversely, the home office rate applicable to all other services provided by the firm would exclude the overhead costs and direct labor associated with these field employees.

New Policy:

Effective for the 2016 accounting period, any consulting engineering firm that has established a field indirect cost rate must supply the NJDOT with both its field and home (split) rates on an annual basis. Furthermore, if a consulting engineering firm does not currently have a field indirect cost rate established, the NJDOT will negotiate a field indirect cost rate for any new construction inspection services or any other activity for which a separate office work space is established for a project. Our negotiated field rate will be based on an analysis of our consultant community who currently provide split indirect cost rates. Although field offices may exist in many forms, it is critical that a firm maintain consistency in their allocation of the cost. Firms must include a certification with their split rate submission that states that the methodology utilized to allocate costs between field and home office will remain consistent from year to year. Once reviewed and approved by the Bureau of Auditing, the separate rates will be utilized for all new agreements going forward.

For further information on consultant overhead submissions, please visit our website at: <http://www.state.nj.us/transportation/business/audit/>.

Sincerely,

Gary J. Bruner

Chief Financial Officer