



Cost Recovery for Paycheck Protection Program Loan Forgiveness (March 24, 2021)

Consultant firms that received Paycheck Protection Program (PPP) loans may have to provide credit to government contracts if those loans are forgiven. Per 48 CFR 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.

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

Calculation of 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 forgiven PPP funds were spent. The amount of the forgiven PPP 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 showing that the costs were not originally classified as allowable indirect costs.
- PPP funds spent on direct costs for contracts that were not estimated/reimbursed using Federal Acquisition Regulation cost principles. Excluded direct costs must be supported by schedules listing the detailed transactions by excluded contract including contract client, contract basis of payment, 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. The reduced rate(s) will be entered into CARS to be used for indirect cost adjustments on active contracts and will also be used for final cost audit/settlement for contracts that are final invoiced before adjustments have been made in CARS.

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

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.

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

Reporting Loan Forgiveness

WisDOT's Consultant Financial Report in Masterworks will include requirements to provide information regarding PPP Loans including the status of loan forgiveness and amounts to be credited to the indirect



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cost rate when applicable. WisDOT will continue to monitor PPP loans until they are forgiven or repaid. Consultants will be expected to notify WisDOT within 30 days of forgiveness approval for loans that were not forgiven when they submitted their Consultant Financial report.

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.