



# INDIANA DEPARTMENT OF TRANSPORTATION

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Indianapolis, Indiana 46204

Mike Braun, Governor  
Lyndsay Quist, Commissioner

## DIVISION OF EXTERNAL AUDITS

### Direction for Billing by Classification under Negotiated Hourly Rate Contracts

Negotiated Hourly Rate contracts use the average hourly rates from the firm's most recent Certified Hourly Labor Rate schedule, as filed with External Audit, for each employee classification.

The submitted classification average rate is then increased by the firm's most recent approved overhead rate, Facilities Capital Cost of Money (FCCM) rate, and the allowable profit rate for the project. **The most current cap limit should be applied to individual pay rates prior calculating the average rate in each labor category.** No employee can be billed at a higher rate classification than the highest classification for which that employee was included in the calculated rate. It is acceptable for firms to submit an updated Certified Hourly Labor Rate schedule as part of each contract cost proposal.

Employees may be assigned to multiple work classifications if they fulfill various roles on a project. For example, an employee who is primarily employed as a Senior Engineer may also be qualified to work as a Project Manager. The Senior Engineer may be called upon, at times, to work as a Project Manager. If this change in responsibility applies for a given project, the firm must include the Senior Engineer's wage in the labor pool for establishing the Project Manager contract rate. If not, the employee will be allowable for billing exclusively at the lower Senior Engineer contract rate, regardless of the role filled.

Rules tied to FHWA funding allow use of average pay rates for work classifications but prohibit payment of higher than a 15.0% rate of profit. If firms were allowed such latitude in billing, INDOT would be in violation of Federal law and would be at risk of loss of all FHWA funding.