



INDIANA DEPARTMENT OF TRANSPORTATION

Cost Recovery for Paycheck Protection Program Loan Forgiveness

Please find the attached March 24, 2021 guidance from the Federal Highway Administration regarding the treatment of the Paycheck Protection Program (“PPP”) for Architectural and Engineering services. In accordance with 23 CFR 172.11 and 48 CFR 31.201, INDOT will recover required credits for PPP loan forgiveness through a reduction to the indirect cost rate(s).

Adjustment for PPP loans not forgiven by the SBA

- A firm which has chosen to accept PPP funds as a loan and has not nor will not ask the SBA for loan forgiveness shall treat the loan as debt and not include any of the proceeds or any cost of debt service in the indirect rate calculation.

Required Adjustments for PPP loans forgiven by the SBA

- If a firm has applied for loan forgiveness, has met all the requirements, and has reasonable assurance the loan will be forgiven but has not yet received confirmation of forgiveness from SBA, the firm may account for the loan proceeds in FY 2020 financials and indirect cost analysis, but the firm may also, at their discretion, wait until they have received forgiveness confirmation from SBA and account for the forgiven loan in the year it is forgiven.
- A firm which has received confirmation from the SBA that their FY 2020 PPP loan has been forgiven must account for the loan proceeds in their FY 2020 financials and indirect cost analysis.
- The credited rates will only affect FAR-based contracts.
- PPP funds expended to pay for direct costs on non-FAR based contracts, must be excluded from the credit to the indirect rate. To support this allocation, the consultant must have adequate documentation to identify the specific non-FAR based contract costs that were included on their PPP forgiveness application. (For example, direct cost excluded from the credit should be supported by job-cost and labor distribution reports showing the direct costs that were excluded, identifying the project number, contract description, and the customer for each contract.)

Application of Reduced Indirect Cost Rate

- Reduced rates will only impact actual cost-plus fixed contracts with direct labor invoiced in the year in which proceeds from forgiven funds were used. There will be no impact on lump sum, specific rate of compensation or cost per unit contracts. (ongoing contracts)
- The indirect cost rates credited for PPP loan forgiveness will be used to estimate costs and establish pricing and contract maximums on new contracts, but limit use of reduced rate to the first year estimated fee when estimating total fees on multi-year contracts. Unadjusted rate will be used for subsequent years.



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- The indirect cost rate credit for PPP loan forgiveness will be used for estimates on all contract types that use the indirect cost rate as a basis for determining total contract cost (total fee). Accordingly, this applies to estimates on lump sum, rate-of-pay, and actual cost-plus fixed fee contracts.
- Unadjusted overhead will be used to determine billing rates for On-Call contracts managed by EInvoice system.

Reporting Loan Forgiveness

INDOT's PSCS Financial application will include requirements to provide information regarding PPP loans including the status of loan forgiveness. Additionally, all A/E firms will be required to complete a PPP certification form, as published on INDOT External Audit website <https://www.in.gov/indot/2846.htm>

INDOT will continue to monitor PPP loans until they are forgiven or repaid.

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.