

ALLOWED AND NOT ALLOWED OVERHEAD COSTS

The Consultant is hereby informed
That the City will only pay indirect rates consistent with the following list of Allowed and Not Allowed costs (which is not exhaustive but for general Guidance)
That the Consultant is responsible for only billing the City for allowable indirect rates.
That charges to the City may be audited by the City Auditor or designee and are subject to adjustment based on an audit

Categories Of Costs

Allowed Indirectly In Overhead Rates

- Employee Compensation: Wages and Salaries, Incentive bonuses, Funded deferred compensation, Funded retirement, pension and savings plans, Health and most life insurance benefits, Compensated personal absence benefits, Normal severance pay allowances.
- Lodging, meals and incidental expenses: Not directly reimbursed and incurred by the firm’s employees on official business. Costs generally should not exceed the rates provided in the Runzheimer “Meal and Lodging Cost Index.” Related transportation costs should be at the lowest customary standard.
- Local transportation for company business: Personal vehicles at rates not to exceed federal Internal Revenue Service mileage rates and documented by mileage logs. Costs of company owned or leased vehicles.
- Utilities.
- Depreciation acceptable for Federal income tax purposes.
- Trade, business, technical and professional costs.
- Direct selling.
- Most professional and consultant services.
- Most business insurance.
- Most legal expenses: If the result is in favor of the firm.
- Amortization, cost of money, and depreciation amounts: For asset valuations resulting from business combinations up to the total which would have been allowed if the combination had not taken place; assumes purchase method of accounting.
- Certain realized post-retirement benefits.
- Training and education costs for the business.
- Most employee relocation costs.
- Rental and lease costs up to the normal cost of ownership.
- Maintenance and repair except depreciable expenses.
- Material and supplies adjusted for discounts and credits.
- Market planning.
- Bid and proposal costs.
- Bonding costs.
- Most business taxes except federal income and excess profits.
- Facilities capital cost of money.

Categories Of Costs

Not Allowed Directly Or Indirectly

- Charity and contributions.
- Office parties.
- Entertainment and club memberships.
- Most advertising except normal recruiting.
- Research, development and engineering for new products.
- Federal income or excess profits taxes and accruals.
- Officer’s life insurance.
- Employee dependent education plans.
- Use of vehicles and equipment for personal purposes.
- Bad debts.
- Costs related to mischarging on contracts.
- Interest and other financial expenses.
- Political contributions.
- Costs related to improper business practices: Conflicts of interest and many contract-related or other legal defense costs where the result was against the company or settlement was in lieu of a result against the company.
- Portions of allowances for unfunded pension costs.
- Certain advance payments for pension plans.
- Goodwill costs: Amortizing, expensing, write-off, write down.
- Some costs related to changes in plans such as pension plans.
- Expenses directly associated with unallowable costs.
- Expenses related to costs already recovered.
- Gifts, memorabilia, models, mementos to customers or public.
- Alcohol or alcoholic beverages, tobacco, illegal substances.
- Memberships in civic and community organizations.
- Public relations costs: For enhancing the image of the firm or generally promoting the sale of services, e.g. trade shows, special events, and promotional material.
- Most contingencies.
- Officer/owner/partner salary and bonuses which represent a distribution of profits.
- Costs related to pirating the employees of others.
- Employee rebates and purchase discounts
- Losses on contracts and net business losses.
- Most costs of idle facilities and idle capacity
- Legislative and executive lobbying costs.
- Fines and penalties for violations of laws and regulations
- Normal costs of pension plans not funded in the year incurred except for certain ERISA waivers
- Certain post-retirement benefits other than pensions
- Late premium charges on insurance, pension or other plans.
- Organization, reorganization and financial structure changes.
- Retroactive or backdated accounting adjustments.