FAR Audits

Once your organization receives a government contract, what is your next step? Depending on the size of the job and type of service you are performing, you might be required to submit an Overhead Rate that has been audited in accordance with Federal Acquisition Regulation ("FAR") guidelines before receiving a government contract. A FAR Part 31 audit, also known as an overhead rate audit, provides assurance that you have accurately computed your indirect overhead rate by properly classifying costs and excluding certain costs not allowed under FAR guidelines.

Many of our clients require FAR audits when conducting business with the Department of Transportation – especially architectural and engineering (A/E) firms – but performing construction services for any governmental agency, either by receiving federal or state funding or participating in a government (federal, state, local or quasi-government) contract, typically requires a FAR audit.

The following are key issues a FAR audit addresses:

- Segregation of direct and indirect costs
- Exclusion of unallowable costs under FAR Part 31
- Time reporting and labor cost accounting
- Related party transactions
- Travel and meal costs

Generally, FAR audits are required to be performed on an annual basis according to most contracts as long as you are providing services to the governmental agency.

Our firm conducts FAR audits using guidelines from the American Association of State Highway and Transportation Officials (AASHTO), in addition to maintaining expertise in Defense Contract Audit Agency (DCAA) audit compliance. Developing a FAR rate takes skill and experience. We can help companies with the following:

- Develop a FAR rate from scratch
- Perform an annual FAR audit
- Consult with companies around the FAR rate process
If you have questions about whether or not you could benefit from a FAR audit, or if you require a FAR audit, contact your advisor.

**Press Release**

Scott D. Brandt Promoted to Partner at Brown Smith Wallace