



**Washington State
Department of Transportation**

Interpretive Guidance Document

Airfare Costs

Indirect Cost Rate for Architectural & Engineering Firms

WSDOT Internal Audit Office

October 24, 2016 Update

(Originally published December 24, 2013; the guidance in this document applies to indirect costs incurred after October 23, 2016)

Interpretive Guidance for Airfare Costs

This Interpretive Guidance Document will address **Airfare**, and the allowable amount that can be charged by Architectural and Engineering (A/E) Consultants in the Indirect Cost Rate (ICR) Schedule. The Federal Acquisition Regulations (FARs), 48 CFR 31.205-46(b) and (c) limit allowable airfare costs to the lowest priced airfare available to the consultant.

There can be many airfare options available when booking a flight, and it is important to document support at the time that the lowest priced airfare was purchased¹. Well designed and clearly communicated company policies and procedures that are consistently followed can provide assurance to WSDOT Auditors that a firm is pursuing the lowest priced airfare. This interpretive guidance is not designed to discuss all possible scenarios but, rather, to provide information on the most common occurrences.

Company Policy

Best practice is that A/E firms have a policy in place to meet the intent of 48 CFR 31.205-46 and apply the policy consistently. There is no expectation for firms to maintain documentation of every available flight; rather firms should have well designed policies and procedures in place that reinforce pursuit of the lowest priced fare. A well written policy would provide assurance to auditors that consultants are pursuing the lowest priced available fare. Based on company policies, procedures and best practices we have observed, the following is a list of elements that should be incorporated into a firm's travel policy which relates to the purchase of airfare:

- Effective date of the policy.
- Policy signed as approved by the firm's executives.
- Formalized & communicated to all staff.
- Advance purchase requirement. (Requirement for ticket to be purchased in advance as much as possible.)
- No first class airfare allowed – however, if first class airfare is purchased, document lowest available fare at that time and subtract the difference from indirect costs.
- Centralized booking within the firm's organization to assure compliance.
- Establish approved cost differential for non-stop flights. Often the lowest priced available airfare includes several transfers and delays between flights; to compensate for this, FAR allows for more direct routes as long as specific conditions are documented per 48 CFR 31.205-46(b).
- Specify selection may not be based on carrier preference.
- Rewards programs accumulated for and used by the firm are not used by the employee for personal benefit.
- Procedures for periodic monitoring and compliance review.
- Document the following for each travel expense:
 - Travel date
 - Destination
 - Name of traveler, title, relation to consultant

¹ Often the lowest priced available airfare includes several transfers and delays between flights; to compensate for this, FAR allows for more direct routes as long as specific conditions are documented per 48 CFR 31.205-46(b).

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- Business purpose – written justification for travel (in lieu of use of teleconference or video conference)
- Detailed receipt for the airfare to include the class of service (include the explanation of respective airlines fare codes)

The above list is not all inclusive, and the policy should be geared toward the firm. It is important to document how and when the policy is communicated to employees and monitored for compliance. A strong company policy that is consistently followed will help reinforce that employees are pursuing the lowest priced airfare available.

Nonrefundable Airfare

Firms must also consider nonrefundable airfare as part of the advance planning to determine the lowest possible fare. Infrequent costs associated with cancelling or changing restricted or non-refundable tickets may be considered an ordinary and necessary business expense. However, if historical data show inadequate advance planning, the cancellation or change fees may not be allowable. In these cases, the firm should document the need to buy fully refundable and changeable tickets.

Allowability/Reasonableness

As with any expense included in the indirect cost rate schedule, the allowability and reasonableness test applies.

48 CFR 31.201-2 (d) Determining Allowability:

(d) A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in this subpart and agency supplements. The contracting officer may disallow all or part of a claimed cost that is inadequately supported.

48 CFR 31.201-3 (a) Determining Reasonableness:

(a) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Reasonableness of specific costs must be examined with particular care in connection with firms or their separate divisions that may not be subject to effective competitive restraints. No presumption of reasonableness shall be attached to the incurrence of costs by a contractor. If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer's representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.

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Direct Airfare Costs

Regarding project- specific airfare (direct airfare costs), the firm's needs might indicate the mode and timing of travel, however, documentation of this is key to allowability. In addition, non-billable project-related airfare would remain a direct cost, not included in the Indirect Cost Rate Schedule. For WSDOT agreements, air travel will be reimbursed, as a direct cost, only to the economy class level (lowest priced) unless otherwise approved in writing for the specific travel event. Additionally, WSDOT agreements refer to compliance with the WSDOT's Accounting Manual, M 13-82, Chapter 10 – Travel Rules and Procedures for direct non-salary costs; contact your respective WSDOT program manager for details.

Contractor-owned aircraft

There are several considerations regarding travel by contractor-owned, -leased, or -chartered aircraft. Please refer to *48 CFR 31.205-46(c)* and AASHTO Audit Guide – *Chapter 8, Section 8.26, C. Aircraft Costs* for additional guidance or speak with the WSDOT Audit Office for guidance on how these costs are reimbursed.