

INVOICING “Otherwise Allowable” Costs

(February 29, 2024)

NDOT has recently received inquiries on how to document “otherwise allowable” direct labor costs that must be written off by consultants on an invoice. Before going into details on how this should be done, it is important to understand the different categories of costs that are limited in NDOT consultant agreements. Below are examples of agreement category limitations from NDOT’s standard Fees & Payments Exhibit for Cost Plus Fixed Fee ([CPFF](#)) and Specific Rates of Compensation ([SRC](#)) payment methods.

CPFF

	AMOUNT	CATEGORY
A.	\$ 10,000.00	for actual direct labor costs
B.	\$ 25,000.00	for indirect costs and direct expenses
C.	\$ 3,000.00	for a fixed fee for profit
D.	\$ 38,000.00	total agreement amount

SRC

	AMOUNT	CATEGORY
A.	\$ 10,000.00	for actual direct labor costs
B.	\$ 5,000.00	for direct expenses (direct non-labor costs)
C.	\$ 15,000.00	total agreement amount

What is meant by an “otherwise allowable” direct labor cost is an Allowable Cost (as defined in Section 4. of the Fees & Payments Exhibit) that cannot be billed by the consultant because those costs would exceed the agreement limits (Row A. above). For example, if you had \$10,500 in allowable costs categorized as actual direct labor costs, you would be able to bill \$10,000 against the agreement but have \$500 in direct labor costs you could not bill because that would exceed the maximum for Row A.

This guidance demonstrates how best to show these “write-offs” on both invoices and cost breakdown forms.

Invoices:

If a consultant must write off otherwise allowable costs, these costs must be clearly identified on the invoice for the billing period they were originally incurred and then subtracted from the total amount due. When writing off otherwise allowable costs, please provide the reason the costs are being written off even if it is simply because they would have exceeded the maximum for the category. NDOT will review the reason(s) to make sure we have the same understanding of the necessity to write off those costs. See Section 7.B. of NDOT’s standard Fees & Payments exhibit.

Showing **all** hours and costs incurred during the invoicing period gives NDOT’s Project Coordinator (PC) an opportunity to review the actual hours your firm worked during the billing period relative to the progress report. It also provides a more accurate picture of the total hours that have been worked on the project to date and makes it easier to reimburse if additional funds become available in the future for that phase of the project.

Cost Breakdown Forms:

When used correctly, the Cost Breakdown Form should display warning messages if Direct Labor Costs, Fixed Fee, or Total Contract Amount would be overbilled. These warnings are good reminders to identify which costs need to be written-off and removed from the invoice total.

Here is an Overbilled example on a CPFF Agreement:

If \$5,000 in direct labor costs have been incurred during the current billing period that amount would exceed the maximum direct labor amount of \$10,000. Therefore, you would need to document the \$1,500 in direct labor that will not be billed on this invoice. Indirectly you are also writing-off overhead/profit/fccm. Here are two cost breakdown forms illustrating this example. One before writing-off costs, the other after writing-off the \$1,500 in labor.

Before WRITE-OFF:

After WRITE-OFF:

AGR #	XK2400	⁽¹⁾ Direct Labor Costs	All Other Costs	Max Fixed Fee (Profit)	Total Contract Amount
Amount thru sup #	000	\$10,000.00	\$24,000.00	\$3,000.00	\$37,000.00
		Amount			
		This Period	Previously Billed	To Date	
Direct Labor Costs	labor overbilled	\$5,000.00	\$6,500.00	\$11,500.00	
Overhead @ 200.00%	of direct labor	\$10,000.00	\$13,000.00	\$23,000.00	
Fixed Fee @ 10.00%	of labor+overhead	\$1,500.00	\$1,950.00	\$3,450.00	
FCCM @ 0.000%	of direct labor	\$0.00	\$0.00		
Direct Costs (Non-Labor)			\$875.00	\$875.00	
Outside Services (Subconsultants):					
Name	Max Amount				#VALUE!
sub1	\$3,000.00	\$300.00	\$2,450.00	\$2,750.00	
			\$0.00		
			\$0.00		
Comments:					
Adjustments: ERROR: Fixed Fee is overbilled, make adjustment on line below					
Overhead			\$0.00		
Fixed Fee for profit			\$0.00		
FCCM			\$0.00		
Other:			\$0.00		
Total Amount DUE >>		\$16,800.00	\$24,775.00	\$41,575.00	
By submitting this form electronically to state, Consultant certifies submitted costs are actual and allowed by contract.		Total Agreement Amount Remaining:		Overbilled	
Signature (typed or signed name required):		Total Fixed Fee Remaining:		#VALUE!	
Title:	Date:				

AGR #	XK2400	⁽¹⁾ Direct Labor Costs	All Other Costs	Max Fixed Fee (Profit)	Total Contract Amount
Amount thru sup #	000	\$10,000.00	\$24,000.00	\$3,000.00	\$37,000.00
		Amount			
		This Period	Previously Billed	To Date	
Direct Labor Costs		\$3,500.00	\$6,500.00	\$10,000.00	
Overhead @ 200.00%	of direct labor	\$7,000.00	\$13,000.00	\$20,000.00	
Fixed Fee @ 10.00%	of labor+overhead	\$1,050.00	\$1,950.00	\$3,000.00	
FCCM @ 0.000%	of direct labor	\$0.00	\$0.00		
Direct Costs (Non-Labor)			\$875.00	\$875.00	
Outside Services (Subconsultants):					
Name	Max Amount				
sub1	\$3,000.00	\$300.00	\$2,450.00	\$2,750.00	
			\$0.00		
			\$0.00		
Comments:					
\$1,500 labor written off on this invoice					
Adjustments:					
Overhead			\$0.00		
Fixed Fee for profit			\$0.00		
FCCM			\$0.00		
Other:			\$0.00		
Total Amount DUE >>		\$11,850.00	\$24,775.00	\$36,625.00	
By submitting this form electronically to state, Consultant certifies submitted costs are actual and allowed by contract.		Total Agreement Amount Remaining:		\$375.00	
Signature (typed or signed name required):		Total Fixed Fee Remaining:		\$0.00	
Title:	Date:				

If a supplement is obtained for this phase of work that increases the direct labor amount by \$2,000 (along with some corresponding increase to overhead, profit, and the total agreement amount), the \$1500 referenced above could then be billed. To recover the written-off costs on a future invoice, you would just need to reference the amount of previously written-off direct labor that you now want to recover. Please clearly document the amount and invoice number where these costs originally showed up in your invoices. Your new invoice should have a section that lists the \$1,500 in labor previously written off from a prior invoice. This \$1,500 would be added to the other labor costs incurred during the new billing period. For example, if you have \$300 in new labor costs and are eligible to recover the \$1,500 in written off labor costs, your total labor costs will be \$1,800 (\$300 in Direct Labor Costs and \$1,500 in Adjusted Labor Costs) and you will be able to recover overhead/profit/fccm on this as well as long has funds are available in each corresponding category. Your future cost breakdown form might look like shown below:

Hopefully this guidance will reduce your company's time to prepare invoices with overbilled expenses. If you have any questions, please contact a member of our Consultant Services team.

-NDOT Consultant Services Team

AGR #	XK2400	⁽¹⁾ Direct Labor Costs	All Other Costs	Max Fixed Fee (Profit)	Total Contract Amount
Amount thru sup #	001	\$12,000.00	\$28,000.00	\$3,600.00	\$43,600.00
		Amount			
		This Period	Previously Billed	To Date	
Direct Labor Costs		\$1,800.00	\$10,000.00	\$11,800.00	
Overhead @ 200.00%	of direct labor	\$3,600.00	\$20,000.00	\$23,600.00	
Fixed Fee @ 10.00%	of labor+overhead	\$540.00	\$3,000.00	\$3,540.00	
FCCM @ 0.000%	of direct labor	\$0.00	\$0.00		
Direct Costs (Non-Labor)		\$100.00	\$875.00	\$975.00	
Outside Services (Subconsultants):					
Name	Max Amount				
sub1	\$3,000.00		\$2,750.00	\$2,750.00	
			\$0.00		
			\$0.00		
Comments:					
Adjustments:					
Overhead			\$0.00		
Fixed Fee for profit			\$0.00		
FCCM			\$0.00		
Other:			\$0.00		
Total Amount DUE >>		\$6,040.00	\$36,625.00	\$42,665.00	
By submitting this form electronically to state, Consultant certifies submitted costs are actual and allowed by contract.		Total Agreement Amount Remaining:		\$935.00	
Signature (typed or signed name required):		Total Fixed Fee Remaining:		\$60.00	
Title:	Date:				