

MoDOT Prequalification Process

ACEC Winter Meeting

February 9, 2018

MoDOT Task

Provide Reasonable Assurance an overhead is prepared in accordance to the Federal Acquisition Regulation (FAR)

Example - Most Common Issue

Not enough clear information to understand the accounting processes used by your firm.

TIMESHEETS:

For example, timesheets do not have enough detail to show how Direct (project related hours) or Indirect (non-project related hours) are recorded consistently.

How do you take the information from the timesheet to the accounting process?

MoDOT Tasks

- Review overhead rate schedules
- Does the accounting system have the ability to:
 - Segregate direct (project related) and indirect costs (non-project related)
 - Identify unallowable costs
 - Are those costs:
 - Reasonable,
 - Allocable to the A/E services
 - Allowable.



MoDOT Consultant Services

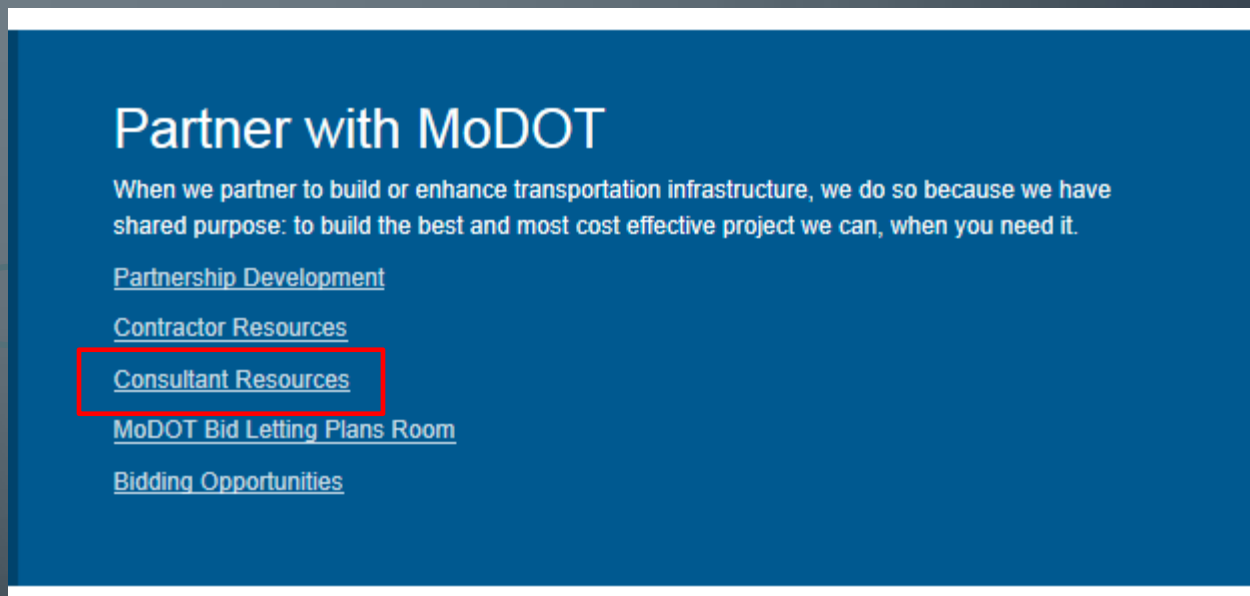
www.modot.org

MoDOT Consultant Website

www.modot.org or www.modot.gov

To access the Consultant Resource enter the site by

1. Hover over “Doing Business with MoDOT” and select Consultant Services
2. OR select from the menu below.



Consultant Services Homepage

IN THIS SECTION

Consultant Prequalification List

Solicitations (RFQ) Opportunities

LPA OnCall List

MoDOT OnCall List

Consultant Information

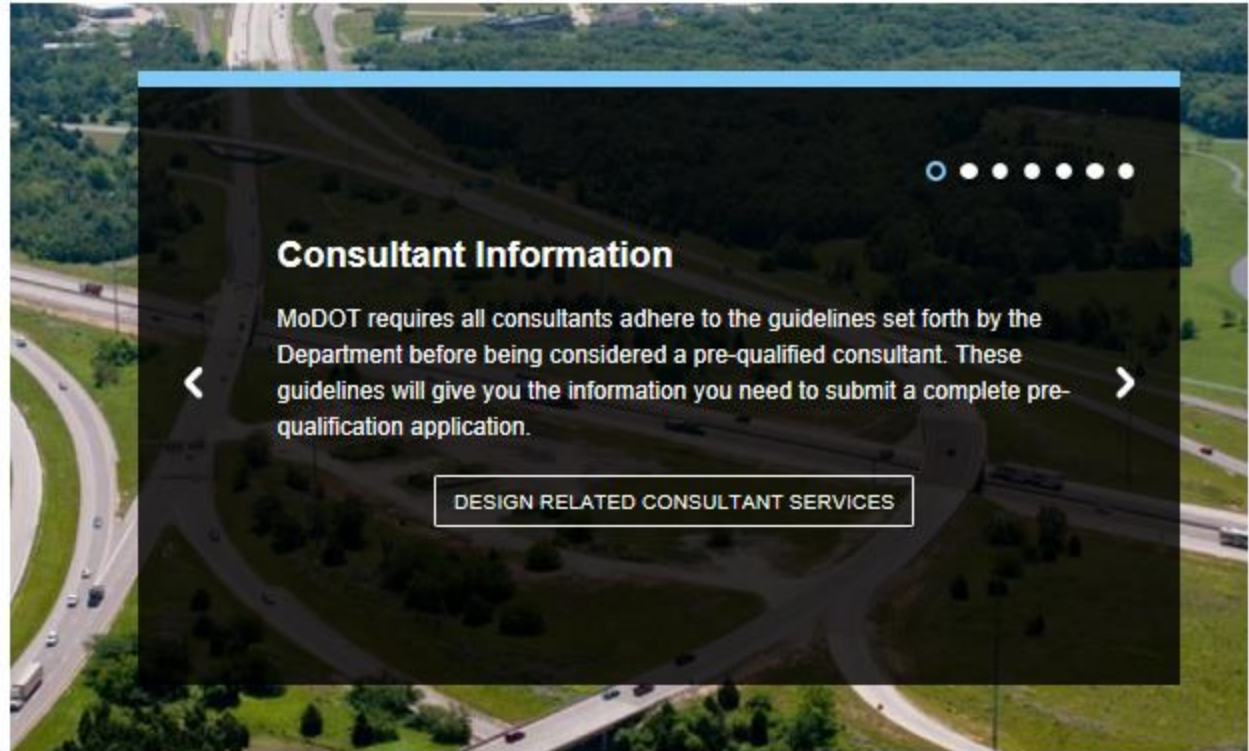
> Design Related Consultant Services

Non-Profit and Governmental Organization Indirect Cost Rate Review Requirements

Bridge Information

CADD Environment

Consultant Information



Consultant Information

MoDOT requires all consultants adhere to the guidelines set forth by the Department before being considered a pre-qualified consultant. These guidelines will give you the information you need to submit a complete pre-qualification application.

DESIGN RELATED CONSULTANT SERVICES



CONSULTANT RELATED NEWS

Consultant Prequalification List, as well as the LPA and MoDOT OnCall List

IN THIS SECTION

Consultant
Prequalification List

Solicitations (RFQ)
Opportunities

LPA OnCall List

MoDOT OnCall List

Consultant Information

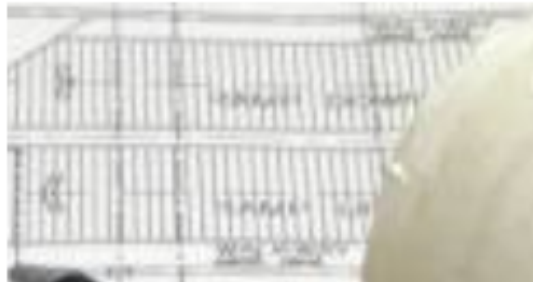
> Design Related Consultant
Services

Non-Profit and

Page *Consultant Prequalification List* has been updated.

Consultant Prequalification List

- [MoDOT Approved Consultant Prequalification List](#) 



Become a MoDOT
Prequalified
Consultant

Consultant Prequalification List, as well as the LPA and MoDOT OnCall List

IN THIS SECTION

- Consultant Prequalification List
- Solicitations (RFQ) Opportunities**
- LPA OnCall List
- MoDOT OnCall List
- Consultant Information
- > Design Related Consultant Services
- Non-Profit and

Page *Consultant Prequalification List* has been updated.

Consultant Prequalification List

- [MoDOT Approved Consultant Prequalification List](#)

Become a MoDOT Prequalified Consultant

To view listed MoDOT and Local Public Agency Solicitation – select Solicitations (RFQ) Opportunities.

Prime consultants must be listed on the Consultant Prequalification list before the firm is eligible to provide design related services.

Solicitations (RFQ) Opportunities

IN THIS SECTION

Consultant
Prequalification List

Solicitations (RFQ)
Opportunities

LPA OnCall List

MoDOT OnCall List

Consultant Information

> Design Related Consultant
Services

Non-Profit and
Governmental
Organization Indirect Cost
Rate Review
Requirements

Bridge Information

CADD Environment

Take time to review & become familiar with this site and resources available to you and your firm.

Consultant Prequalification List

- [MoDOT Approved Consultant Prequalification List](#) 



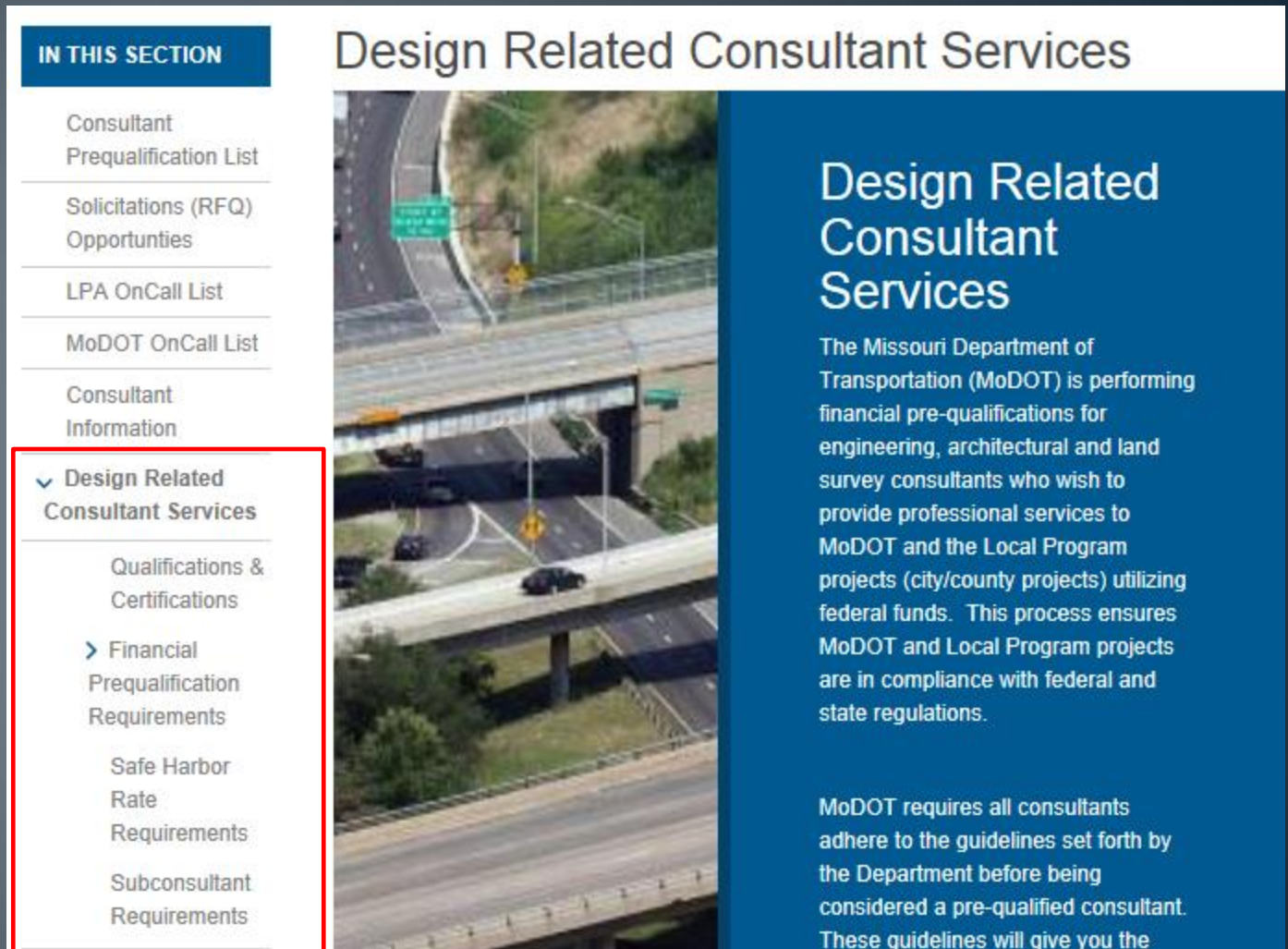
Become a MoDOT Prequalified Consultant

Consulting firms wishing to provide design related professional services to MoDOT must be listed on the MoDOT Approved Consultant Prequalification List.

- If the firm's Financial Prequal Expiration Date is marked as **pending**, the firm is eligible to provide services to MoDOT or a Local Public Agency while MoDOT completes the financial prequalification review.
- The prequalification review begins when all the financial documents have been received using the most up-to-date forms as listed on the Financial Prequalification Requirement webpage.
- It is the responsibility of a firm to provide the prequalification documents prior to the Financial Prequal Expiration Date as MoDOT does not send notices of

Design Related Consultant Services

Design Related Consultant Services includes a dropdown menu



IN THIS SECTION

- Consultant Prequalification List
- Solicitations (RFQ) Opportunities
- LPA OnCall List
- MoDOT OnCall List
- Consultant Information
- Design Related Consultant Services**
 - Qualifications & Certifications
 - > Financial Prequalification Requirements**
 - Safe Harbor Rate Requirements
 - Subconsultant Requirements

Design Related Consultant Services

The Missouri Department of Transportation (MoDOT) is performing financial pre-qualifications for engineering, architectural and land survey consultants who wish to provide professional services to MoDOT and the Local Program projects (city/county projects) utilizing federal funds. This process ensures MoDOT and Local Program projects are in compliance with federal and state regulations.

MoDOT requires all consultants adhere to the guidelines set forth by the Department before being considered a pre-qualified consultant. These guidelines will give you the

Bridge Forms are located under Bridge Information

IN THIS SECTION

Consultant
Prequalification List

Solicitations (RFQ)
Opportunities

LPA OnCall List

MoDOT OnCall List

Consultant Information

> Design Related Consultant
Services

Non-Profit and
Governmental
Organization Indirect Cost
Rate Review
Requirements

Bridge Information

CADD Environment

Consultant Prequalification List

- [MoDOT Approved Consultant Prequalification List](#) 

MoDOT Bridge Consultants Only

(Not required for LPA Consultants)

All bridge plans for MoDOT projects must be signed and sealed by a professional engineer from a firm that is prequalified for bridge design (with the firm's logo shown in the title block of the bridge plans).



- The prequalification review begins when all the financial documents have been received using the most up-to-date forms as listed on the Financial Prequalification Requirement webpage.
- It is the responsibility of a firm to provide the prequalification documents prior to the Financial Prequal Expiration Date as MoDOT does not send notices of

CADD Environment

IN THIS SECTION

Consultant
Prequalification List

Solicitations (RFQ)
Opportunities

LPA OnCall List

MoDOT OnCall List

Consultant Information

> Design Related Consultant
Services

Non-Profit and
Governmental
Organization Indirect Cost
Rate Review
Requirements

Bridge Information

CADD Environment

Consultant Prequalification List

- [MoDOT Approved Consultant Prequalification List](#) 



Become a MoDOT Prequalified Consultant

Consulting firms wishing to provide design related professional services to MoDOT must be listed on the MoDOT Approved Consultant Prequalification List.

- If the firm's Financial Prequal Expiration Date is marked as **pending**, the firm is eligible to provide services to MoDOT or a Local Public Agency while MoDOT completes the financial prequalification review.
- The prequalification review begins when all the financial documents have been received using the most up-to-date forms as listed on the Financial Prequalification Requirement webpage.
- It is the responsibility of a firm to provide the prequalification documents prior to the Financial Prequal Expiration Date as MoDOT does not send notices of

Bridge Forms

IN THIS SECTION

Consultant
Prequalification List

Solicitations (RFQ)
Opportunities

LPA OnCall List

MoDOT OnCall List

Consultant
Information

> Design Related
Consultant Services

Non-Profit and
Governmental
Organization Indirect
Cost Rate Review
Requirements

Bridge Information

CADD Environment

Bridge Information

BRIDGE FORMS

[Bridge Experience Profile](#)

[Personal Bridge Experience Record](#)

[Bridge DBE Outreach Presentation](#)

The Consultant Bridge Time/Cost Card is required at the end of each project.

[Consultant Bridge Time/Cost Card](#)



Submit
completed form
(s) to:

Missouri Department of Transportation

Bridge Division

P.O. Box 270

105 W Capitol

Jefferson City, MO 65102-0270

Electronic submissions may be
emailed to:

William.Dunn@modot.mo.gov

Additional Resources are located as Quick Links on the Consultant Information site

- FHWA Consultant Contracting Q/A
- ACEC – American Council of Engineering Companies of Missouri

Consultant Prequalification Requirements

IN THIS SECTION

[Consultant Prequalification List](#)

[Solicitations \(RFQ\) Opportunities](#)

[LPA OnCall List](#)

[MoDOT OnCall List](#)

[Consultant Information](#)

▼ Design Related Consultant Services

[Qualifications & Certifications](#)

► [Financial Prequalification Requirements](#)

[Safe Harbor Rate Requirements](#)

[Subconsultant Requirements](#)

[Non-Profit and Governmental Organization Indirect Cost Rate Review Requirements](#)

[Bridge Information](#)

[CADD Environment](#)

Design Related Consultant Services



Design Related Consultant Services

The Missouri Department of Transportation (MoDOT) is performing financial pre-qualifications for engineering, architectural and land survey consultants who wish to provide professional services to MoDOT and the Local Program projects (city/county projects) utilizing federal funds. This process ensures MoDOT and Local Program projects are in compliance with federal and state regulations.

MoDOT requires all consultants adhere to the guidelines set forth by the Department before being considered a pre-qualified consultant. These guidelines will give you the information you need to submit a complete pre-qualification application.

[LET'S GET STARTED](#)

MODOT APPROVED CONSULTANT PREQUALIFICATION LIST

- [MoDOT Approved Consultant Prequalification List](#)

Consultant Prequalification Requirements

Step 1 – Statement of Qualifications

Qualifications & Certifications

Step 1: Annual Statement of Qualifications

Provide one of the following options to fulfill the Annual Statement of Qualifications requirement:

Option 1: The document used by your firm for potential clients;

Option 2: SF 254 Architect and Engineering Questionnaire - obsolete federal form
[SF 254 Architect-Engineer & Related Services Questionnaire](#)

Option 3: SF 330 Architect and Engineering Questionnaire - Part I and/or Part II
[SF 330 Architect-Engineer Questionnaire](#)

Consultant Prequalification Requirements

Certifications and Registrations

Step 2: Certifications

1. Secretary of State Certificate of Good Standing (Registration to do business in Missouri)

Your firm must be registered to do business and be in good standing to be eligible to provide professional services.

To obtain a Certificate of Good Standing contact the Secretary of State Office toll free at (866) 223-6535 or visit <http://www.sos.mo.gov>.

Missouri Revised Statutes, Chapter 351, General and Business Corporations - <http://www.moga.mo.gov/mostatutes/ChaptersIndex/chaptIndex351.html>

2. Missouri Division of Professional Registration-Certification of Authority

Your firm must also provide a certificate of authority with the Missouri Board for Architects, Professional Engineers, Professional Land Surveyors and Professional Landscape Architects.

Licensee Search link <https://renew.pr.mo.gov/licensee-search.asp>

Sole Proprietorships

Certificate of Authority is not required for sole proprietorships or partnerships, its only required if your firm is incorporated or registered as a limited liability company. For sole proprietorships and/or partnerships, individual professional license certificates must be submitted in lieu of the certificate of authority.

The certificate of authority is **not required** for firms that do work outside the jurisdiction of the Missouri Board for Architects, Professional Engineers, Professional Land Surveyors and Professional Landscape Architects.

Consultant Prequalification Requirements

Step 3: E-Verify Requirements

Your firm must participate in the Department of Homeland Security Worker Eligibility E-Verify Program.

PROVIDE:

A copy of the Annual Worker Eligibility Affidavit and at a minimum, the 1st page and signature page(s) of the Memorandum of Understanding your firm has with the Department of Homeland Security.

[Department of Homeland Security E-Verify](#)

[Sole Proprietorship](#)

[Annual Worker Eligibility Verification Affidavit](#)

Consultant Prequalification Requirements

Step 3 – E-Verify Documentations

Required for contracts exceeding \$5,000

- E-verify MOU
 - Does not change and requires your firm's signature and the signature of the DHS to be valid. (electronic signatures are accepted)
- The affidavit is required annually and provides assurances that your firm is still in compliance of the E-Verify MOU.

Sole Proprietors without an EIN cannot participate in the E-Verify Program

Sole Proprietors will need to provide Affirmative Proof of Citizenship, that may be a document used when renewing or obtaining a license from the Dept. of Revenue. See EPG 236.3.11.2

Financial Prequalification Process – Step 4

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

MoDOT utilizes a risk based review process that provides a realistic assessment of A/E firm's financial situation.

MoDOT auditors review the firm's Internal Control Questionnaire (ICQ) to determine if accounting processes and procedures are in place to segregate direct and indirect costs, as well as, identify and remove unallowable costs from the overhead rate schedule.

MoDOT accepts financial information throughout year; however, firms are encouraged to submit their info, for the most recent completed fiscal year, no later than six months after the close of that fiscal year.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Consultants must use the most up-to-date forms on the MoDOT Consultant Prequalification Requirements website.

MoDOT's request for information should be responded to within 30 days of receipt.



Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

ITEM 1 – Prequalification Cover Sheet

The prequal documents are inter-related and must be cohesive on to another.



MoDOT Financial Prequalification Cover Sheet

Name of Company: _____
Contact Person Name: _____
Contact Person Email Address: _____
Company Address: _____
Phone Number: _____
Top Executive Name & Title: _____
Top Executive Email Address: _____
Top Executive Phone Number: _____

Company's Fiscal Year End (mm/dd/yyyy): _____

Annual Gross Revenues (most recent completed Fiscal Year): _____
Annual Gross Expenditures (most recent completed Fiscal Year): _____
Company's Home State: _____
Number of Full Time (FTE) employees: _____
Number of states company operates in: _____
Changes to organizational structure (if yes, please explain): _____

Explain your firms depreciation method.
(Bonus and Section 179 depreciation is unallowable and must be removed from the overhead):

Financial Prequalification Required Documentations
Forms are location on the MoDOT - Consultant Services - Consultant Prequalification Requirements
http://contribute.modot.mo.gov/business/consultant_resources/consultant_prequalification_requirements.htm

1) Overhead rate is audited by a state DOT, federal agency or an Independent CPA
PROVIDE:
Overhead rate audit report
If applicable, a copy of the state DOT or federal agency cognizant letter

OR

1) Overhead rate is not audited-
PROVIDE the following financial statements:
Amounts listed on the overhead must be traceable to the financial statements.
a) Detailed overhead rate schedule to include FAR references to define unallowable costs
b) Income Statement
c) General Ledger or Trial Balance
d) Tax Return
e) Any additional financial documents used to prepare the overhead rate schedule
If a related party rent situation exists
PROVIDE
f) Related Party Rent worksheet
g) Related Party's tax return - depreciation amortization schedule

2) Executive Compensation
3) Contractor Cost Certification
4) Internal Control Questionnaire (ICQ) - include all documents requested in the ICQ

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Audited

Auditors review the FAR compliant audit;

Tax return and financial statements are not necessary.

Remember: Item 2, 3 & 4 is still required.

Not Audited

Auditors reference overhead rate accounts and costs to supporting financial statements.

The financial statements accounts and costs are then referenced to the tax return.

The lower half of the Prequalification Cover Sheet shows the required documents

1) Overhead rate is audited by a state DOT, federal agency or an Independent CPA

PROVIDE:

Overhead rate audit report

If applicable, a copy of the state DOT or federal agency cognizant letter

OR

1) Overhead rate is not audited-

PROVIDE the following financial statements:

Amounts listed on the overhead must be traceable to the financial statements.

- a) Detailed overhead rate schedule to include FAR references to define unallowable costs
- b) Income Statement
- c) General Ledger or Trial Balance
- d) Tax Return
- e) Any additional financial documents used to prepare the overhead rate schedule

If a related party rent situation exists

PROVIDE

- f) Related Party Rent worksheet
- g) Related Party's tax return - depreciation amortization schedule

2) Executive Compensation

3) Contractor Cost Certification

4) Internal Control Questionnaire (ICQ) - include all documents requested in the ICQ

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Overhead Rate Schedule must demonstrate a firm's fundamental understanding of the FAR.

The overhead rate schedule must be:

- Provided in the required format with FAR references;
- Report actual costs;
- Traceable to financial statements if not audited;
- Be mathematically correct.

SAMPLE FORMAT

XYZ CORPORATION OVERHEAD SCHEDULE December 31, 2008				
DESCRIPTION	Financial Stmt Expense	Unallowable Expense	FAR Reference	Total Proposed
Direct Labor	\$12,500,000	\$12,000	(1)	\$12,512,000 B
Fringe Benefits				
Vacation/Holiday/Paid Leave	\$1,700,000			\$1,700,000
Payroll Taxes	1,550,000			1,550,000
Group Insurance	1,100,000			1,100,000
Profit Sharing	1,016,000	(500,000)	(2)	516,000
Incentive Payments	1,550,000			1,550,000
Seminars/ Education	400,000			400,000
Employee Welfare	10,000	(4,000)	(3)	6,000
Total Fringe Benefits	7,326,000	(504,000)		6,822,000
General Overhead				
Non-Project Labor	\$ 4,900,000	(12,000)	(1)	4,888,000 B,C
Recruiting	190,000			190,000
Building Cost (Rent)	1,400,000	(20,000)	(4)	1,380,000
Other Occupancy Cost	464,000			464,000
Supplies	380,000			380,000
Field Supplies & Equipment	100,000			100,000
Postage & Shipping	78,000			78,000
Equipment Rent/ Maintenance	386,000			386,000
Interest	20,000	(20,000)	(5)	-
Telephone	290,000			290,000
Business Insurance	194,000			194,000
Legal & Other Professional Fees	376,000	(25,000)	(6)	351,000
Administrative Travel	597,000	(30,000)	(7)	567,000
Dues, Memberships & Reg.	173,000			173,000
Subscriptions & Publications	41,000			41,000
Depreciation & Amortization	628,000	(10,000)	(8)	618,000
Outside Payroll Service	45,000			45,000
State Income /Personal Prop Tax	27,000			27,000 D
Direct Cost Credit	\$ (833,000)			(833,000) E
Total General Overhead	\$ 9,456,000	(117,000)		9,339,000
Total Indirect Cost				\$18,161,000
Facilities Capital Cost of Money (FCCM)				\$62,505 F
Total Indirect Cost & FCCM				\$18,223,505
Percent of Direct Labor				129.7% A

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Reasonable Cost

A cost is reasonable, if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

Allocable Cost

A Government contract cost that is necessary to the overall operation of the business.



Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Examples:

A seminar is being held in your home town and also in New York. New York is more fun but is it reasonable to fly to New York with all of the other costs associated with the trip or stay in your home town to attend the seminar?

You need to fly – do you purchase a first class ticket or business class? The FAR will reimburse for the airline ticket based on lowest price available. If the lowest price is not available, provide documentation demonstrating no available seats. The documentation can be a print screen to show date time flight availability.

Other unallowable costs include, but not limited to, early boarding privileges or costs above per diem rates.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

It is important to have cohesion between the prequalification documents. The following table shows how the documents are inter-related and must reference one to another.

Overhead Account	Overhead Amount	General Ledger	Tax Return	Comments	ICQ
Auto Expense	51,000	65,000	65,000	Please explain the 14,000 difference between the G/L, tax return and overhead	Appendix B-12 Question H.4. Classification of Cost Items. Your firm answered N/A for vehicle, therefore vehicle costs should not be included in the overhead
Admin Travel	14,595	16,315	16,315	Please list the type of activities included in this costs. If the costs are associated with a project(s), those costs must be removed. Please explain the 1,720 difference between the G/L, tax return and overhead schedule.	Appendix B-12 Question H.4. Classification of Cost Items. Your firm answered Travel and Subsistence is treated as a <u>direct expense</u> therefore, the cost should not be included in the overhead. <ul style="list-style-type: none">Please revise the ICQ to show how Travel and Subsistence costs are managed by the firm

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Additional FAR references can be found on Appendix C in the AASHTO Uniform Audit and Accounting Guide.

High Risk Categories included but are not limited to:

- Direct Selling, Marketing, Employee Morale;
- Food, Lodging, Travel-Per Diem Rates
- Mileage Reimbursement
- Professional Services
- Legal Cost

Key		
† - See Exceptions. (*) - Requires advance agreement or verifiable methodology.		
KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)		
Citation	Key Words	Generally Allowable?
31.205-8(d)(1)	Accrual of Compensation Expenses (allowable).	YES†
31.201-2(d)	Adequate Recordkeeping (requirement for, and Contracting Officer's authority to disallow unsupported costs).	--
31.109	Advance Agreements: defined and requirements of (in writing, executed by both parties, stated duration).	--
31.205-1(b)	Advertising defined (generally, allowability is limited to recruitment costs).	YES - help wanted
31.205-1(d)	Advertising (allowable types of).	YES
31.205-1(f)	Advertising (unallowable types of).	NO
31.205-38(b)(1)	Advertising as a part of selling costs.	NO
31.205-51	Alcoholic Beverages.	NO
31.205-46(b)	Airfare, generally.	YES
31.205-46(c)	Aircraft owned by consultants.	YES†
31.201-4	Allocability (allowability, reasonableness, and allocability).	--
31.201-2 & 31.204	Allowability (reasonable, allocable, CAS Compliant, meets terms of contract, & not otherwise unallowable).	--
31.205-62	Asset Valuations Resulting from Business Combinations.	--
31.201-8(a)	Associated Costs, defined (costs associated with unallowables). See also CAS 405.	NO
31.205-46(a)(1)	Automobile: Mileage Costs.	YES
31.205-8(m)(2)	Automobile: Personal Use of (see also 31.205-46(d)). Includes commuting and other personal costs.	NO
31.205-8(f)(1)	Awards for Employees (Performance-Based Awards--bonus and incentive compensation).	YES
31.205-18(c)	B&P: Bid and Proposal Costs (allowability of).	YES
31.205-8(h)	Back pay (generally unallowable).	NO
31.205-3	Bad Debts (and directly-associated costs).	NO
31.205-8(p)	BCA (Benchmark Compensation Amount) - statutory limit on executive compensation. (Not a safe harbor or guaranteed amount of cost recovery.)	--
31.205-4	Bonding Costs (e.g., bid, performance, payment, infringement, and fidelity).	YES
31.205-8(f)	Bonuses and Incentive Pay, generally. (See 31.205-8(f)(1)(ii) for required basis and support.)	YES†

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Example: Meals and Entertainment – High Risk

Taken together, the cost principles at FAR 31.205-13, Employee Morale, and FAR 31.205-14, Entertainment, expressly disallow certain costs, including:

- Entertainment provided as part of public relations employee relations, or company celebrations;
- Costs of amusement, diversions, social activities, and any directly associated costs, including tickets, meals, and lodging; and
- Employee social events, including company picnics, theme and holiday parties.

Consultants often do not disallow all of the costs that should be disallowed for meals and entertainment.

Internal Control Questionnaire (ICQ)

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

The Risk-Based Assessment includes but is not limited to the review of the firms:

- Accounting, Timekeeping, Bonus & IT policies and procedures;
 - Examples: security of data, approval levels, etc...
- Control environment of the accounting system;
- Ability of the firm to demonstrate fundamental FAR knowledge;
- The firm's ability to segregate direct and indirect cost and identify unallowable cost;
- Proper allocation of labor cost to direct and indirect costs;

Prequalification information is also used during Final Invoice Audits.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

C.6. Exclusion of Unallowable Costs. Does the Company have a system in place to identify and remove from the indirect cost pools all unallowable costs, in accordance with per FAR Part 31 and applicable Cost Accounting Standards? (See AASHTO Guide, Sections 2.2, 4.4, 5.2, 5.5, and 6.3.)

No. Please explain:

Yes. If "yes," please answer a through c, below.

No will trigger questions

a. Please provide details about the system.

b. How are appropriate personnel trained to distinguish between allowable and unallowable costs?

c. When does the pr

Recognize the impact staff has to the reported financial statement amounts and subsequent impact to direct and indirect costs at the time the transaction is recorded?

If your firm does not have written policies, provide an explanation to demonstrate your firm's ability to consistently track costs between direct and indirect labor and how unallowable costs are identified and removed from the overhead.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Policies and Procedures - If no written policies exists, comments should be provided to demonstrate a system is in place to identify edits & deletions that may occur to the firm's business records.

D. Information Technology (IT) Systems

D.1. IT Policies. Does the firm have written IT system policies concerning the following topics?
(If "yes," please provide a copy.)

	Yes	No
a. Hardware/Software		
• Purchasing	<input type="checkbox"/>	<input type="checkbox"/>
• Inventory	<input type="checkbox"/>	<input type="checkbox"/>
• Maintenance	<input type="checkbox"/>	<input type="checkbox"/>
• Access	<input type="checkbox"/>	<input type="checkbox"/>
• Use of In-house and off-site	<input type="checkbox"/>	<input type="checkbox"/>
• Addition and removal/retirement/disposition of	<input type="checkbox"/>	<input type="checkbox"/>
b. Business Continuation Plan	<input type="checkbox"/>	<input type="checkbox"/>
c. Security Protocol	<input type="checkbox"/>	<input type="checkbox"/>
d. Activation and deactivation of employees upon hiring or termination	<input type="checkbox"/>	<input type="checkbox"/>

D.2. IT Risk Assessment. Has the Company's management conducted an IT system risk assessment within the past three years?

Yes No

D.3. IT Security Review. Are system security and application access logs enabled and reviewed periodically?

Yes No

Comment:

D.4. IT Electronic Data Safeguards. If documents are retained in electronic format, are they stored in a format that cannot easily be modified, removed, or replaced, and does a mechanism/audit trail exist to track all such events?

Yes No

Comment:

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Total-Hour Accounting System

A total-hour accounting system records all hours worked by all employees, regardless of whether the employees are exempt from overtime pay or whether all direct labor hours are billed to specific contracts.

Over 40 hours worked in a week must be recorded and equitably allocated to all related activities, including Federal awards.

Additional information is included as part of uncompensated overtime.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

E.4. Timekeeping System.

a. Does the Company use an electronic timekeeping system?

Yes No

- If "yes," please provide an explanation of its operation, or provide system documentation:

b. Are all employees, including managers and owners/principals, responsible for submitting timesheets?

Yes No

If "no," please explain: _____

c. Are all employee timesheets approved by supervisors?

Yes No

If "no," please explain: _____

d. Is there a certification and approval process required for all time worked?

Yes No

If "no," then how is time accounted for and billed to projects? _____

e. How are timesheet coding errors detected and corrected?

f. How do timesheets identify work performed outside an agreement's scope?

- Does my firm allow timesheet revision/adjustments without the employee's approval?
- Who in our firm can revise/adjust timesheets?
- How are revisions/adjustments on timesheets approved and tracked?
- Who is authorized to review and edit/adjust timesheets?

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

F. Labor Cost Accumulation

F.1. Direct & Indirect Labor. Do the Company's timesheets include reporting codes for both direct and indirect hours? (See AASHTO Guide, Chapter 6.)

Yes No

- If "yes," do all employees, in timesheets?

- If "no," then please explain the

F.2. Work Week. Please list the Company's

F.3. Uncompensated Overtime (see AASHTO Guide, Chapter 6) by all employees, including management, and whether all direct labor hours are billed to specific contracts.

No. If "no," please explain:

Yes. If "yes," which of the following methods does the Company use to account for *uncompensated overtime*—the hours worked without additional compensation in excess of an average of 40 hours per week by direct-charge employees who are exempt from the Fair Labor Standards Act?

Effective Rate Method. Please explain:

Salary Variance Method. Please explain. (E.g., What was the total dollar amount of the salary/payroll variance for the year?): \$

Other. Please explain:

F.4. Contract Modifications/Time Tracking. How does the Company segregate work performed under a basic agreement/contract from work performed for contract changes/modifications?

Uncompensated Overtime – the company is required to have an all hours worked by all employees, including managers and principals, regardless of whether the employees are exempt from overtime pay or whether all direct labor hours are billed to specific contracts.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

G. Labor Billings and Project Costing

G.1. Billing Rates. Please describe how billing rates are determined, or attach the Company's billing-rate policy.

- Description: _____
- Billing-rate policy attached.

G.2. Premium Overtime. Does the Company pay overtime at a premium to any employees? Yes No

- If "yes,"

a. What premium rate is paid, and what categories of employees are eligible for this rate?

- Time-and-a-half for all non-exempt employees.
- Other. Please explain: _____

b. How is the overtime premium accounted for and billed?

- As part of direct labor, and overhead is applied.
- As an Other Direct Cost (no overhead applied).
- As an indirect labor cost (included in the indirect cost rate).
- Other. Please explain: _____

G.3. Allocation of Overtime Costs. Are overtime costs allocated to contracts consistently, regardless of the type of contract (lump sum versus actual cost) or customer (government versus commercial)?

- Yes No. If "no," please explain: _____

G.4. Cost Allocation versus Billing. If the Company pays a principal or an employee at a rate in excess of a contract's maximum hourly labor rate, where will the excess cost be allocated/charged? _____

G.5. Contract/Purchased Labor. Does the Company invoice/bill contract labor directly to any customers?

- Yes No N/A

- If "yes," please complete the following: Contract labor is billed—

- As part of direct labor, and overhead is applied.
- As an Other Direct Cost (no overhead applied).
- Other. Please explain: _____

Contract labor is a High Risk Category.

If not clear, MoDOT will ask for additional information to determine if costs are allowable.

Provide a written explanation of the process, policies and procedures to identify, calculate, and track the labor costs to include taxes and fringe benefits that are paid to the contract/purchase labor.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Premium Overtime (Time and a Half)-High Risk Category

Consistent methodology is necessary to account for overtime premium:

22.103-2 Overtime Policy

Contractors shall perform all contracts, so far as practicable, without using overtime, particularly as a regular employment practice, except when lower overall costs to the Government will result or when it is necessary to meet urgent program needs. Any approved overtime, extra-pay shifts, and multi-shifts should be scheduled to achieve these objectives.

[Reference 22.103 for additional guidance](#)

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

H.4. Classification of Cost Items. How are the following cost items accounted for and billed?

(Check both "D" and "I," if applicable.)

(D = Direct; I = Indirect; N/A = not applicable)

	<u>D</u>	<u>I</u>	<u>N/A</u>
a. Vehicles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Computer Assisted Design and Drafting (CADD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Computer (non-CADD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Printing / Reproduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Postage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Lab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Drilling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Travel and Subsistence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. GPS and/or Nuclear Density Meters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Other (list if significant)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

H.5. Nonbillable Costs. Describe the accounting treatment for direct costs not billable to clients. (Where/how are these costs recorded?) _____

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Vehicle Expenses – High Risk Category

H.7. Vehicle Expenses. Does the Company provide vehicles to employees for business purposes?

Yes No

a. If “yes,” are the vehicles leased or owned?

Leased Owned

b. Identify the total number of vehicles owned or leased by your firm.

Leased Owned

c. Are mileage logs maintained for all vehicles? If “no,” please explain below.

Yes No

Explanation:

d. Is mileage separated by direct and indirect classifications, and is mileage incurred in connection with unallowable activities tracked? Yes No

Explanation:

e. What recovery/billing rate is used for Company vehicle mileage reimbursement?

\$ per mile.

Explanation:

f. How was the rate developed?

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Personal Use of Company Vehicles - High Risk Category

The cost of personal use of vehicles is unallowable.

This includes the portion of cost related to commuting to and from work.

- As indicated in FAR 31.205-6(m)(2), costs are unallowable regardless of whether the cost is reported as taxable income to the employees!

If the Consultant owns and/or leases vehicles, there will almost always be some disallowance. A disallowance can only be completely avoided if:

- Vehicles are not available for personal use and are not used to commute to work (i.e. they are left at the Consultant's office).
- Employees reimburse the company for any personal use.

If there are luxury vehicles, costs must also be reviewed to ensure they are reasonable in accordance with FAR 31.201-3.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Support that may be requested to determine allowability of costs

- Mileage logs;
- Support for expenses;
- Accounting procedures manual;
- Executive compensation analysis work papers.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

I.1. Bonuses.

- a. Did the Company pay, or accrue for, bonuses earned by owners or employees during the period covered by the latest indirect cost rate schedule?

Yes No

- If "yes," were the bonuses included in the submitted overhead rate? Yes No N/A

- Was any portion of these bonuses excluded from the submitted overhead rate? Yes No N/A

Comment:

- b. Does the Company have a written bonus plan?

Yes. Please provide a copy of the plan.

No. Please describe how bonuses are determined and how this is communicated to employees.

- c. Are all employees eligible for the bonuses? Yes No. If "no," please explain:

I.2. Executive Compensation. Has the Company, an independent CPA, or compensation consultant performed an evaluation of executive compensation for *reasonableness* in accordance with FAR 31.205-6? (See AASHTO Guide Section 7.5.)

Policies and Procedures - If no written policies exist, provide an explanation to demonstrate a system is in place to consistently manage how you determine eligibility for bonuses.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

J.3. Property or Facilities Leased from Related Parties. Does the Company rent or lease property and/or facilities from another entity (organization or individual)?

Yes No

- If "yes,"

a. Are any of the Company's owners/stockholders, or member owners/stockholders of the other entity?

Yes No

- If "yes," please explain: _____

b. Have the rental/lease costs been adjusted to the property owners' actual costs?

Yes No

- If "yes," what basis was used to determine actual costs (less interest expense, plus cost of money)?

J.4. Other Related Parties. Have any other related parties (organization or individual) provided services to the Company that are not disclosed in the above information? If so, please describe the nature of the services provided and the amount of the charges in the space below.

What is the process the firm follows to demonstrate rent paid to a related party has been adjusted to the owners actual costs?

This is the most misunderstood question on the ICQ. If the answer is "Yes" the firm rents from an entity with no common interest in the firm.

Common Control

Exists in related-party transactions when business is conducted at less than arm's length between businesses and/or persons that have a family or business relationship. Examples are transactions between family members, transactions between subsidiaries of the same parent company, or transactions between companies owned by the same person or persons. Common control exists when a related party has *effective control* over the operating and financial policies of the related entity. Effective control may exist even if the related party owns less than 50 percent of the related entity.

Table 5: Other Related Parties

Name:	Contact Information:	How Related:		
_____	_____	_____		
_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	\$ _____

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Related Party Rent cannot be developed using fair market value. Firms must provide documentation showing their methodology in determining owners actual costs, such as depreciation, taxes, insurance, facilities capital cost of money, and maintenance, provided that no part of such cost is a duplicate of any other allowed cost.





Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Financial Prequalification Requirements include links for Related Party Rent Information. The information is in the form of a worksheet, MoDOT Policy and Facilities Cost of Capital Rates.

RELATED PARTY RENT (COMMON CONTROL) PROCESS

- [Facilities Capital Cost of Money Rate - Link to US Treasury renegotiation board...](#)
- [Related Party Rent Worksheet](#) 
- [Common Control Rent Policy](#) 

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

K.1. Life Insurance. Does the Company pay life insurance for officers/principals?

Yes No

- If "yes,"

(a) Have any costs associated with this life insurance been included on the indirect cost rate schedule?

Yes – total amount: No

(b) Please identify the beneficiary of the life insurance:

Company/surviving partners Officer/principal's family

Other (specify)

(c) Please identify the type(s) of the life insurance:

Term Whole life Universal life Endowments (annuities)

Accidental death Other (please specify):

K.2. Suspension or Debarment. Has the Company, its parent, subsidiary, or any owner, stockholder, officer, partner, or employee of the Company been suspended or debarred from doing business by any State or the Federal government?

Yes No

- If "yes," please provide complete details:

K.3. Updates for Changes to FAR Part 31. Does the Company have an existing process designed to provide timely updates to company policies and procedures to accommodate changes in the FAR Subpart 31.2 cost principles?

Yes No

- If "yes," please describe the process:

K.4. Risk Assessment. Does the Company have a process for assessing risks that may result from changes in cost accounting systems or processes?

Yes No

- If "yes," please describe the process. How are risks identified and addressed?

K.5. Communications of FHWA/DOT Requirements. How does information flow from the FHWA/State DOT to appropriate management personnel? (E.g., How are relevant updates to State DOT procedures or Federal Regulations disseminated to project managers and accounting personnel?)

Life Insurance

NOTE:

If the Company or its partners are beneficiaries, these costs are unallowable (Key Man Life Insurance) and must be removed from the overhead schedule.

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Signature and Date is required for the document to be valid

I certify that to the best of my knowledge and belief this ICQ is a complete and accurate representation of the above-named Company's cost accounting and billing practices.

Typed or Printed Name

Signature

Title

Date Completed

Note: The representations on this ICQ were made by, and are the responsibility of, the Company's management.

The background features a series of vertical lines in various shades of blue and grey, creating a textured, rain-like effect. A solid teal horizontal bar spans the width of the slide, serving as a background for the title.

Executive Compensation

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

The AASHTO website includes the recorded NCM webinar with the following slide.

I encourage you to take the time to listen to the presentation

[National Compensation Matrix Webinar](#)

Who Should be Benchmarked?

- Compensation for ALL executives should be examined for reasonableness
- Not limited to “senior executives” as defined in FAR 31.205-6(p)
- Not limited to top 5 highest paid

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Executive Compensation Analysis

Distribution of profit is not allowed

Choose 1 of the 3 Options to complete the Executive Compensation requirements:

1. Complete the National Compensation Matrix located on the AASHTO Committee of Internal and External Audit website; or
 2. Submit the work papers used to determine reasonableness of compensation using at least three Salary Surveys; or
 3. Provide a table listing the executive titles, total wages paid including taxable benefits and any bonuses paid.
- If providing the table, include notes to describe the bonus paid. For example, is the bonus based on performance or is it a distribution of profits?
 - Have the executive compensation identified and removed unallowable compensation. For example, does the compensation include personal use of company vehicle or marketing type activities?

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

National Compensation Matrix Tool - 2015

Automated Tool for Compensation Allowability

Enter Gross Revenues for Target Firm:

Amount may be obtained from
ICQ or Prequal Cover Sheet

Position	Formulaic Result	+RoR	Computed Compensation
Chairman (non-CEO)	194,561	32,060	226,621
CEO/President	258,734	63,124	321,858
Executive Vice President / Chief Operating Officer	197,823	28,474	226,297
Senior Vice President	202,937	21,932	224,869
Vice President	168,494	31,269	199,762
Chief Financial Officer	154,394	27,721	182,115
Top Engineering Executive	177,076	12,113	189,189
Human Resources Director	131,936	24,406	156,342
Director of Business Development	164,496	37,426	201,922

Statutory Compensation Cap Effective 6/24/2014:	487,000
NCM Revenue Floor:	1,000,000
NCM Revenue Ceiling:	500,000,000

Certification of Final Indirect Costs

Consultant Prequalification Requirements

Step 4 - Financial Prequalification Documents

Print Form

Contractor Cost Certification

Certification of Final Indirect Costs

Firm Name: _____

Indirect Cost Rate Proposal
(overhead rate % and if applicable, FCCM rate %): _____

Date of Proposal Preparation (mm/dd/yyyy): _____

Fiscal Period Covered (mm/dd/yyyy) to mm/dd/yyyy): _____ to _____

I, the undersigned, certify that I have reviewed the proposal to establish final indirect cost rates for the fiscal period as specified above and to the best of my knowledge and belief:

1. All costs included in this proposal to establish final indirect cost rates are allowable in accordance with the cost principles of the Federal Acquisition Regulations (FAR) of title 48, Code of Federal Regulations (CFR), part 31.
2. This proposal does not include any costs which are expressly unallowable under the cost principles of the FAR of 48 CFR 31.

All known material transactions or events that have occurred affecting the firm's ownership organization and indirect cost rates have been disclosed.

Signature: _____

Name of Certifying Official (Print): _____

Title: _____

Date of Certification (mm/dd/yyyy): _____

- Provide this document in same format and with same language
- IDC rate must match the rate reported on the overhead
- List separately the overhead rate and Facilities Capital Cost of Money Rate (FCCM). The FCCM is a calculation to claim an imputed interest amount to recuperate a firm's capital costs employed when performing government contracts. **FCCM is calculated on actual labor hours without overhead or fixed fee applied.**
- Fiscal Period Covered must be accurate
- Document must be signed and dated to be valid

Questions

Is averaging overhead allowable?

FAR regulations do not allow for an averaging of overhead rates.

Reference 31.201-4, 31.203(f); CAS 401, 402, 403, & 405; 23 U.S.C. 112(D) & 23 CFR 172.7(b).

You may wish to use a voluntarily reduced, as long as, less than the actual rate. Firms may elect to use a voluntarily reduced overhead rate to bring the negotiated rate into a more competitive range, especially if the firm has experience significant fluctuations in their overhead rate from year to year.

For example, the actual cost rate is 150% and is in effect in Year 1 of the contract, the parties can agree to lock this rate in, or extend it for some period of time beyond one year, if all the parties agree. This applies only on a **contract-by-contract** basis, not necessarily for general prequalification requirements.

How long does it take to complete a prequalification review?

The time spent to complete the financial prequal review is dependent on the quality and content of the documents provided by the firm.

Audited OH rates are typically reviewed more quickly than unaudited OH rates.

Pro Bono

- Records as direct labor same as non-billable costs
- Could be considered a conflict of interest

Chamber of Commerce & Other Civic Organizations

- Allowable if the entity can demonstrate unallowable activities were identified and removed from overhead

Approved Consultant Prequalification List

What does “pending” mean?

Pending indicates the financial prequalification documents are adequate for a preliminary determination

Is a consultant eligible to submit a letter of interest to a RFQ/RFP?

Yes, the firm is eligible to respond to RFQ and RFP advertisements

Internal Revenue vs FAR

ALLOWABLE

- Internal Revenue Code (IRC) allows deductions for advertising; interest; 50% of entertainment costs, including alcoholic beverages; and full rental

UNALLOWABLE

- Federal Acquisition Regulation disallows marketing; advertising; interest, alcoholic, entertainment...

In Short, IRC is not the same as FAR

Selecting a CPA

The AASHTO Guide provides criteria in selecting a CPA.

Among other factors, the Guide indicates that the CPA should:

- Experienced in GAGAS, the provisions of FAR Part 31, Cost Accounting Standards, related laws and regulations, and the guidelines and recommendations set forth in the Guide, and
- Should have knowledge of the A/E industry and common operating practices.

Overhead Rates

How are reasonableness of cost determined?

FAR 48 CFR 31.201-3, Determining Reasonableness

Reasonable Cost - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

MoDOT & LPA will review Other Direct Cost.

High Risk Categories include but are not limited to the following.

- Food
- Lodging
- Travel & Mileage Reimbursement

Sub-Consultants and Prequalification Requirements

Are sub-consultants required to be prequalified? No

MoDOT does not required sub-consultants however, it is strongly encouraged.

Requirements:

- Sub-consultants must be registered to do business in Missouri,
- If applicable, registration through Missouri Professional Registration,
- Participate in the DHS Program known as E-Verify
- Provide a Certification of Final Indirect Costs

Additional information provided on the MoDOT Consultant Services website - Sub-Consultant Requirements tab.

Can the depreciation cost listed on the overhead include accelerated methods of depreciations? No

The FAR does not allow for Section 179 or bonus depreciation costs as an allowable expense on the overhead or in the related party rent calculations.

Allowable depreciation is limited to what is acceptable to the financial statements.

Financial Statements developed in accordance with Generally Accepted Accounting Practices.



Thank You

Contact:

Sandra Riley

Missouri Department of Transportation

Audits and Investigations Division

573.522.2002

sandra.riley@modot.mo.gov