



Cost Recovery for Paycheck Protection Program Loan Forgiveness (March 30, 2021)

Consultant (A/E) firms that received Paycheck Protection (PPP) loans may have to provide credit to government contracts if those loans are forgiven. Per 48. FAR 31-201-5:

31.201-5 Credits

The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund. See 31. 205-6(j)(3) for rules governing refund or credit to the Government associated with pension adjustments and asset reversions.

KYTC will recover credits through a reduction to the indirect cost rate(s) used to determine final cost objectives on actual cost-plus fixed fee contracts.

In a recently released memorandum, (HCFB-30) The Federal Highway Administration (FHWA) has issued guidance specifically for A/E firms who provide services under Federal-aid highway contracts.

“A&E consultants providing services under Federal-aid or Federal lands highway program funded contracts, and receiving a PPP loan, should continue to allocate and invoice both direct and indirect costs in accordance with contract terms and as prescribed in 48 CFR part 31. However, should the PPP loan proceeds be applied to costs (direct or indirect) within the scope of a federally funded contract and the PPP loan is forgiven, appropriate adjustments to consultant accounting records become necessary to comply with 48 CFR part 31.”

Calculation of a Reduced Indirect Cost Rate

The amount of the forgiven PPP loan will be credited to the indirect cost rates for the period(s) in which the forgiven PPP funds were spent. The amount of the forgiven loan credited to the indirect cost rate can be reduced for the following items:

- PPP funds spent on unallowable indirect costs included in the forgiveness application. Excluded unallowable costs must be supported by a detailed transaction summary.
- PPP funds spent on direct costs that were not reimbursed/estimated using Federal Acquisition Regulations (i.e. commercial/private). Excluded direct costs must be supported by schedules listing the detailed transactions by excluded contract including contract client, contract basis, employee name, hours, and wages that can be reconciled to the forgiveness application.

Application of Reduced Indirect Cost Rate

The reduced indirect cost rate(s) will be used for final settlement of indirect costs on actual cost-plus fixed fee contracts.

Reduced rates will only be applied to labor in the year(s) in which costs were paid with the loan proceeds from the forgiven loans

Reduced rates will impact cost-plus fixed fee contracts with direct labor invoiced in the year in which the proceeds from forgiven funds were used. There will be no impact on lump sum, specific rate of compensation or cost per unit contracts.

Reduced rates will not be used to estimate costs for new contracts.

Reporting Loan Forgiveness

KYTC requests that all A/E firms that have received PPP loan forgiveness provide that information in their annual submission package. KYTC will continue to monitor loans until they are forgiven or repaid. Consultants should notify KYTC if forgiveness is sought after the date of their annual submission package.

Independent audits of consultant indirect cost rates should disclose information regarding PPP loans including loan amounts, approval dates, forgiveness status, forgiven amounts, covered period for forgiveness, application of forgiven funds and repayment of principal.