



Travel Cost Principles – FAR Part 31.205-46

Presenter:

Marie Salamone, Partner



PUBLIC
CONTRACTING
INSTITUTE

Capital Edge Consulting Overview



- ✍ Established in 2010; Founded by Chad Braley, CEO & Managing Partner
- ✍ Headquartered: Washington, D.C.
- ✍ Employs 50+ professionals
- ✍ Actively supports 200+ clients per year
- ✍ Recognized nationally and regionally:
 - Inc. 5000 3X
 - Inc. 5000 DC Metro: 2020
 - Washington Business Journal Fastest Growing Companies: 2020
- ✍ Go-to-resource for Government Contracting Compliance
- ✍ Go-to-resource for public training





Value Proposition

As the largest consulting firm-of-its-kind, Capital Edge assists **government contractors** and **federal grant recipients** in navigating **regulatory and contractual compliance** across all industries that serve **local, state and federal government**. We are singularly focused on **delivering proven excellence**, successful outcomes and outstanding client experiences.



Helping federal government contractors solve complex business problems using established and proven methodologies.

Cohesive, entrepreneurial culture where people are our most significant asset. Backgrounds include DCAA, DCMA, Industry, and Consulting (“Big Four” partners & staff).

Proven excellence recognized by client retention and references. Agile and adaptable, providing personalized service.

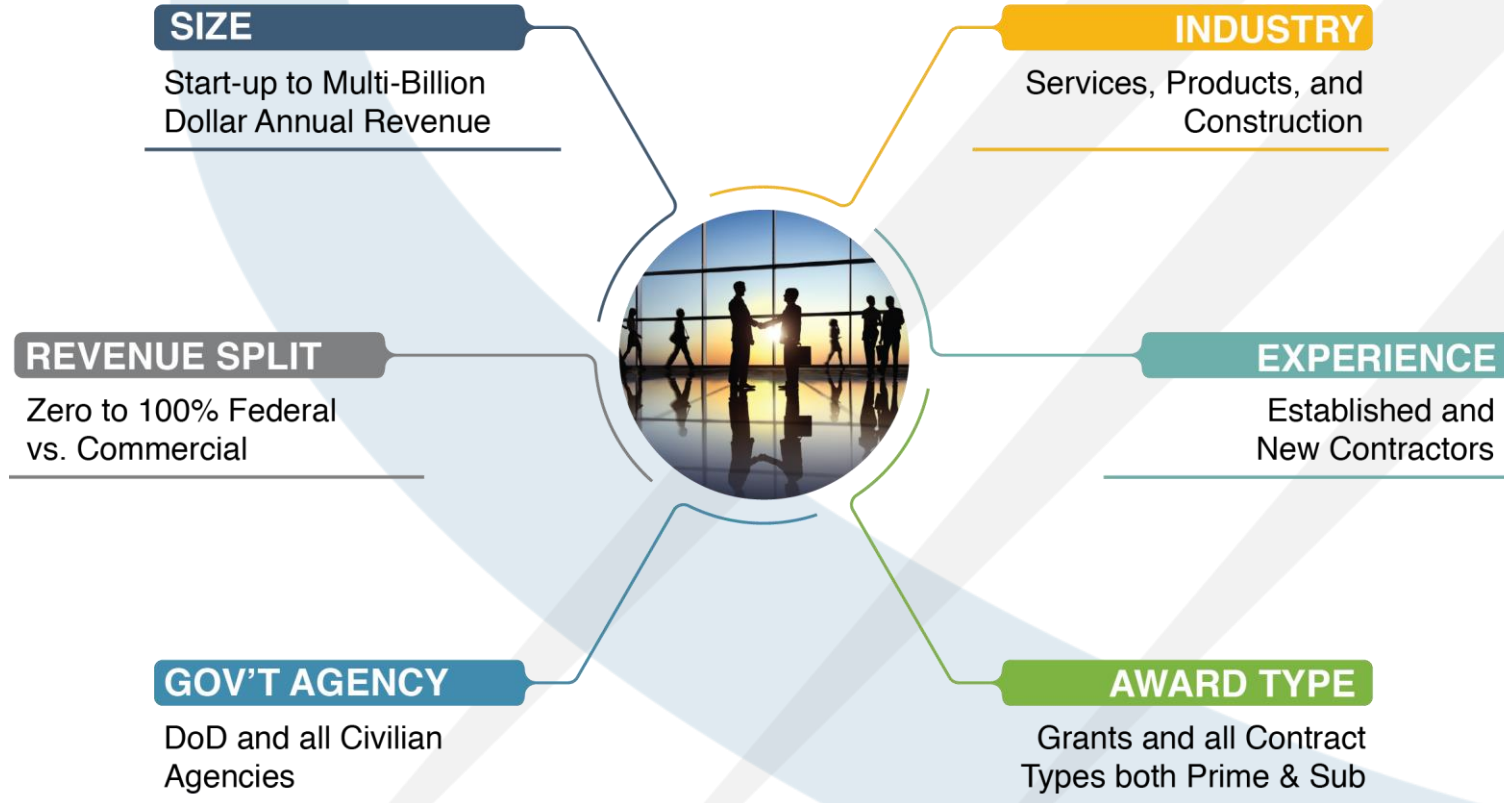
Comprehensive services for a wide range of industries across both defense and civilian federal agencies.

Expert instructors in high-demand on a full spectrum of government contracting topics. Prominent in professional and industry associations.



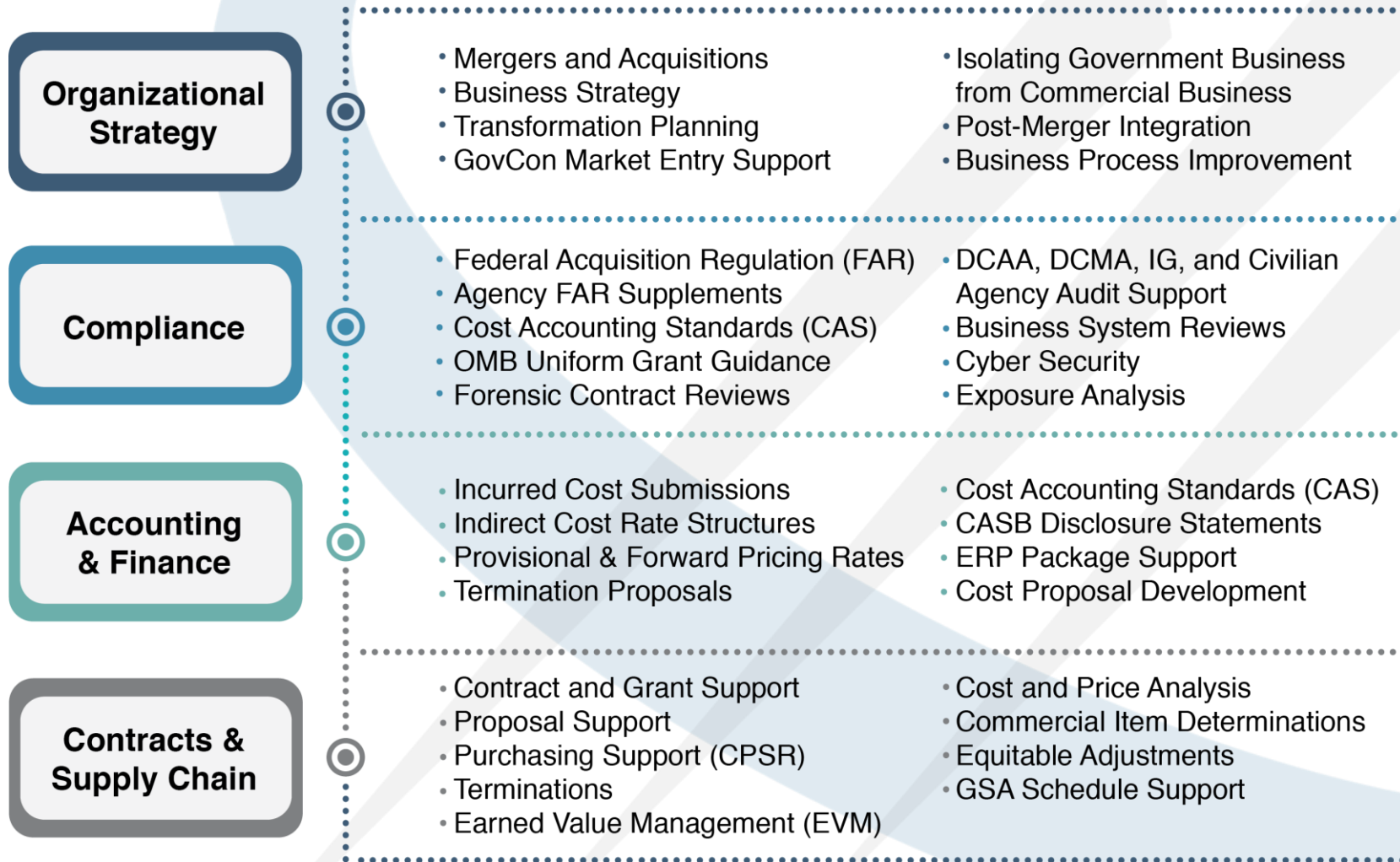
Who We Work With

All entities receiving Federal funding





The Solution Model





Marie Salamone, CCP, MBA, Partner

Marie has more than 30 years of government contract cost accounting and compliance consulting as well as cost engineering, construction claims analysis and litigation experience in an array of industries that include pharmaceutical, defense, manufacturing, service, energy, and waste management. Utilizing her expertise in the construction industry, Marie serves clients of all size by providing accounting, contracts, compliance, and claims support. She has developed numerous incurred cost proposals for a wide variety of clients, ranging from very simple to very complex rate structures with mix of contract types. Marie has also developed termination proposals, forward pricing proposals and policies and procedures for both large and small contractors across a number of industries.



Polling Question #1

- What is your main reasoning for joining this training?
- a) I want to know how to book unallowable travel costs in our accounting system
 - b) I want to know all the learn more about what types of travel are allowable in government contracting
 - c) I don't have a government contract but want to bid on one and need to more about the travel regulations
 - d) Other



When does FAR 31.205-46 Apply?

- ✧ Provides guidance on allowable travel expenses

- ✧ Utilize FAR 31.205-36 when employee reimbursement for travel expense is based on actual costs incurred

- ✧ FAR Part 31 Cost Principles require that costs claimed to U.S. Government are
 - ALLOCABLE – Causal Beneficial Relationship
 - REASONABLE – What a Prudent Person would Pay
 - ALLOWABLE – As defined in FAR 31.205-XX
 - Costs must be properly support
 - Not identified as specifically unallowable



✂ Common Travel Costs Include:

- Transportation (Airfare, train, mileage reimbursement)
- Lodging
- Meals (Individual and Team)
- Incidental Expenses



FAR Part 31.205-46 (a) (cont.)

- ✧ Costs incurred by contractor personnel on official company business are allowable, subject to the following limitations
- ✧ They do not exceed, on a daily basis, the maximum per diem rates in effect at the time of travel as set forth in the-

(1) Federal Travel Regulations, prescribed by the General Services Administration (GSA), for travel in the contiguous United States

<https://www.gsa.gov/travel/plan-book/per-diem-rates>



FAR Part 31.205-46 (a) (cont.)

✂ They do not exceed, on a daily basis, the maximum per diem rates in effect at the time of travel as set forth in the-

(2) Joint Travel Regulation, Volume 2, DoD Civilian Personnel, Appendix A, prescribed by the Department of Defense, for travel in Alaska, Hawaii, and outlying areas of the United States

<https://www.travel.dod.mil/policy-regulations/joint-travel-regulations/>



FAR Part 31.205-46 (a) (cont.)

✂ They do not exceed, on a daily basis, the maximum per diem rates in effect at the time of travel as set forth in the-

(3) Standardized Regulations (Government Civilians, Foreign Areas), Section 925, “Maximum Travel Per Diem Allowances for Foreign Areas,” prescribed by the Department of State

https://aoprals.state.gov/web920/per_diem.asp



FAR Part 31.205-46 (a) (cont.)

- ✂ For these higher amounts to be allowable, all of the following conditions must be met:
- A written justification for use of the higher amounts must be approved by an officer of the contractor's organization or designee to ensure that the authority is properly administered and controlled to prevent abuse
 - Documentation to support actual costs incurred shall be in accordance with the contractor's established practices, and provided that a receipt is required for each expenditure of \$75.00 or more



FAR Part 31.205-46 (a) (cont.)

- ✂ Costs shall be allowable only if the following information is documented
- Date and place (city, town, or other similar designation) of the expenses;
 - Purpose of the trip; and
 - Name of person on trip and that person's title or relationship to the contractor



✍ What is your policy?

- Per-diem?
- How do you handle partial days (first day, last day, meal(s) provided)?
- Actuals up-to per-diem?
- Actual cost incurred?
- What is the threshold for your receipts?
- Are your employees required to submit actual receipts or scanned images?
- How do you treat cost in excess of the limitation/unallowable?
- Do you have any contracts requiring pre-authorization?

Per Diem Rates

Overview

[FY 2023 Per Diem Highlights](#)

[FAQ](#)

[Per Diem Contacts](#)

[M&IE Breakdown](#)

[Factors Influencing Lodging Rates](#)

[Per Diem Boundaries](#)

[Fire Safe Hotels](#)

[Per Diem Files](#)

Per Diem Rates

Rates are set by fiscal year, effective October 1 each year. Find current rates in the continental United States ("CONUS Rates") by searching below with city and state (or ZIP code), or by clicking on the map, or use the new [per diem tool to calculate trip allowances](#).

Search by City, State or ZIP

For Fiscal Year:

2023 (Current Year) ▾

Select a State ▾

City (optional)

OR

ZIP

Find Rates

Search by State

Questions

Have travel policy questions?
Use our '[Have a Question?](#)' site

Tax Questions?

Have a question about per diem and your taxes? Please contact the Internal Revenue Service at [800-829-1040](tel:800-829-1040) or visit www.irs.gov. GSA cannot answer tax-related questions or provide tax advice.

[\[XLSX - 43 KB\]](#)

State Tax Exempt Forms

Need a state tax exemption form?

Per OMB Circular A-123, federal travelers "...must provide a tax exemption certificate to lodging vendors, when applicable, to exclude state and local taxes



GSA Travel Per Diems (cont.)

GSA U.S. General Services Administration

Per Diem Lookup

Search GSA.gov



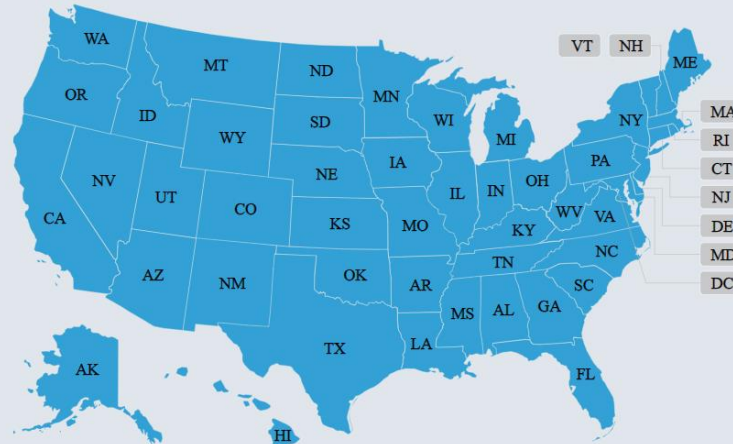
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Home > Travel > Plan & Book > Per Diem Rates

Search by State

For Fiscal Year:

2023 (Current Year) ▾



The Department of Defense sets rates for Alaska, Hawaii, U.S. Territories, and Possessions (OCONUS rates).
[Visit DoD site >](#)

The State Department sets Foreign Rates.
[Visit the State Dept Site >](#)



exemption certificate to lodging vendors, when applicable, to exclude state and local taxes from their hotel bills." GSA's SmartPay team maintains the most current [state tax information](#), including any applicable forms.

Top



GSA Travel Per Diems (cont.)



Daily lodging rates (excluding taxes) | October 2022 - September 2023



Cities not appearing below may be located within a county for which rates are listed. To determine what county a city is located in, visit the [National Association of Counties \(NACO\) website \(a non-federal website\)](#).

Filter Results...

| Primary Destination ⁱ | County ⁱ | 2022 Oct | Nov | Dec | 2023 Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
|----------------------------------|---------------------|----------|-------|-------|----------|-------|-------|-------|-------|-------|-------|-------|-------|
| Philadelphia | Philadelphia | \$198 | \$198 | \$149 | \$149 | \$149 | \$210 | \$210 | \$210 | \$210 | \$166 | \$166 | \$198 |

Showing 1 to 1 of 1 entries



Meals & Incidentals (M&IE) rates and breakdown ⁱ



Use this table to find the following information for federal employee travel:

M&IE Total - the full daily amount received for a single calendar day of travel when that day is neither the first nor last day of travel.

Breakfast, lunch, dinner, incidentals - Separate amounts for meals and incidentals. M&IE Total = Breakfast + Lunch + Dinner + Incidentals. Sometimes meal amounts must be deducted from trip voucher. See [More Information](#)

First & last day of travel - amount received on the first and last day of travel and equals 75% of total M&IE.

Filter Results...

| Primary Destination ⁱ | County ⁱ | M&IE Total | Continental Breakfast/Breakfast | Lunch | Dinner | Incidental Expenses | First & Last Day of Travel ⁱ |
|----------------------------------|---------------------|------------|---------------------------------|-------|--------|---------------------|---|
| Philadelphia | Philadelphia | \$79 | \$18 | \$20 | \$36 | \$5 | \$59.25 |

Showing 1 to 1 of 1 entries



GSA Travel Per Diems (cont.)

- ✍ **M&IE Total** - the full daily amount received for a single calendar day of travel when that day is neither the first nor last day of travel
- ✍ **Breakfast, Lunch, Dinner, Incidentals** - Separate amounts for meals and incidentals. $M\&IE\ Total = Breakfast + Lunch + Dinner + Incidentals$. Sometimes meal amounts must be deducted from trip voucher.
- ✍ **First & Last Day of Travel** - amount received on the first and last day of travel and equals 75% of total M&IE.



Company Policy vs. Travel Regulations

- ✍ Does your company allow for Business Class airfare when traveling abroad or for flights longer than six hours?

- ✍ If yes, what is an acceptable approach to booking these types of flights?
 - Disallow all costs for these flights
 - Advantage: Reduces audit risk
 - Disadvantage: Reduces amount claimed to USG
 - Disallow portion of these flights
 - Advantage: Increases amount claimed to USG
 - Disadvantage: Increases level of support and documentation required to support costs



- ✍ Company Policy does not have to align with U.S. Travel Regulations
- ✍ What a company reimburses its employees can be higher or lower than the U.S. Travel Regulations:
 - If Company Policy limits reimbursement or establishes thresholds that are lower than regulation, then Company Policy governs.
 - If Company Policy reimbursement or thresholds are higher than regulation, then regulation governs.

Example: Company Policy requires receipts for amount greater than \$10, then all expenses over \$10 requires a receipt even though the U.S. Government threshold is \$75



- ✧ Does Your Company Have a Travel Policy That Addresses U.S. Government Travel Regulations
- a) Yes
 - b) No
 - c) I don't know



- ✧ The contractor's procedures should provide for advance planning of travel to assure that:
 - (a) wherever feasible and economically practical, required visits to locations in the same geographical area are combined into a single trip
 - (b) maximum use is made of the lowest customary standard, coach, or equivalent airfare accommodations available during normal business hours



✍ The contractor's procedures should provide for advance planning of travel to assure that:

(c) coordination between organizational elements is effected to minimize the number of trips to the same location. Individual trips should be reviewed to determine if

- (1) the contractor is complying with its travel policies and procedures
- (2) the trip is for an allowable purpose, and
- (3) the incurred travel costs are documented and allowable in accordance with FAR 31.205-46. In addition, the auditor should review the contractor's accounting procedures to determine whether or not they provide adequate controls for segregating unallowable travel costs



- ✍ Airfare costs in excess of the lowest priced airfare available to the contractor during normal business hours are unallowable except when
- Such accommodations require circuitous routing
 - Require travel during unreasonable hours
 - Excessively prolong travel
 - Result in increased cost that would offset transportation savings
 - Are not reasonably adequate for the physical or medical needs of the traveler
 - Or are not reasonable available to meet mission requirements



✂ Airfare costs – What is in your policy?

- Are employees allowed to book higher class airfare?
 - What is your practice to identify the unallowable portion?
 - Who is documenting the lowest airfare available?
 - Baggage fees?
 - Change fees?
 - Refundable airfare?
 - Are you utilizing a travel agent (concur, Amex,...)
- International Travel
 - Are business class airfare allowable?
 - Is it based on certain about hours in flight? – What does the FAR say?



✍ In all cases, travel by contractor-owned, leased, or chartered aircraft must be fully documented and justified. The logging should indicate, at the least

- Date, time, and points of departure;
- Destination, date, and time of arrival;
- Name of each passenger and relationship to the contractor;
- Authorization for trip; and
- Purpose of trip



- ✧ Costs of contractor-owned or leased automobiles, as used in this paragraph, include the costs of
 - Lease, Operation (including personnel), Depreciation, and Insurance
- ✧ These costs are allowable, if reasonable, to the extent that the automobiles are used for company business.
- ✧ That portion of the cost of company-furnished automobiles that relates to personal use by employees (including transportation to and from work) is compensation for personal services and is unallowable as stated in 31.205-6(m)(2).



- ✧ Travel costs via private aircraft in excess of the standard commercial airfare are allowable in two situations:
 - (1) when travel by such aircraft is specifically required by contract specification, term, or condition; or
 - (2) when a higher amount is approved by the contracting officer.

- ✧ All or part of excess costs incurred for operating private aircraft may be approved by the contracting officer:
 - (1) when one or more of the conditions described in FAR 31.205-46(b) are present that would justify costs in excess of the lowest standard commercial airfare, such as requiring circuitous routing, travel during unreasonable hours, or excessively prolonged travel;
 - (2) when an advance agreement has been executed



- ✍ Does Your Company Have a Travel Policy That Addresses U.S. Government Travel Regulations
- a) Yes
 - b) No
 - c) I don't know



DCAA 72-2.3 (Use of Advance Agreements)

- ✧ When the contractor proposes an advance agreement with respect to the costs of company aircraft, the auditor should evaluate the contractor's proposal and provide audit findings and recommendations to assist the contracting officer in establishing the negotiation objective.
- ✧ In evaluating the contractor's proposal, the auditor should consider major financial and nonfinancial factors. Generally, the contractor must demonstrate that scheduled commercial airline service is not readily available at reasonable times to accommodate the company's air travel requirements.



Use of Advance Agreement - Case Example

- ✧ The ASBCA ruled (in the General Dynamics case no. 31359, 92-2, BCA 24922) that "time savings, productivity gains, or more effective use of personnel" can be used to demonstrate and justify the higher cost of private aircraft. It is the contractor's responsibility to provide the Government a fully supported submission to demonstrate that these savings exceed the costs of using private aircraft as compared to using commercial airlines. The ASBCA also ruled that it is appropriate for the contractor to consider the value of executive time in the cost-benefit analysis.



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- ☞ Does Your Company Have a CAS Covered Contracts?
- a) Yes
 - b) No
 - c) I don't know



- ✧ Purpose – To facilitate the negotiation, audit, administration and settlement of contracts by establishing guidelines for:
- 1) Identification of costs specifically described as unallowable, at the time such costs first become defined or authoritatively designated as unallowable, and
 - 2) The cost accounting treatment to be accorded such identified unallowable costs in order to promote the consistent application of sound cost accounting principles covering all incurred costs.



✂ Fundamental Requirements:

- Expressly unallowable costs shall be identified and excluded from any billing, claim, or proposal.
- Costs designated as unallowable, in writing from the CO, shall be identified if included in or used in any billing, claim, or proposal (also applies also to any costs incurred for the same purpose under like circumstances).
- Directly associated costs of unallowable costs.
- Costs of any work project not contractually authorized.
- All unallowable costs shall remain in the allocation base(s).
- Total of allocable & allowable costs exceeding a limit or ceiling-price shall be made unallowable to cost objective.



- ✍ Identify (1) expressly, (2) CO determined, or (3) mutually-agreed to costs as unallowable
- ✍ Must be separately identified and not included in billings or price proposals to government
- ✍ Includes directly associated costs
 - Other costs generated or incurred because of unallowable activity
 - Materiality is a consideration for disallowing directly associated costs;
Example: CEO Salary for time spent entertaining commercial clients is not directly associated unless the activity constituted a significant part of duties and responsibilities on which the salary was based.
 - Both FAR & CAS example



- ✍ Statistical sampling is an acceptable method for identifying unallowable costs:
 - Unbiased, valid sample, and sampling technique
 - Large dollar or high-risk transactions removed from universe
 - Permits audit verification
 - Any items in sample that carry penalties provisions will be projected over universe
 - Advance agreement should be executed for sampling
 - Suggest discussing plan with DCAA auditors
- ✍ Logical application: predominantly commercial (non-government) entity with 1 or 2 small CPFF government contracts
- ✍ **NOTE: DCAA expectations for precision are narrower than DCAA employs when performing stat sampling as an audit tool**



CAS 405 – Application Techniques

- ✧ Need detailed records for backup support for proposals, billings, or claims to establish and maintain visibility of:
 - Identified unallowable costs (including directly associated costs),
 - Accounting status of allocability to contract cost objectives, and
 - Cost accounting treatment which has been accorded such costs.
- ✧ Does not require that allocation of unallowable costs to final cost objectives be made in the detailed accounting records.
- ✧ Requires that unallowable costs included in allocation bases used for distributing indirect costs to cost objectives.
- ✧ Identify unallowable costs for determination of indirect rates when rates are proposed, established, revised or adjusted.



- ✍ For incurred costs, alternative practices include:
 - Segregation of unallowable costs in separate accounts maintained in the regular books of account
 - Development and maintenance of separate accounting records or work papers
 - Use of less formal cost accounting techniques which maintains cost identification to permit audit verification

- ✍ For estimated costs, alternative practices include:
 - Describe in backup data/work papers the amounts and types of any unallowable costs recognized in estimate
 - Describe other estimating techniques to provide recognition of any unallowable costs pertinent to the estimates



- ✧ Does Your Company Identify and Segregate Unallowable Travel Costs in its General Ledger
- a) Yes
 - b) No
 - c) I don't know



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Questions?



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