



**State of New Jersey**  
DEPARTMENT OF TRANSPORTATION  
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*Lt. Governor*

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*Commissioner*

LEWIS DAIDONE  
*Assistant Commissioner  
Finance and Administration*

June 21, 2021

**Subject: Paycheck Protection Program Loans**

Dear Consultant:

Please be advised that, in accordance with federal regulations and guidelines, the NJDOT Bureau of External Audit (BEA) will evaluate all overhead schedules with respect to the allowability of costs and credits related to Small Business Administration Paycheck Protection Program (PPP) loan proceeds. Per Federal Acquisition Regulation (FAR) 31.201-5, the applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund.

Per FHWA, NJDOT will not accept direct credits to projects if PPP funds were initially expended for direct costs on NJDOT contracts. PPP funds initially applied in this manner to NJDOT contracts must be reallocated as indirect costs and credited to the Indirect Cost Rate (ICR). If a consultant has allocated any portion of the PPP forgiven loan to commercial contracts, they must provide adequate supporting documentation to NJDOT that identifies these contracts as included in their original PPP forgiveness application. This documentation should include job cost and labor distribution reports that include project numbers, descriptions, and each contract customer. Likewise, if PPP funds were expended on unallowable indirect costs, the consultant must provide NJDOT with a detailed transaction summary to document that costs were not originally classified as allowable indirect costs. All excluded direct costs must be supported by consultant schedules detailing transactions by excluded contract, contract client, contract basis of payment, employee name, and hours and wages that reconcile to the PPP loan forgiveness application.

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Historically, BEA approved overhead rates based on actual incurred costs that are utilized for agreement, modification, or task order funding purposes and applied as interim billing rates in those contracts.

These rates are also utilized for settle-up purposes on cost plus fixed fee (CPFF) contracts. Overhead schedules with PPP loan credits included will be utilized for NJDOT settle-up purposes only. Forgiven PPP loan proceeds are to be credited to the ICR for the year in which PPP funds were forgiven. These reduced rates will only impact CPFF contracts with direct labor paid in the year in which PPP proceeds were forgiven. There will not be any impact on fixed price contracts or funding for any new contracts.

If a consultant firm chooses to repay the loan rather than seek forgiveness, then a credit to the ICR is not required. Consultant independent audits must disclose relevant financial and related PPP loan information including, but not limited to, loan amounts; starting period of the loan; forgiveness status; forgiven amounts; covered period for loan forgiveness; application of forgiven funds; and, repayment of principal details. If a consultant received an Employee Retention Tax Credit (ERTC), this must be reflected in full as a credit against the ICR. Please note that all consultants are required to submit a NJDOT PPP Certification form with their annual overhead submission.

If you have any further questions regarding this subject, please contact the Bureau of External Audit at: [dot.actaudit@dot.nj.gov](mailto:dot.actaudit@dot.nj.gov).

Respectfully,



Lewis Daidone

Assistant Commissioner - Finance and Administration  
and Chief Financial Officer