

## SELECTED AREAS OF COST

### Chapter 60 – Recruitment Costs

#### **Authoritative Sources**

[FAR 31.205-34](#) Recruitment Costs

[CAM 6-408](#) Evaluation of Recruitment Costs and Practices

This chapter provides general audit guidelines for auditing recruitment related costs. These costs include help wanted advertising, operating an employment office or an aptitude and educational testing program, employment personnel and agencies, and recruiting related travel cost.

#### **Background**

FAR 31.205-34, Recruitment Costs, was last updated March 4, 1999 (Federal Acquisition Circular (FAC) 97-11). The final rule amended FAR 31.205–34 to remove excessive wording and details for streamlining purposes. These changes reaffirmed the general allowability of recruitment costs with limited exceptions and consideration of FAR 31.201-3, Determining Reasonableness.

#### **General Audit Guidelines**

CAM 6-408, Evaluation of Recruitment Costs and Practices, addresses the audit objectives and audit procedures for evaluating Recruitment Costs.

Recruitment costs are generally allowable subject to the help-wanted advertising limitations provided in FAR 31.205-34(b). Recruitment related travel costs, for employees engaged in recruiting and for applicants for interviews, are also allowable but subject to the requirements of FAR 31.205-46, Travel Costs (see Chapter 72- Travel Costs).

As prescribed in FAR 31.205-34(b); Help-wanted advertising are unallowable if the advertising -

- Does not describe specific positions or classes of positions; **or**
- Includes material that is not relevant for recruiting purposes, such as extensive illustrations or descriptions of the company’s products and services.

Costs questioned in accordance with FAR 31.205-34(b) are expressly unallowable and subject to penalties.

The auditor should review any costs related to the help-wanted advertising in addition to the costs of the actual advertising media itself. The costs of photographs, art and design work, social media, radio and television recordings, whether purchased or incurred in-house, are examples of related advertising costs.

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Advertising which is excessive in relation to the number and importance of the positions is unreasonable and therefore unallowable. Inherent in any such determination is not only the size of a particular advertisement in a publication, but also the length and frequency of advertising in all media. The auditor should consider the effectiveness of the advertising program in terms of responses by qualified personnel and the number of hires.

FAR 31.201-2(d), Determining Allowability, requires contractors to maintain adequate supporting documentation to demonstrate that claimed costs comply with the applicable cost principles. However, this requirement does not mandate a prescriptive list of documentation. Therefore, the audit team should examine all documentation, including policies and procedures, provided by the contractor and evaluate the totality of the evidential matter prior to making its determination. Each audit requires auditor judgment based on the unique facts and circumstances.