

SELECTED AREAS OF COST

Chapter 31 – Help-Wanted Advertising Costs

Authoritative Sources

[FAR 31.205-1](#) Public Relations and Advertising Costs

[FAR 31.205-34](#) Recruitment Costs

Introduction

Help-wanted advertising costs are generally allowable per FAR 31.205-1 if the advertisement complies with the requirements of FAR 31.205-34. Also see CAM 6-407.

Audit Guidelines

Paragraph (b) of FAR 31.205-34 (Recruitment costs) lists conditions that cause the costs of the help-wanted advertisement to be unallowable. These conditions and related audit considerations follow:

(1) Prior to May 3, 1999, FAR 31.205-34(b)(1) stated that help-wanted advertising costs for personnel other than those required to perform obligations under a Government contract are unallowable. This provision should not be interpreted as disallowing help-wanted advertising costs applicable to indirect employees, such as accountants, internal auditors, lawyers, etc. This provision did, however, prohibit help-wanted advertising costs that are for personnel peculiar to the performance of obligations under commercial contracts. Effective May 3, 1999, this provision was removed from FAR 31.205-34 because it duplicates the allocability provisions already discussed in FAR 31.201-4.

(2) Help-wanted advertising which does not describe specific positions or classes of positions is unallowable. For example, advertising aimed at building a backlog of resumes, rather than filling specific job openings would fall under the unallowable category. Review of the contractor's help-wanted advertisement and replies to applicants should help to determine whether or not the advertisement is one for filling specific job openings. When the contractor is observed to be expanding its current work force, an audit lead should be developed and pursued in a subsequent audit to determine whether the contractor's projected base used for estimating overhead rates considers such expansion.

(3) Advertising which is excessive in relation to the number and importance of the positions, or in relation to the practices of the industry, 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 recruitment advertising in all media (including radio and television). Consideration must also be given to the effectiveness of the advertising program in terms of responses by qualified

personnel and the number of hires. This is an area in which technical assistance from the administrative contracting officer can be most useful.

(4) Help-wanted advertising which includes material that is not relevant for recruitment purposes, such as extensive illustrations or descriptions of the company's products or capabilities, is unallowable. Conversely, allowable recruitment advertising should be limited to information such as:

- Description of the position(s) being offered.
- Description of the compensation and fringe benefits.
- Qualifications of the applicant(s).
- Opportunities for advancement.
- Brief description of the company and its work.
- Pertinent illustrations, conservative in size, that do not evidence promotion of the sale of the contractor's products or fostering of its image.
- Name of the company, conservatively presented in relation to the other information in the advertisement.
- Prior to May 3, 1999, help-wanted advertising (in publications) which includes color (other than black and white) is unallowable. Effective May 3, 1999, the prohibition of color in help-wanted advertisements has been removed.
- Prior to May 3, 1999, recruitment advertising designed to "pirate" personnel from another Government contractor is unallowable. Falling into this category is advertising that specifically offers excessive fringe benefits or salaries significantly in excess of those generally paid in the industry for the skills involved. Usually, advertising of this nature would also contain features which would render it unallowable within one or more of the other limitations noted above. Effective May 3, 1999, the costs are no longer unallowable merely because the contractor's intent was to "pirate" the employee from another Government contractor.

By reason of the several restrictions placed on their allowability, help-wanted advertising costs become a sensitive audit area. Accordingly, the auditor should review any corollary help-wanted advertising costs as well as the costs of the advertising media themselves. The costs of photographs, art and design work, radio and television tapes, whether purchased or incurred in-house, are examples of corollary advertising costs.