

September 2005 – Volume 1, Issue 1

DATA DUMP

Executive Compensation

The maximum executive compensation amount for FY2005 has been benchmarked at \$473,318. It represents the median amount of compensation accrued for the top five highest paid executive over a recent twelve month period for publicly-traded companies with annual sales exceeding \$50 million. The previous compensation cap for FY2004 was \$432,851. The FY2005 cap represents a rather significant 9.3% increase over FY2004.

Compensation for personal services includes all remuneration paid currently or accrued, in whatever form and whether paid immediately or deferred, for services rendered by employees to the contractor during the applicable fiscal period. It includes, but is not limited to, salaries; wages; directors' and executive committee members' fees; bonuses (including stock bonuses); incentive awards; employee stock options, and stock appreciation rights; employee stock ownership plans; employee insurance; fringe benefits; contributions to pension, other postretirement benefits, annuity, and employee incentive compensation plans; and allowances for off-site pay, incentive pay, location allowances, hardship pay, severance pay, and cost of living differential.

This amount, applicable to the top five highest paid executives, should be considered a cap and, depending on the size of your company (sales volume and number of employees) and geographic location, may be considered unreasonable requiring additional amounts to be recorded as unallowable. Other non-executive salaries may also be considered unreasonable as well. If you have any concerns about the recoverability of your employee's compensation levels you should perform a comprehensive compensation system review.

Cost of Facilities Capital Interest Rate

The interest rate to be used in the calculation of the cost of facilities capital under CAS 414 and CAS 417 is 4.500% for the period beginning July 1, 2005 and ending December 31, 2005 (Federal Register, Volume 70, Number 126, Page 38253, Friday, July 1, 2005). The previous rate applicable for the period beginning January 1, 2005 and ending June 30, 2005 was 4.250%.

Facilities capital is defined as the average net book value of tangible capital assets and those intangible capital assets that are subject to amortization. To be able to be reimbursed for cost of facilities capital you must have it included in your contracts.

The cost of money rate for any cost accounting period shall be the arithmetic mean of the interest rates specified by the Secretary of the Treasury pursuant to Public Law 92-41 (85 stat. 97). Where the cost of money must be determined on a prospective basis, the cost of money rate shall be based on the most recent available rate published by the Secretary of the Treasury.

Personal Owned Vehicle Mileage Reimbursement Rates

Effective February 4, 2005, GSA increased the mileage reimbursement rates for privately owned vehicles (POV's).

Airplane	\$1.07 per mile
Automobile	\$0.405 per mile
Motorcycle	\$0.305 per mile

These rates per mile are to represent what it actually costs to operate the vehicle including: gas, oil, repairs, tires, insurance, registration fees, licenses, and depreciation (or lease payments) on a per mile basis.

The present automobile mileage reimbursement rate represents over a 33% increase in the past 10 years. With the skyrocketing price of gasoline I would anticipate that this rate per mile would be changing again soon. If you have contracts that include a significant amount of mileage costs you may want to consider addressing this issue contractually.

Continental United States (CONUS) Per Diem Rates

An announcement of the 2006 CONUS per diem rates to be effective October 1, 2005 is expected August 31, 2005. GSA has modified the methodology it uses to set the fiscal 2006 per diem rates for some 420 specific locations. It is using:

More current data from April 2004 through March 2005 (The current rates for use in 2005 relied mostly on data from calendar year 2003);

A wider range of hotels including: economy/budget hotels, chain hotels, independent hotels considered to be in the mid-scale to upscale price category and luxury hotels;

A business travel week from Monday through Thursday (the 2005 rates were based on an entire seven-day week).

It is anticipated that these changes will bring the per diem hotel allowance more in line with the current market conditions in these areas.

The standard hotel rate applicable to much of the country (exclusive of the some 420 locations included in the above) is based on Consumer Price Index data. It is presently \$60 per night. This standard lodging rate is not to be changed until the government fiscal year 2008 rate setting process.

The standard meal allowance is \$31 per day (exclusive of the some 420 locations included in the above). GSA has indicated that a new meals survey is being conducted that could change the standard meal allowance for fiscal 2006.

The most current GSA per diem rates can be found on their web site at www.gsa.gov.



Confidence · Direction · Capability

7918 Jones Branch Drive, Suite 750
McLean, VA 22102
703-748-5808 • 703-226-1122 fax
www.GaffeyCPA.com