

# Provisional Billing Rates



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# Definition

## FAR 42.701

- Provisional rate or billing rate is an established temporary indirect rate applicable to a specified period (fiscal year) for the purpose of allowing interim reimbursement of incurred indirect costs

# Established Rates

- A process established by FAR 42.700
- Submission to the contracting officer prior to the commencement of the fiscal year
- Review conducted by contracting officer and their representatives
- Agreement reached on rates and properly documented
- All interim vouchers must use the provisional established rates

# Submission

- Based on contractor's accounting system
- Utilize the financial information from your most current year time-period (e.g. third quarter actuals projected to year end)
- Adjust year end actuals to determine projections for the subsequent fiscal year

# Submission

- Adjust the projected amount to ensure
  - Screening for any unallowable costs
- Adjust the projected amount for significant occurrences:
  - gain or loss of a sign. contract
  - unusual increase in expenses (e.g. lease)

# Review of Submission

- Contracting officer/representatives perform various analysis
- Analytical review procedures of prior years
- Incorporation of the results of any prior audits to assess the reasonableness of the proposed provisional rates

## The Process - cont'd

- If possible, the contracting officer and contractor agree on the specific billing rates
- Contracting officer/representatives confirms the agreed to rates in a letter to the contractor
- Absent agreement between the parties, the contracting officer will establish unilateral indirect billing rates

## The Process - cont'd

- Billing rates must be used to compute all interim reimbursement of costs on flexibly priced contracts and fixed price contracts subject to progress payments
- Billing rate revisions are applicable to all costs billed during the fiscal year
- Billing rates remain in effect until final rates are settled

# Temporary Nature of Provisional Rates

- During the year it is the responsibility of the contractor to monitor the provisional rates and alert CMS to any significant under or over occurrences
- Based on that monitoring, rates will be adjusted during the year to prevent significant variances
- Billing rates will be retroactively revised to adjust the provisional rates to the proposed final rates submitted to the government by the contractor

# Cost Elements & Base(s)

- The cost elements and bases used to compute the billing rates should be consistent with the contractor's accounting system and indirect rate structure
- Elements of indirect cost and the base or bases used in computing billing rates shall not be construed as determinative of the indirect costs to be distributed or of the bases of distribution to be used in the final settlement

# Provisional Rate Model

# Provisional Rates Schedule A

XYZ CORPORATION  
ANYWHERE, USA

## PROVISIONAL RATES FY 2005

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>REFERENCE</u>
Fringe Rate		
Pool	\$3,386,460	Schedule C
Base	\$9,250,000	Schedule D
Claimed Fringe Rate	<u>36.61%</u>	
Indirect Rate		
Pool	\$4,735,030	Schedule B
Base	\$12,200,000	Schedule D
Claimed Indirect Rate	<u>38.81%</u>	

Note:

This model presents an example; please prepare your proposal in accordance with your accounting system.

The term indirect rate can represent a General & Administrative (G&A) rate, and/or Overhead rates.

# Provisional Rates Schedule B

XYZ CORPORTION  
ANYWHERE, USA

## INDIRECT EXPENSES Provisional Cost FY 2005

<u>Accounts</u>	<u>2004 YE Actuals</u>	<u>Provisional Costs FY 2005</u>	<u>Notes</u>
Indirect Salaries and Wages	\$ 1,151,131	\$ 1,200,992	
Fringe on Indirect Salaries	\$ 402,205	\$ 439,688	
Medical Consultants	\$ 98,547	\$ 100,000	
Other Consultants	\$ 235,756	\$ 235,000	
Office Supplies	\$ 169,274	\$ 150,000	
Printing Duplicating	\$ 76,543	\$ 77,000	
Data Processing	\$ 9,576	\$ 10,000	
Maintenance	\$ 34,564	\$ 34,000	
Business Insurance	\$ 98,988	\$ 200,000	[1]
Training	\$ 29,876	\$ 30,000	
Taxes	\$ 31,897	\$ 32,000	
Depreciation	\$ 54,976	\$ 54,000	
Equipment Purchases	\$ 42,324	\$ 40,000	
Telephone	\$ 113,543	\$ 114,000	
Postage	\$ 47,666	\$ 47,500	
Board of Directors Fee	\$ 54,800	\$ 54,800	
Utilities	\$ 68,798	\$ 69,050	
Severance Expense	\$ 13,567	\$ 12,000	
Legal Fees	\$ 235,877	\$ 200,000	
Audit Fees	\$ 105,987	\$ 120,000	
Travel	\$ 324,555	\$ 325,000	
Recruitment	\$ 24,356	\$ 50,000	[2]
Dues & Subscriptions	\$ 54,678	\$ 50,000	
Conventions/Seminars	\$ 87,965	\$ 85,000	
Miscellaneous	\$ 23,543	\$ 25,000	
Rent	\$ 976,443	\$ 980,000	
<b>Total G&amp;A Pool</b>	<b>\$ 4,567,435</b>	<b>\$ 4,735,030</b>	

### Notes Explaining Adjustments:

- [1] Increase Business Insurance cost due to change in insurance provider  
 [2] Recruitment expenses will be increased due to increase in contract scope requirements

# Provisional Rates Schedule C

XYZ CORPORTION  
ANYWHERE, USA

## FRINGE EXPENSES Provisional Cost FY 2005

<u>Accounts</u>	<u>2004 YE Actuals</u>	<u>Provisional Costs FY 2005</u>	<u>Notes</u>
Holiday	\$ 2,321	\$ 2,450	
Vacation	\$ 5,812	\$ 5,960	
Sick Leave	\$ 987	\$ 1,000	
Personal Absence	\$ 1,082	\$ 1,050	
Employer FICA	\$ 820,000	\$ 850,000	
FUI	\$ 17,500	\$ 18,000	
SUI	\$ 21,375	\$ 22,000	
Workers' Compensation	\$ 27,500	\$ 27,500	
Health Insurance	\$ 965,450	\$ 975,000	
Life Insurance	\$ 45,789	\$ 46,000	
Disability Insurance	\$ 37,937	\$ 38,000	
Tuition Benefits	\$ 25,456	\$ 25,500	
Deferred Compensation	\$ 111,325	\$ 111,500	
Pension Plan	\$ 1,247,467	\$ 1,250,000	
Employee Welfare	\$ 12,455	\$ 12,500	
<b>Total Fringe Pool</b>	<b>\$ 3,342,456</b>	<b>\$ 3,386,460</b>	

### Notes Explaining Adjustments:

Please note any significant changes or decreases in proposed Provisional expenses.

# Provisional Rates Schedule D

XYZ CORPORTION  
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## Indirect Rate Bases Provisional Cost FY 2005

**Fringe Base:**

Direct Labor	\$ 8,049,008
Indirect Labor	\$ 1,200,992
Total Labor	\$ 9,250,000

**Indirect Base:**

Contract direct costs	
Labor	\$ 8,049,008
Travel	\$ 34,563
Consultants	\$ 894,428
Other Direct Costs	\$ 172,006
Subcontracts	\$ 103,253
Subtotal Direct Costs	\$ 9,253,258
Plus: Fringe Applied to Labor	\$ 2,946,742
Total Indirect Base	\$ 12,200,000

# References

- FAR 42.7 Indirect Cost Rates
- FAR 42.704 Billing Rates
- FAR 42.705 Audit Determined Final Rates

# Questions and Answers