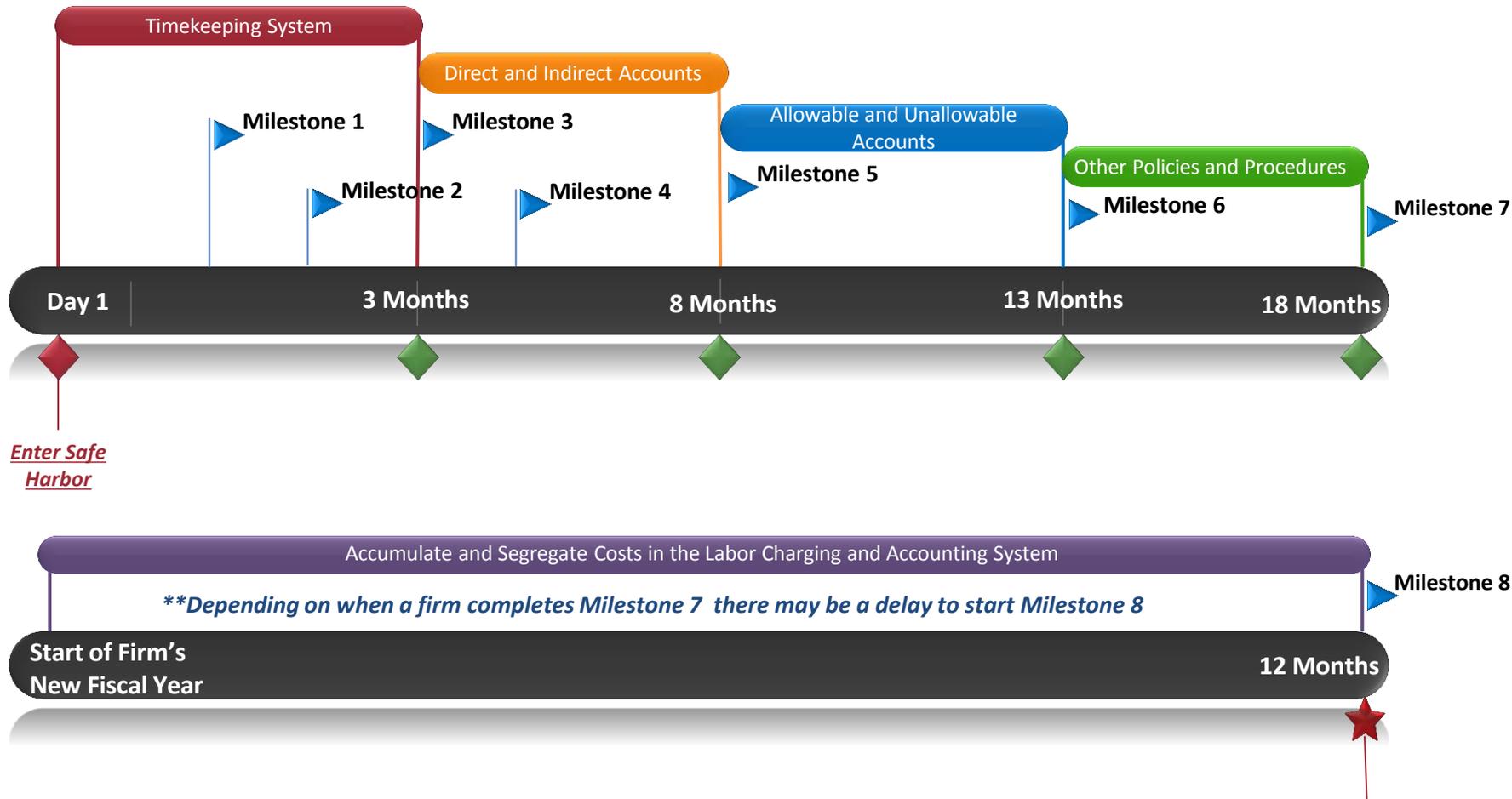


SAFE HARBOR PROGRAM TYPICAL TIMELINE

A firm's actual timeline will vary depending on when the firm enters the program and the speed at which they progress through the steps.



**Please be aware, we may call you periodically to see how you are progressing.*

Ready to Submit an Indirect Cost Rate Schedule

Timekeeping System

The first step is to implement a labor charging (timekeeping) system.

Milestone 1 First 30 days	<ol style="list-style-type: none">1. Develop a timekeeping policy and a standard timesheet format, for more information please refer to the <u>AASTHO Audit & Accounting Guide, Chapter 6.4(B)(2) & (3)</u> and <u>WSDOT Basic Timekeeping Webinar</u>.2. Train employees on the timekeeping policy and the procedures for completing their timesheets. It is important for management to emphasize the importance of the employee's responsibility to accurately record time charges daily.
Milestone 2 Within 2 Months	<ol style="list-style-type: none">1. Implement timekeeping controls to ensure accurate recording of all hours worked on the employees/principals timesheets.2. Employees should submit timesheets weekly with supervisors approval (signing/dating timesheets by employee/supervisor).3. For more information, please refer to the <u>AASTHO Audit & Accounting Guide</u> and <u>WSDOT Basic Timekeeping Webinar</u>.
Milestone 3 Within 3 Months	<ol style="list-style-type: none">1. Develop labor transfer policy and procedures (may not be necessary for a one or two person firm).2. Implement monthly labor reconciliation procedures to verify that labor hours worked at the individual employee level are reconciled to payroll records. Reconcile labor between the timekeeping system (timesheets), payroll system, general ledger (GL), and billing system. For more information, refer to <u>WSDOT Indirect Cost Rate Training Module 5 – Labor Reconciliation</u>.

Direct and Indirect Accounts

The next step is to develop an accounting system that segregates direct and indirect costs. The accounting system will help record and develop the firm's cost history required by the Federal Acquisition Regulations (FAR) 48 CFR Part 31.

Milestone 4 Within 4 Months	<ol style="list-style-type: none">1. Develop a Chart of Accounts (CoA) and General Ledger(GL) with separate accounts for direct and indirect labor and other costs.2. For more details on the CoA and GL, please refer to <u>WSDOT Indirect Cost Rate Training Modules, Module 4 – Where Do the ICR Numbers Come From?</u>
Milestone 5 Within 8 Months of Entering Program	<ol style="list-style-type: none">1. Develop a system to verify that all costs, whether billable or not, are being recorded in the proper GL accounts. All labor should be recorded to include uncompensated overtime.2. For more details on labor categories and uncompensated overtime, please refer to <u>WSDOT Interpretive Guidance Document – Labor; AASTHO Audit & Accounting Guide, Chapter 5.4(F)(2); and WSDOT Indirect Cost Rate Training Modules, Module 4 – Where Do the ICR Numbers Come From? & Module 3 – Labor Components</u>.

Allowable and Unallowable Accounts

The third step is to set-up allowable/unallowable accounts in the firms accounting system according to the Federal Acquisition Regulations (FAR) 48 CFR Part 31 and AASTHO Audit & Accounting Guide.

Milestone 6 Within 13 Months of Entering Program	<ol style="list-style-type: none">1. Develop and set-up unallowable accounts in the CoA and GL.2. Implement procedures to segregate allowable/unallowable costs into their proper GL accounts at the point of entry (when the costs are recorded into the accounting system).3. For more details on allowable and unallowable costs, please refer to <u>WSDOT Indirect Cost Rate Training Modules, Module 6 – Indirect Cost Rate Adjustments; AASTHO Audit & Accounting Guide, Chapter 8 & Appendix C; and WSDOT Interpretive Guidance Documents</u>.
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Other Policies and Procedures

The final step is to develop policies and procedures to address other costs included in the firm's indirect cost rate (ICR) schedule.

Milestone 7 The first year and half	<ol style="list-style-type: none">1. Develop policies pertinent to the firms expenses such as: (1) Vehicle costs, (2)Travel costs, (3) Meal costs, and (4) Bonus payments.2. Develop procedures to document vehicle, travel, meal, and bonus costs.3. Employees should be trained on the proper documentation to be kept to help support travel, vehicle, and meal costs.4. For more details on policies, procedures and documentation, please refer to <u>AASTHO Audit & Accounting Guide and WSDOT Interpretive Guidance Documents</u>.
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Accumulate and Segregate Costs in the Labor Charging and Accounting System

A firm will need to have accumulated and correctly recorded costs for at least one fiscal year. All systems, policies and procedures should be in place in order to generate and submit an Indirect Cost Rate (ICR) schedule for review.

Milestone 8

One full
Fiscal Year

At this point, a firm should be routinely:

(1) Performing monthly labor reconciliations; (2) signing, dating, submitting and approving timesheets (weekly); (3) documenting labor transfers; (4) making employees aware of timekeeping policies and procedures; (5) verifying costs are being properly segregated and recorded in the accounting system; (6) making employees aware of how to properly document costs, such as, bid & proposal (B&P) costs, direct selling costs, travel costs, meal costs, and vehicles costs; and (7) check WSDOT Audit Office's website for updated interpretive guidance documents, training material, and programs.

At the completion of the fiscal year, a firm should be able to develop and submit the ICR schedule and supporting financial reports.

We recommend that firms re-watch the *WSDOT Indirect Cost Rate Training Modules* before developing and creating the above documents for the ICR review process.

If you have questions, please don't hesitate to contact us at (360) 705-7003.

References

1. **American Association of State Highway and Transportation Officials (AASHTO) Uniform Audit & Accounting Guide**
 - <http://audit.transportation.org/Pages/default.aspx>
2. **Federal Acquisition Regulations (FAR) 48 Code of Federal Regulations (CFR) Part 31**
 - http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title48/48cfr31_main_02.tpl
3. **WSDOT Indirect Cost Rate Training Modules, Basic Timekeeping Webinar & Interpretive Guidance Documents**
 - <http://www.wsdot.wa.gov/Audit/guides.htm>
4. **WSDOT Safe Harbor Program**
 - <http://www.wsdot.wa.gov/Audit/SafeHarbor.htm>