# MDOT Financial Prequalification Questionnaire For Compiled Indirect Cost Rates

## INSTRUCTIONS:

1. All questions/items on the Financial Prequalification Questionnaire (FPQ) must be completed accurately, thoroughly, and completely. There cannot be any blank spaces or skipped questions.
2. The FPQ includes links to various schedules, reconciliations, worksheets, summaries, and calculations that must be completed and attached in Excel format into the FPQ. For instructions on attaching documents using Adobe, see below.
3. Sections B.3, D.1, I.1.2, and K.5 of the FPQ require the company to submit process descriptions. Please refer to Attachment A of the instructions for guidance when completing the process descriptions. If you run out of room on the FPQ, please continue on an additional sheet and insert the document into the FPQ. Once inserted, the document must be bookmarked. For instructions on inserting and bookmarking documents using Adobe, see below.
4. The black bookmarked items on the left, if clicked on, will take you directly to each portion of the questionnaire.
5. The red bookmarked items on the left, identify all required document to be inserted into the FPQ.
6. The blue bookmarked items on the left, identify all required documents to be attached into the FPQ in Excel format.
7. If your firm does not possess the information, as requested in the FPQ, you must insert a sheet labeled 'Not Applicable', and the reason(s) why the items/documents/calculations are not applicable to your company. Once inserted, the document must be bookmarked.
8. Please note that the company's primary contact for accounting related questions, or other company employees as deemed necessary by MDOT's Office of Commission Audits, might be contacted to obtain clarification, access to electronic versions of original documentation or other information pertaining to the FPQ.
9. Please submit all information electronically to MDOT e-Proposal.

NOTE**:** All references in the Financial Prequalification Questionnaire to *AASHTO Guide* pertain to the 2016 Edition of the *AASHTO Uniform Audit & Accounting Guide*.

# MDOT Financial Prequalification Questionnaire For Compiled Indirect Cost Rates

## CONTACTS:

**Financial Related Questions/Concerns:**

*The Office of Commission Audits* ..... *(517) 335-5920*

**Technical Questions/Concerns:**

*Contract Services Division*
Tammy Haring ..... *(517) 290-9444*

## RESOURCES:

Adobe Acrobat Technical Support:
https://helpx.adobe.com/acrobat.html

MDOT Technical Support:
MDOT-ServicePrequal@Michigan.gov

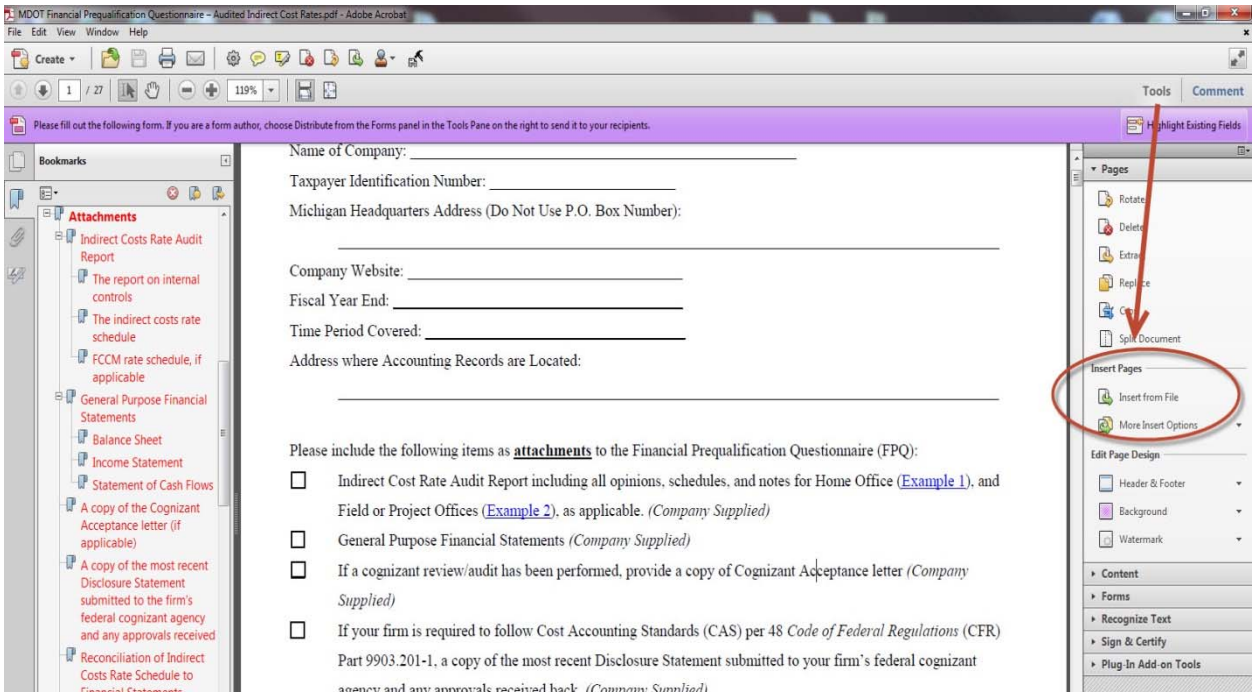
# How to insert additional PDF pages into the Financial Prequalification Questionnaire (FPQ):

**1. Open the FPQ in which you want to insert the new pages; make sure that all your changes are saved.**

If you're not sure if the changes have been saved, choose File --> Save.

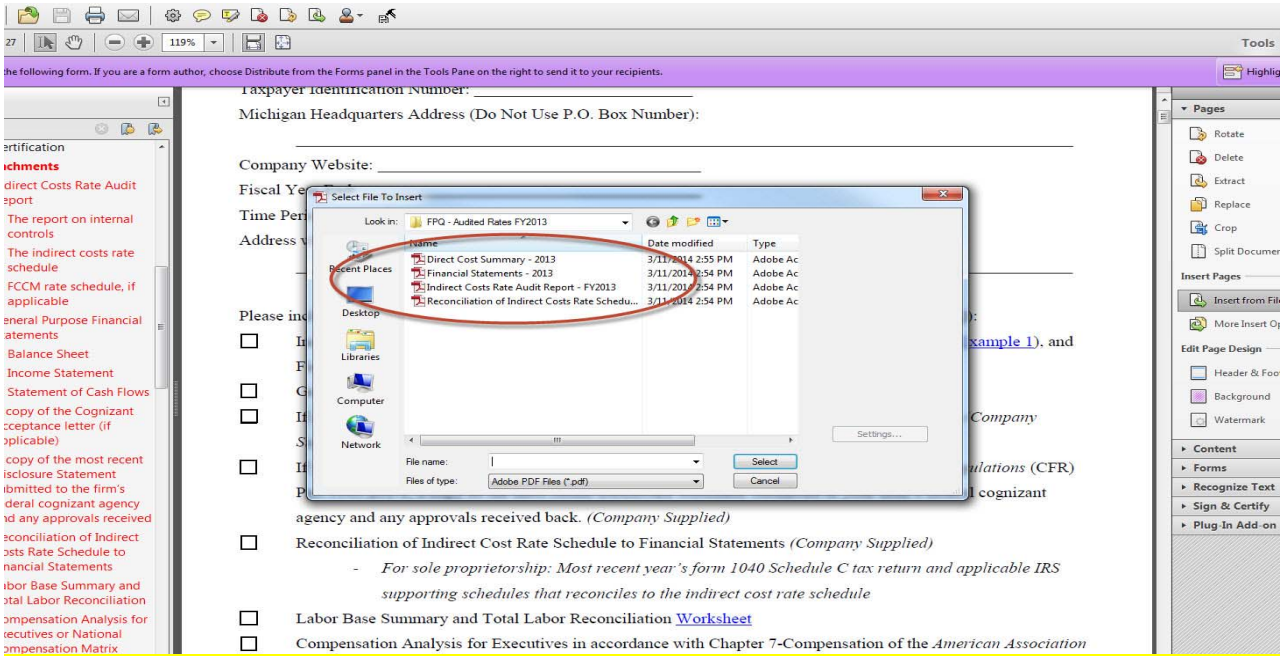
**2. Choose 'Insert from File' on the Tools Pages palette.**

The Select File to Insert dialog box opens.




**3. Open the folder and select the file icon of the PDF document with the pages you want to insert, and then click the Select button.**

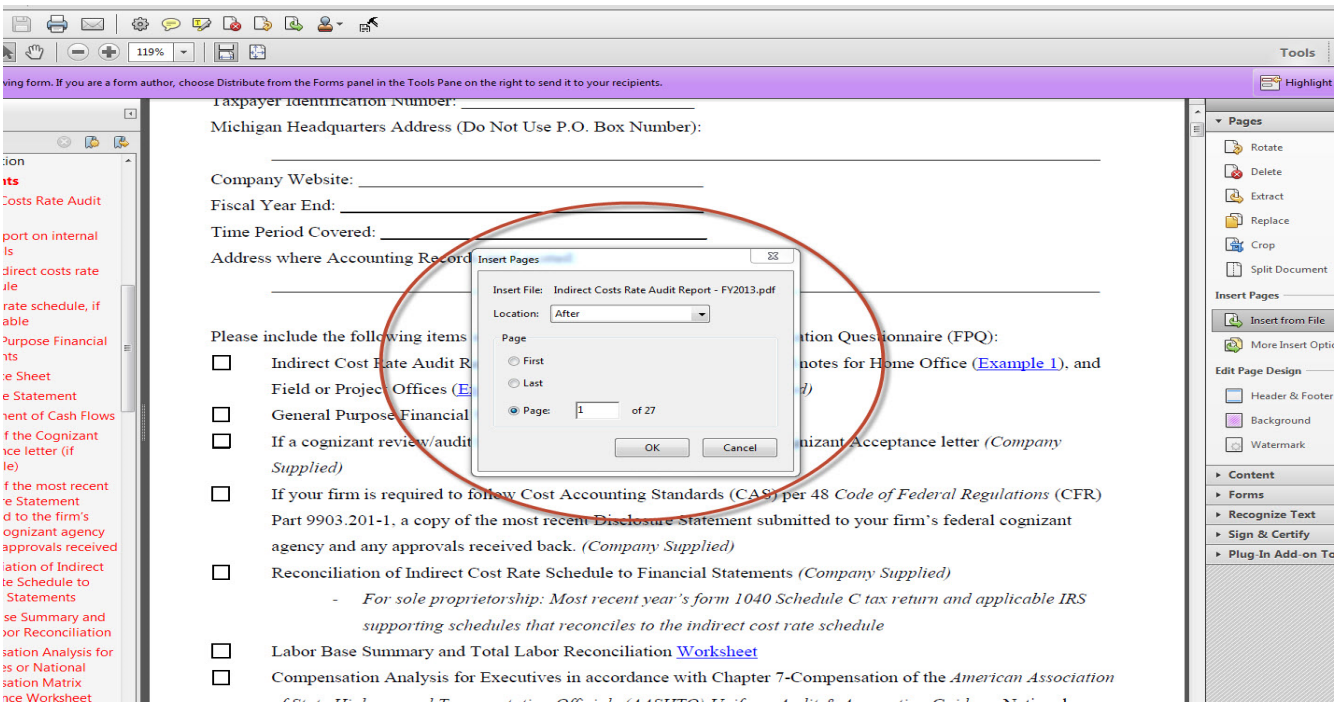
The Insert Pages dialog box ope



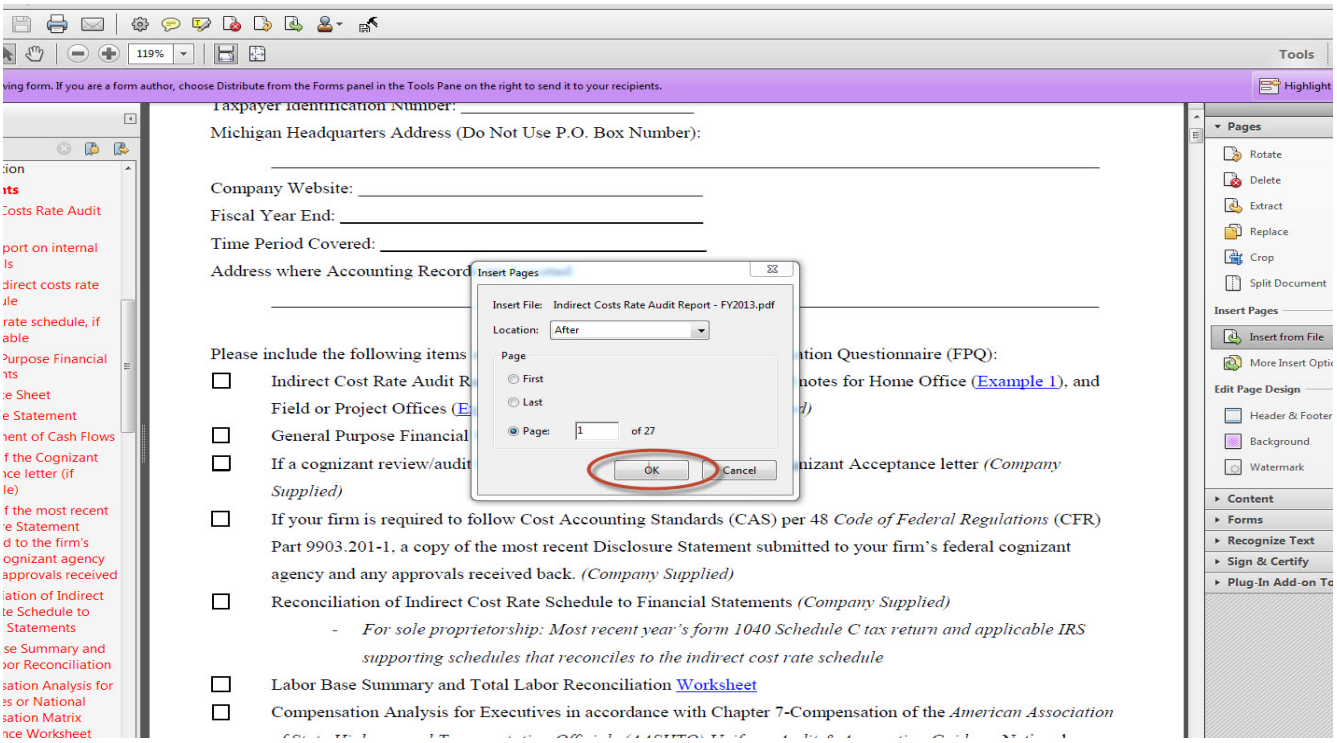
**4. In the Page area, click one of the following radio buttons:**

- **First:** Inserts the pages at the beginning of the PDF document, either before or after the first page.
- **Last:** Inserts the pages at the end of the file, either before or after the last page.
- **Page:** Inserts the pages either before or after the page number designated in the associated text box.

By default, Acrobat inserts the pages after the page you specify in the Page portion of the Insert Pages dialog box. To have the pages inserted in front instead, select Before on the Location drop-down list.




**5. Click the OK button to have Acrobat insert the pages from the selected file.**

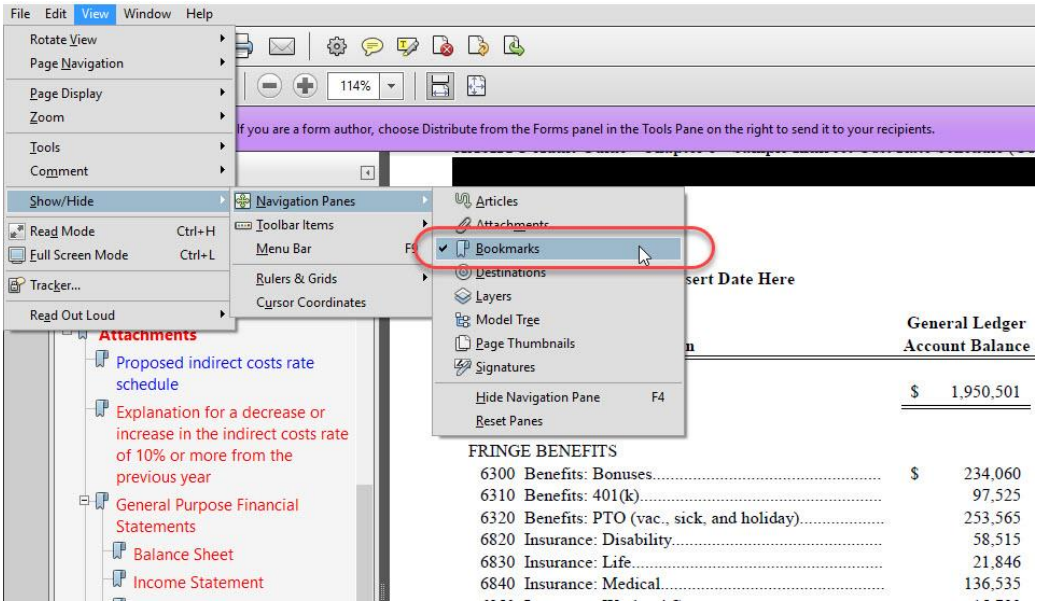


# How to bookmark an inserted document in the Financial Prequalification Questionnaire (FPQ):

By navigating to a page, and to a specific view on a page, you can establish the destination of a bookmark link. With a PDF document open, follow these steps:

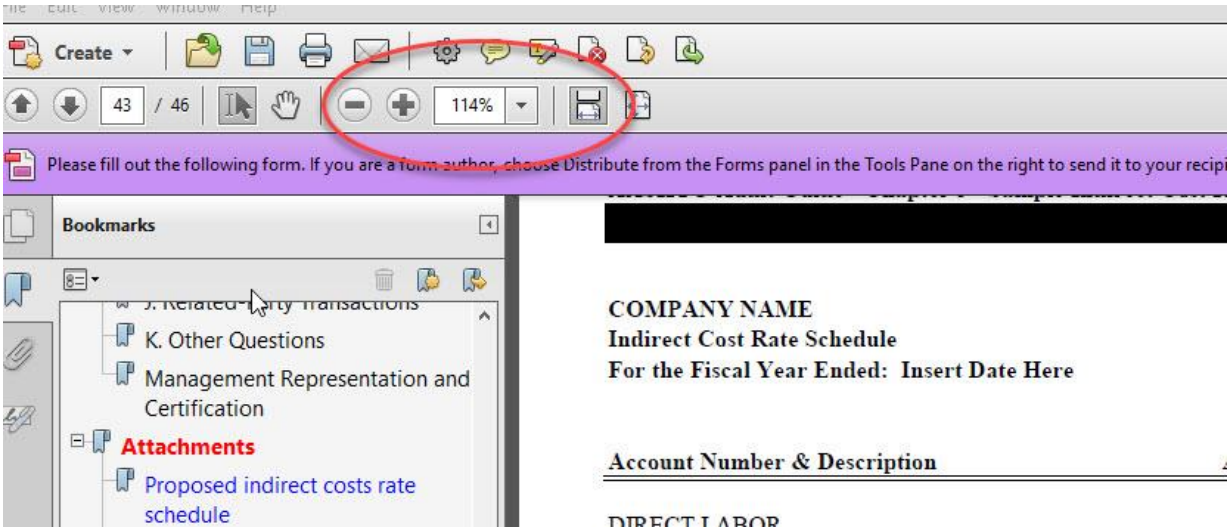
1. **If the Bookmark icon isn't visible, choose View→Show/Hide→Navigation pane→Bookmarks**

   The Bookmarks panel appears on the left of the Document window.

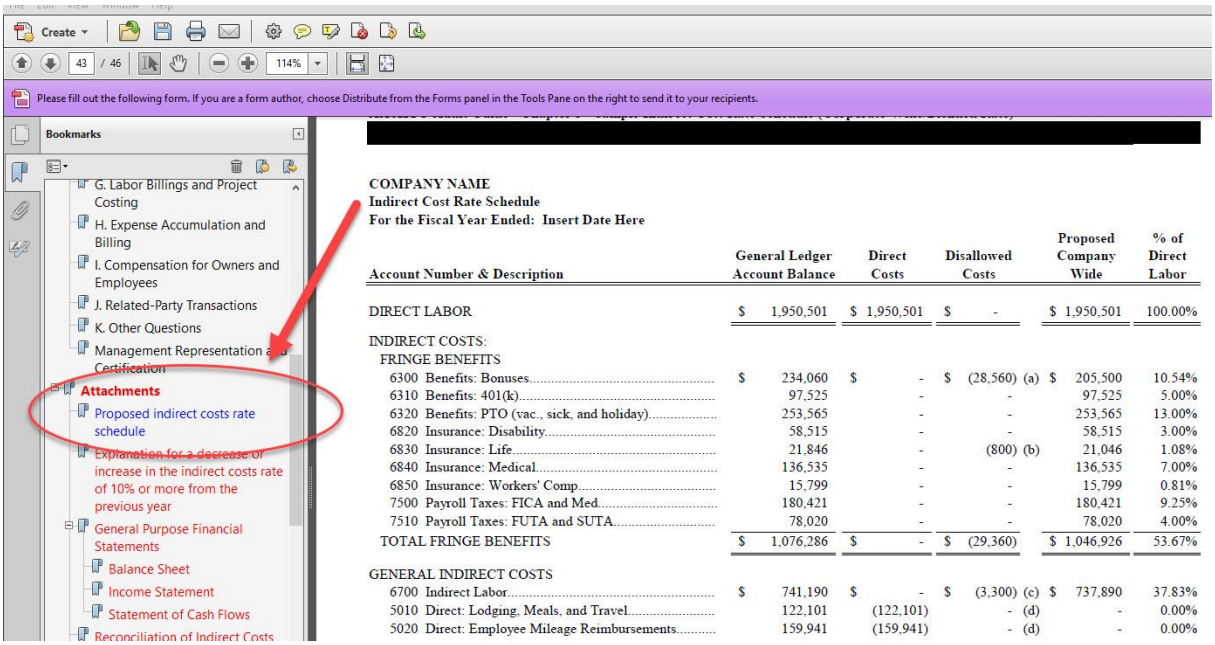



2. **Set the magnification of the view that you want by using the Marquee Zoom tool to either zoom in or zoom out.**

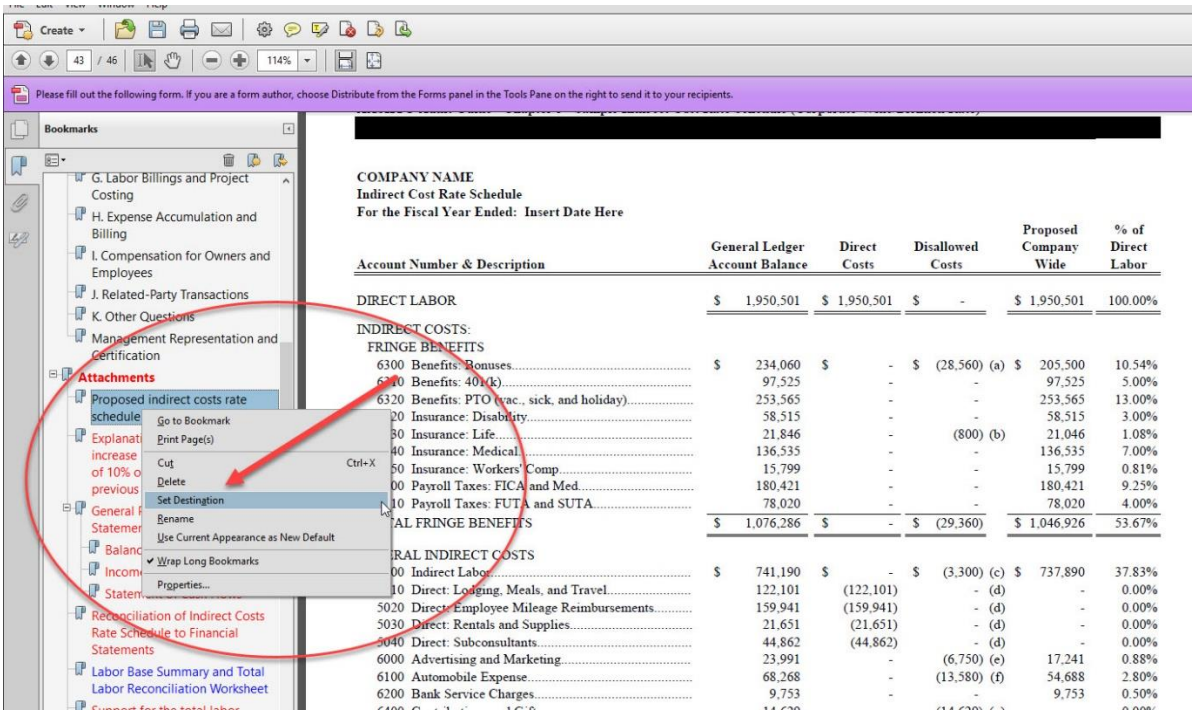
   The zoom level that you're at when you create the bookmark is the view that viewers see when they click the bookmark.



3. **In the Bookmarks panel, navigate to the bookmark that you want to set as your destination.**




4. **Right click the bookmark and choose 'Set Destination'.**




5. **Test your bookmark by scrolling to another page and viewing it in the Document window; then click your saved bookmark in the Bookmark panel.**

The Document window shows the exact location and zoom that you selected when you created the bookmark.

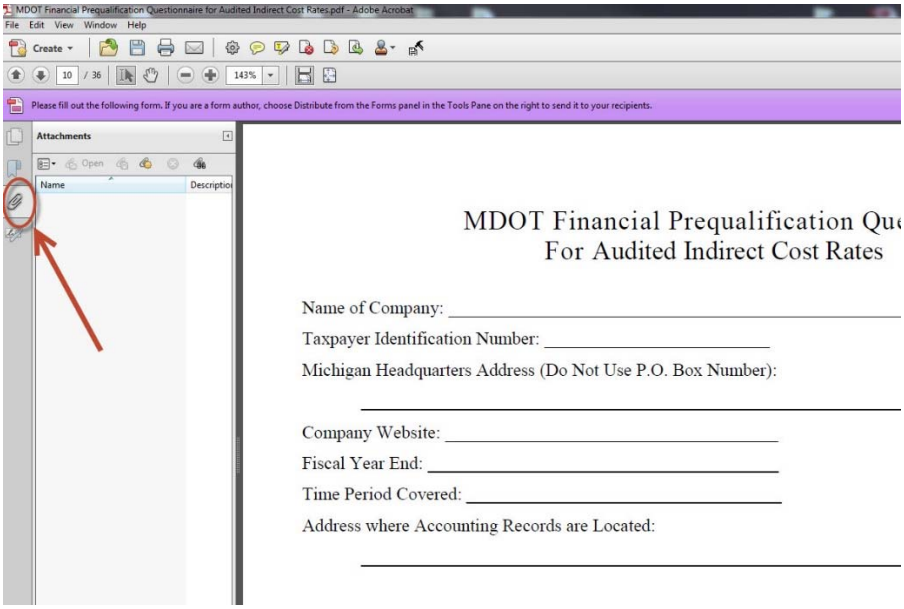
# How to attach Excel Spreadsheets to the Financial Prequalification Questionnaire (FPQ):

1. **Open the FPQ in which you want to attach the spreadsheet; make sure that all your changes are saved.**

   If you're not sure if the changes have been saved, choose File → Save/Save As → In the File Name List, type or select a name for the file → In the Save as Type list, click PDF.

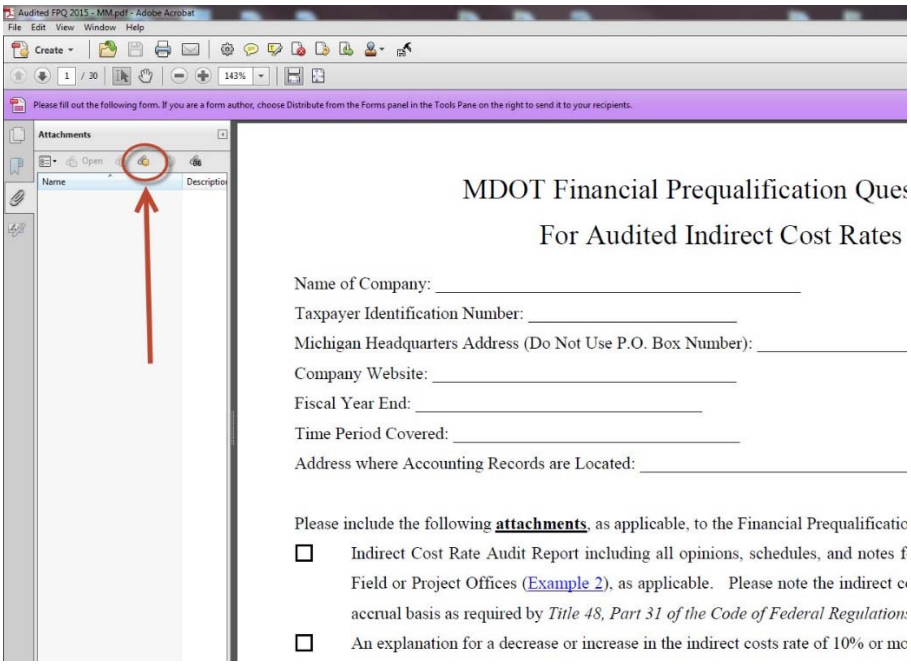
2. **Before attaching documents, be sure all changes to the Excel spreadsheet(s) are saved prior to opening the FPQ.**

3. **Locate the Attachments panel (Paperclip Icon)**

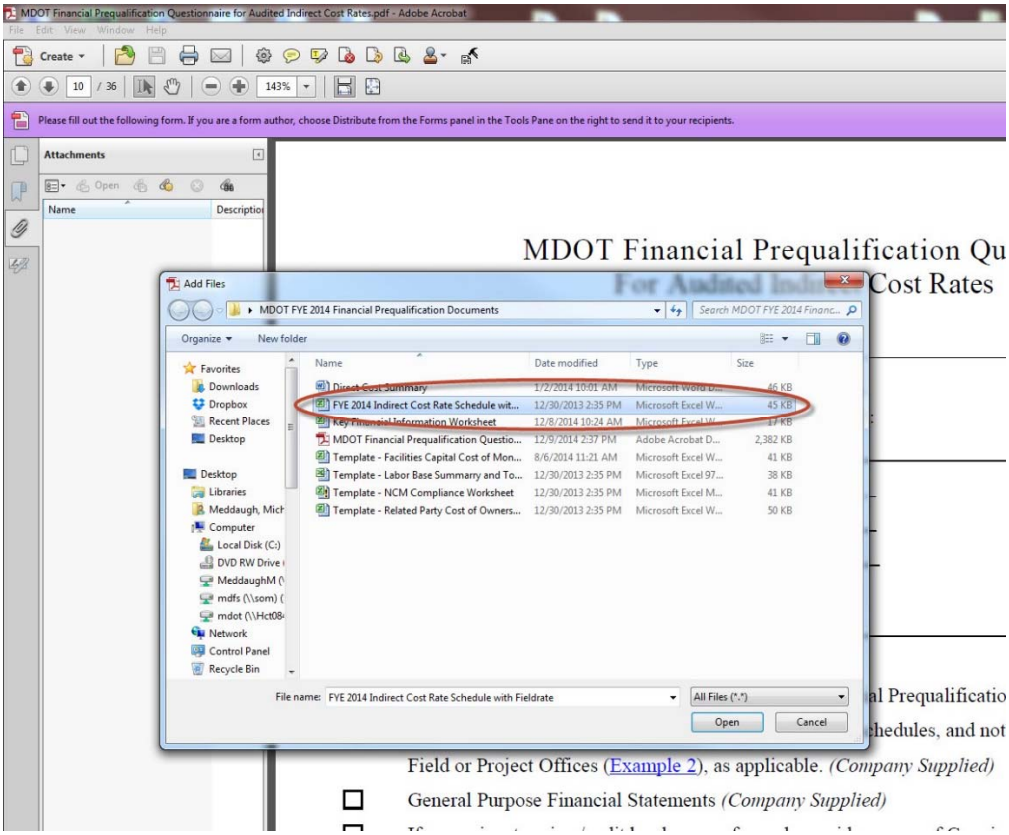



4. **In the Attachments Panel, select the "Add a New Attachment" icon.**

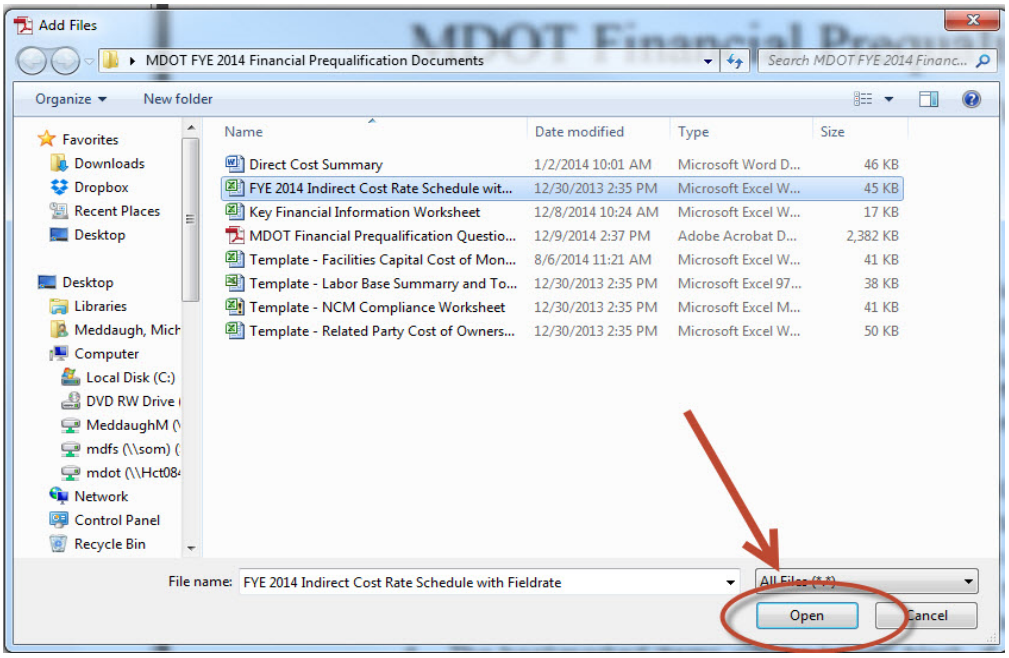
   The Add Attachment dialog box will open.



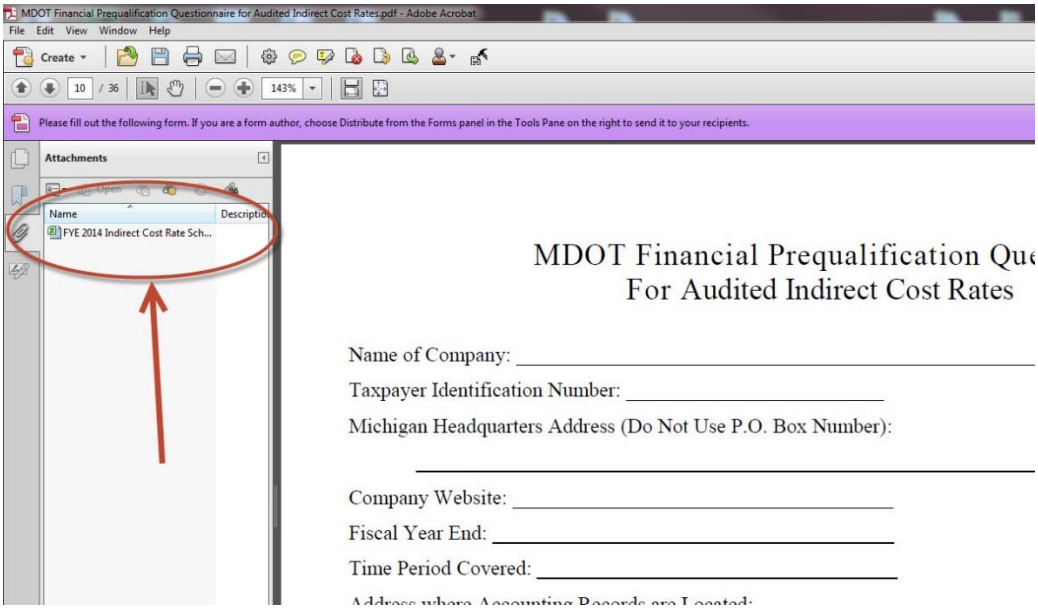
5. **Navigate to the appropriate Excel file you want to attach.**




6. **Double click on a the selected file or select "Open" to complete the process.**



7. **Verify the appropriate document has been attached.**



# ATTACHMENT A

## GUIDANCE FOR DEVELOPING PROCESS DESCRIPTIONS

Generally, a properly designed accounting system consists of several accounting processes that collectively achieve the following:

- Proper segregation of costs.
- Identification and accumulation of direct costs by cost objective/contract.
- A logical consistent method for allocating indirect costs.
- Accumulation of costs in various subaccounts under general ledger control.
- Interim (e.g. monthly) determination of costs charged to a contract through routine posting to books of account.
- Exclusion of costs that are not allowable pursuant to the *Federal Acquisition Regulation*, Part 31 *(*a.k.a. *FAR* Part 31*)* or other contract provisions, from costs charged to government contracts.
- Identification of costs by appropriate business units, if required by the contract.

For the purpose of the Michigan Department of Transportation (MDOT) financial prequalification questionnaire, a properly documented accounting process includes, but is not limited to, the following attributes:

- A description of the process from initiation to reporting. For example, the process description for Direct Labor might start with an employee filling out a timesheet, include manager review, cost system recording, payroll functions, and end with an invoice. The process description should specifically include:
    - An identification of the risks of serious noncompliance associated with each process. For example, pertaining to Direct Labor, risks include, but are not limited to, a) wrong job number, b) inaccurate hourly rate, c) inaccurate number of hours worked, etc.
    - A description of the key/critical control procedures that reduce or eliminate the potential risks of serious noncompliance. For example, when preparing your invoices, describe a) the steps you take to <u>ensure</u> that the right job number is used, b) describe the steps you take to <u>ensure</u> that the accurate hourly rate is used, and c) describe the steps you take to <u>ensure</u> the accuracy of the number of hours charged.
    - A description of the steps that management takes to ensure that the controls described in the prior paragraph are actually working. Include a description of the documentation that is maintained to show management's efforts.

General Considerations:

It might be beneficial to consider the following risks when documenting the processes requested by MDOT throughout the Financial Prequalification Questionnaires.

1. Billing Process (including labor charging)

   The largest single cost element for companies is normally labor. Tracking time, converting time charged to labor costs, and accounting for these costs are, therefore, major areas of concern to MDOT.

   a. Example Risks:
      (1) Misstatement of payroll hours
      (2) Inappropriately allocating between direct labor and indirect labor
      (3) Misclassification of employees (e.g. reporting employees at an incorrect classification)
      (4) Charging to the incorrect job
      (5) Billing incorrect wage and salary rates

2. Direct & Indirect Costs

   Correctly recording direct and indirect costs is another major concern for MDOT.

   a. Example Risks:
      (1) Misallocating a direct cost as an indirect cost
      (2) Inappropriately and/or inaccurately allocating a direct cost to more than one project
      (3) Allocating indirect costs to final cost objectives that is inconsistent with stated company practices
      (4) Using adjusting journal entries to inappropriately reclassify indirect costs to direct costs.

3. Recording Allowable/Unallowable Costs

   Unallowable costs and related directly associated costs need to be identified and excluded from billings, claims, or proposals for MDOT contracts. However, unallowable costs must participate in indirect cost allocations as if the unallowable costs were allowable; meaning, for example, the unallowable direct labor costs must remain in the direct labor base for the purpose of calculating an indirect cost rate. That is, all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs.

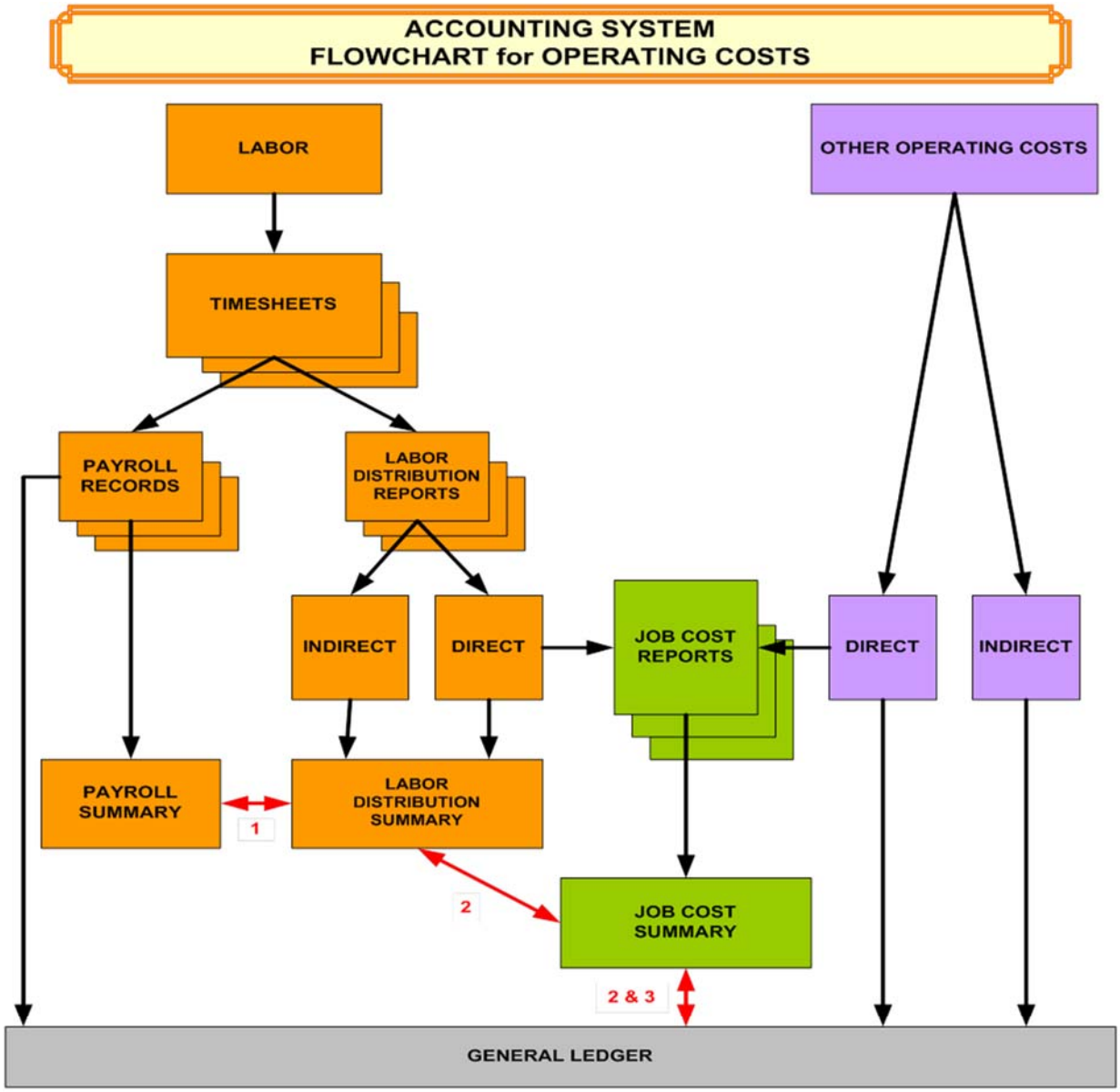
   Example Risks:
   (1) Billing unallowable costs
   (2) Including unallowable costs in indirect cost rate calculations
   (3) Including costs in direct billings and indirect cost rate calculations that are directly associated unallowable costs
   (4) Failure to allocate indirect costs to unallowable direct costs

The list below identifies costs that are generally ineligible for cost reimbursement on government contracts (either as direct or indirect costs). The list is not all-inclusive, but identifies many types of costs commonly incurred by companies.

Listing of Common Unallowable Costs With *FAR* Reference:

31.205-1 Advertising
31.205-1(f)(2) Trade Show Expenses
31.205-1(f)(2) Trade Show Labor
31.205-1(f)(5) Brochures and Other Promotional Material
31.205-1(d)(2) Souvenirs/Imprinted Clothing Provided to Public
31.205-1(f)(7) Membership in Civic and Community Organizations
31.205-3 Bad Debts
31.205-3 Collection Costs
31.205-6(m)(2) Personal Use of Company Vehicles
31.205-8 and 31.205-1(e)(3) Contributions or Donations
31.205-13(b) Employee Gifts and Recreation
31.205-14 Membership in Social, Dining, and Country Clubs
31.205-14 Social Activities
31.205-15(a) Fines, Penalties, and Mischarging Costs Related to Violation of Laws
31.205-19(e)(2)(v) Life Insurance on Key Employees
31.205-19 Costs to Correct Defects in Materials and Workmanship
31.205-20 Interest Expense
31.205-22 Lobbying and Political Activity Costs.
31.205-27 Organization/Reorganization Legal Fees
31.205-27 Organization/Reorganization Accounting Fees
31.205-27 Organization/Reorganization Incorporation Fees
31.205-27 Organization/Reorganization Labor
31.205-27 Capital Raising (Equity or Long-Term Debt) Legal Fees
31.205-27 Capital Raising (Equity or Long-Term Debt) Accounting Fees
31.205-27 Capital Raising (Equity or Long-Term Debt) Lender Fees
31.205-30(c) Patent Costs
31.205-33(e) Retainer Agreements (unless properly supported)
31.205-35 Relocation Costs (in certain circumstances)
31.205-46 Travel Costs in Excess of FTR Rates
31.205-49 Goodwill
31.205-51 Alcoholic Beverages

The following flowchart reflects the essentials of an accounting system for operating costs. Thorough and complete process descriptions, discussed above, will allow MDOT to assess the propriety and/or the effectiveness of the design of the consultant's internal control.




**ESSENTIAL!! RECONCILIATION PROCEDURES:**

1. Labor Distribution Summary Total equals Payroll Summary Total for labor
2. Direct labor on Labor Distribution Summary Report equals labor on Job Cost Summary Report which equals direct labor in General Ledger
3. Expenses on Job Cost Summary equals direct expense balances in the General Ledger

# MDOT Financial Prequalification Questionnaire
# For Compiled Indirect Cost Rates

Name of Company: _____

Taxpayer Identification Number: _____

Michigan Headquarters Address (Do Not Use P.O. Box Number): _____

Company Website: _____

Fiscal Year End: _____

Time Period Covered: _____

Address where Accounting Records are Located: _____

**Proposed Indirect Cost Rate(s):**
(Please limit all rates to a two-decimal percentage, e.g., 123.45%)

| Indirect Cost Rate | Rate Type: (Home office, field office, other, etc.) |
|---|---|
| | |
| | |
| | |
| | |
| | |

**Proposed Facilities Capital Cost of Money (FCCM) Rate(s):**
(Please limit all rates to a two-decimal percentage, e.g., 0.39%)

| FCCM Rate | Rate Type: (Home Office, Field Office, Other, etc.) |
|---|---|
| | |
| | |
| | |
| | |
| | |

Please include the following **attachments**, as applicable, to the Financial Prequalification Questionnaire (FPQ):

- ☐ Proposed Indirect Cost Rate Schedule (Example) *Calculated on the accrual basis as required by Title 48, Part 31 of the Code of Federal Regulations.*
- ☐ An explanation for a decrease or increase in the indirect costs rate of 10% or more from the previous year.
- ☐ General Purpose Financial Statements *(Company Supplied)*
- ☐ Reconciliation of Indirect Cost Rate Schedule to Financial Statements *(Company Supplied)*
    - *For sole proprietorship: Most recent year's form 1040 Schedule C tax return and applicable IRS supporting schedules that reconciles to the indirect cost rate schedule*

MDOT Financial Prequalification Questionnaire
For Compiled Indirect Cost Rates

- ☐ Labor Base Summary and Total Labor Reconciliation Worksheet
- ☐ Support for the total labor amount on the Labor Base Summary and Total Labor Reconciliation. The support needs to include either Forms 941 or Form W3. Also provide support for amount included on the applicable forms (941 or W3). Examples of support for forms 941 or W3 include, but not limited to, accounting entries, banking documents, payroll report, etc.
- ☐ Year-end reconciliation of the job-cost-ledger to the general-ledger systems if the systems are not integrated (*Company Supplied)*
- ☐ Year-end reconciliation of the labor distribution to the total payroll amount included in the financial statements, the indirect cost rate schedule, **and** the tax documents (941 or W3) *(Company Supplied)*
- ☐ Compensation Analysis for Executives in accordance with Chapter 7-Compensation of the *American Association of State Highway and Transportation Officials (AASHTO) Uniform Audit & Accounting Guide* **or** National Compensation Matrix Compliance Worksheet (*Company Supplied or Worksheet*).

  **Note**: The National Compensation Matrix is updated by AASHTO every year. The most current version of the matrix can be found on AASHTO's website (audit.transportation.org).
- ☐ Direct Cost Summary Worksheet
- ☐ Related Party Cost of Ownership Calculation Worksheet, if applicable (*AASHTO Guide* Section 8.23.B & Federal Acquisition Regulations (FAR) 31-205-36(b)(3))
- ☐ Facilities Capital Cost of Money Calculation Worksheet, if proposed (FAR 31.205-10*)*
- ☐ Current chart of accounts and crosswalk that demonstrates how costs are "rolled up" into the amounts included in the financial statements and the indirect costs rates schedule *(Company Supplied)*
- ☐ Sample of current completed timesheet *(Company Supplied)*
- ☐ Sample of current project cost report from the cost accounting system *(Company Supplied)*
- ☐ The company's bonus policy *(Company Supplied)*
- ☐ If multiple rates are proposed, an explanation of when each rate will be utilized and methodology for allocating costs between home, field, and/or other indirect cost pools. *(Company Supplied)*
- ☐ If vehicle expenses are billed directly, a copy of an actual mileage log sheet for a vehicle with typical travel for firm business. *(Company Supplied)*
- ☐ Other written policies, as requested throughout this FPQ *(Company Supplied)*
- ☐ Support for labor rates of individuals that are, or might be, assigned to MDOT projects. This support must include a listing of the employees by name, job title/classification, and actual current pay rate and a company officer must certify the labor rates *(Company Supplied)*
- ☐ If the company received a Paycheck Protection Program (PPP) loan through the Federal Coronavirus Aid, Relief, and Economic Security Act complete this Worksheet.

Please identify the company's primary contact(s) for accounting questions:

Name: _____

Title: _____

Number of Years in this Capacity: _____

Number of Years with this Company: _____

Phone Number: _____

E-mail Address: _____

Mailing Address (if different than headquarters address previously listed):

_____

Please attach additional page(s) if there is more than one primary contact for accounting questions.

Please identify the individual(s) who completed the FPQ:

Name: _____

Title: _____

Phone Number: _____

E-mail Address: _____

Please attach additional page(s) if there is more than one person completed the FPQ.

## A. Background Information

**A.1. Year Established**. When was the company formed? _____

**A.2. Business Form**. What form of business entity is the company?

☐ Sole Proprietorship ☐ Partnership ☐ C Corporation ☐ Limited Liability Company

☐ S Corporation ☐ Other: _____

**A.3. Parent/Subsidiary**. Is the company a subsidiary of any other company or part of a controlled group?

☐ Yes ☐ No

If yes, please explain:

**A.4. Common Ownership**. Does the company own or control any other company or legal entity (e.g., trust or foundation) through common ownership? (*AASHTO Guide* Section 8.23.B)

☐ Yes ☐ No

If yes, please explain:

**A.5. Ownership**. Please identify the stockholders, partners, or other owners with greater than five percent ownership of the company and their respective percentages of ownership. Identify all company officers including titles.

**Table 1: Company Ownership**

| Name | Title | Ownership Percentage |
|---|---|---|
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |
| | | % |

**A.6. Services Provided**. What types of services does the company provide? (e.g., architectural, engineering design)

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

**A.7. Locations**. How many offices does the company operate in Michigan, and where are these offices located?

1. Number: _____
2. Locations: [ ]

**A.8. Number of Employees**.

1. How many employees (including managers and principals) does the company currently employ globally?

   a. Full time: _____ b. Part time: _____

2. Has this number changed since the last fiscal year?

   ☐ Yes ☐ No

   If yes, please explain: [ ]

**A.9. Revenue Sources**.

1. For the most recent fiscal year, what percentage of the company's revenue was generated from the following?

   a. State government: _____% c. Local government: _____%

   b. Federal government: _____% d. Commercial/private: _____%

2. Please specify all revenues earned as either a prime consultant or subconsultant:

**GAAP Company Revenues**

| | As a Prime Consultant | As a Subconsultant | Total |
|---|---|---|---|
| Revenues from MDOT Projects | | | |
| Revenues from Other Customers | | | |
| Total Company Gross Revenue | | | |

**GAAP Net Company Revenues**

| | As a Prime Consultant | As a Subconsultant | Total |
|---|---|---|---|
| *Net Revenues from MDOT Projects | | | |
| Net Revenues from Other Customers | | | |
| Total Company Net Revenue | | | |

**NOTE**: Consultants with Net MDOT revenue of $500,000 or greater, calculated from the consultant's previous fiscal year, must submit a FAR compliant Overhead Rate Audit completed by an independent CPA. The FPQ for Audited Indirect Cost Rates must be completed and submitted to MDOT no later than six (6) months following the consultant's fiscal year end.

**Net MDOT revenue is defined as all monies paid directly or indirectly to a consultant by MDOT, for the consultant's fiscal year, for any work performed for MDOT as both a prime consultant and as a subconsultant, minus any monies paid by the consultant to its subconsultant(s) for MDOT work performed during the consultant's fiscal year.*

**A.10. Contract Mix.**

1. What percentage of the company's **MDOT** revenue was generated from the following contract payment types?

   a. Lump sum: _____% b. Cost plus (time and materials): _____%

   c. Cost plus fixed fee: _____% d. Other: _____%

   If other, please explain:

2. What percentage of the company's **non-MDOT** revenue was generated from the following contract payment types?

   a. Lump sum: _____% b. Cost plus (time and materials): _____%

   c. Cost plus fixed fee: _____% d. Other: _____%

   If other, please explain:

**A.11 Countries/States the Company is Currently Doing Business In.** How many countries and states is the company currently doing business in?

1. Countries: _____ 2. States: _____

Please provide a list of the countries and states:

## B. Accounting: General Background

**B.1. Fiscal Year End**. Has the company used the same fiscal year end for the past two years?

☐ Yes ☐ No

If no, please explain:

**B.2. Accounting Method/Basis**.

1. What basis of accounting does the company use to prepare general purpose financial statements?

   ☐ Cash ☐ Accrual ☐ Hybrid

   If hybrid, please explain:

2. Was the company's indirect cost rate schedule prepared on the accrual basis?

   ☐ Yes ☐ No

If the indirect cost rate schedule was not prepared on the accrual basis, please provide an explanation of how the rate is in compliance with FAR part 31.201-2(a)(3). Please note that the FAR does not allow a rate that was calculated on a cash or income-tax basis.

**B.3. Accounting Processes**. Please insert written descriptions of accounting processes that address the following topics. (Please see Attachment A of the instructions for guidance when completing the process descriptions.)

1. Accounting System
2. Billing (including labor charging)
3. Recording time Worked/Timesheet Preparation
4. Recording and Tracking Indirect Time (leave holiday, etc.)
5. Recording Overtime
6. Compliance with FAR Part 31[†] and applicable Cost Accounting Standards
7. Recording Direct and Indirect Costs
8. Overhead/Indirect Cost Rate Development
9. Developing Billing Rates; including In-House Billing Rates (such as daily usage rates) and Certified Labor Rates. This process should include an explanation of how the company ensures direct costs billed through such rates (in-house billing rates, daily usage rates, etc.) are not included in the indirect cost rate.
10. Recording Allowable/Unallowable Costs
11. Policy and procedures for vehicle costs – including procedures for accounting for vehicle costs and policy for vehicle mileage reimbursements.

[†] FAR Part 31 is codified at Title 48 of the CFR Part 31, which is available at: https://www.acquisition.gov/content/part-31-contract-cost-principles-and-procedures

**B.4. Preparing the Indirect Cost Schedule**.

1. How frequently does the company prepare an indirect cost rate schedule to determine costs eligible for reimbursement per FAR Part 31?

   ☐ Annually ☐ Other

   If other, please explain:

2. Was the most recent indirect cost rate schedule prepared by the company or by another entity (e.g., CPA firm)?

   ☐ Internal staff ☐ External party

   If external Party, please explain:

3. Period covered by most recent indirect cost schedule:

   ☐ One-year period ended _____

   ☐ Other (please explain):

**B.5. Fraud, Abuse, and Contract Violations**. Is the company's management aware of any instances of fraud, illegal acts, abuse, or violations of contracts provisions or grant agreements?

☐ Yes ☐ No

If yes, please explain:

**B.6. Knowledge of FAR Part 31**. Are appropriate personnel within the company familiar with FAR Part 31?

☐ Yes. Please identify the personnel names and titles:

☐ No. If no, please explain:

**B.7. Audits/Examinations**. Within the past three years, has a CPA or governmental agency performed an independent audit, review, attestation, or compilation of the company's financial data or any phase of operations?

☐ Yes. If yes, please complete the following (if applicable). ☐ No

a. **Financial Statements**: ☐ Audit ☐ Review ☐ Compilation
☐ Attestation ☐ Other (please explain):

Name of CPA or Agency: _____

Primary Contact: _____

Fiscal Year End Covered: _____

b. **Indirect Cost Rate**: ☐ Audit ☐ Review ☐ Compilation
☐ Attestation ☐ Other (please explain):

Was the indirect cost rate calculated in accordance with FAR Part 31? ☐ Yes ☐ No

Name of CPA or Agency: _____

Primary Contact: _____

Fiscal Year End Covered: _____

c. **Project Audits**: ☐ Audit ☐ Review ☐ Compilation ☐ Attestation
☐ Other (please explain):

Name of CPA or Agency: _____

Primary Contact: _____

Fiscal Year End Covered: _____

**B.8. Paycheck Protection Program** Did the company received a Paycheck Protection Program (PPP) loan through the Federal Coronavirus Aid, Relief, and Economic Security Act?

☐ Yes. If yes, please complete the PPP Loan Worksheet.

☐ No

## C. Accounting System(s)

### C.1. Accounting Software.

1. What type of accounting software does the company use?

   ☐ Internally-Developed System  Please explain: _____

   ☐ Commercial System  Name of vendor: _____

   ☐ Hybrid System  Please explain: _____

2. Please describe any significant manual processes used outside of the automated accounting system to record transactions:

3. Was the accounting system updated within the last year?

   ☐ Yes  ☐ No

   If yes, please describe the accounting updates:

### C.2. Job Costing. Does the company have a job-cost accounting system?

☐ Yes  ☐ No

If no, please explain what type of system is used to determine project costs:

### C.3. Integration.

1. Does the accounting general ledger interface with the job-cost ledger?

   ☐ Yes  ☐ No  ☐ N/A (no job-cost ledger used)

2. Are billings prepared from, or reconciled to, reports generated from the company's job-cost system?

   ☐ Yes. If yes, please explain:

   ☐ No. If no, please explain:

3. Please describe any manual processes that occur outside of the automated accounting system to prepare billing packages:

**C.4. Accounting Records**. Which of the following types of records does the company maintain to support financial transactions?

| | Yes | No | If no, please explain: |
|---|---|---|---|
| 1. General ledger | ☐ | ☐ | _____ |
| 2. Cash disbursements/accounts payable journal | ☐ | ☐ | _____ |
| 3. Cash receipts/accounts receivable journal | ☐ | ☐ | _____ |
| 4. Job/Project-cost ledger | ☐ | ☐ | _____ |
| 5. Labor distribution reports | ☐ | ☐ | _____ |
| 6. Employee expense reports | ☐ | ☐ | _____ |
| 7. Payroll registers | ☐ | ☐ | _____ |

**C.5. Direct and Indirect Expenses**. Does the general ledger contain separate direct and indirect accounts for the following?

1. Labor costs ☐ Yes ☐ No

   If no, please explain:

2. Non-labor expenses ☐ Yes ☐ No

   If no, please explain:

**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 FAR Part 31 and the applicable Cost Accounting System? (See *AASHTO Guide*, Sections 2.2, 4.4, 5.2, 5.5, and 6.3)

☐ Yes. If yes, please complete steps C.6.1 through 3 below.

1. Please explain the company's system in detail:

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

3. When does the primary review for allowability occur—at time the transaction is recorded, or later?

☐ No. If no, please explain:

**C.7. Divisions/Cost Centers**. Does the company have more than one division/cost center?

☐ Yes ☐ No

If yes, are separate ledgers maintained for each division/cost center?

☐ Yes ☐ No

If no, please explain:

**C.8. Reconciliations**.

1. Does the company reconcile the financial accounting system to the job-cost system?

☐ Yes. If yes, how often? (Check all that apply.) ☐ Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually

☐ No. If no, please explain: _____

Check here if systems are integrated: ☐

☐ N/A (no job-cost ledger used)

2. Are bank statements reconciled?

☐ Yes If yes, how frequently: ☐ Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually

Name and title of the person performing this reconciliation:

_____

☐ No If no, please explain:

**C.9. Budgeting**. Does the company use a budgeting system for project planning and oversight?

☐ Yes ☐ No

If yes, does the company prepare variance reports to compare budgeted amounts to actual amounts on projects, and are the reports distributed to appropriate management personnel?

☐ Yes ☐ No

If no, please explain:

**C.10. Cost Allocation**. Does the company use cost allocation methods consistently for all contracts, including commercial contracts as well as for state and federal government contracts? (*AASHTO Guide*, Sections 5.3 and 10.5)

☐ Yes ☐ No

If no, please explain:

**C.11. Allocation Base(s).** When computing indirect cost rates, the company uses: (*AASHTO Guide* Section 4.7)

☐ A single base for cost allocation

Description of base:

☐ Multiple bases for cost allocation

Description of bases:

**C.12. Field Offices**. Does the company have field offices? (*AASHTO Guide* Section 5.6)

☐ Yes ☐ No

If yes, are separate indirect cost rates used for the home office and field offices?

☐ Yes ☐ No

If yes, please complete steps C.12.1 and C.12.2

1. Are the home office and field office indirect costs rates presented consistently to all state department of transportations (DOT)?

☐ Yes ☐ No ☐ N/A

If no, please explain:

2. Please provide a matrix or narrative describing the circumstances in which the field office indirect cost rate is used and the circumstances in which the home office indirect cost rate is used:

**C.13. Project-Specific Indirect Cost Rate(s)**. Does the company have any special, project-specific indirect cost rates negotiated with a state DOT?

☐ Yes ☐ No

If yes, please explain and identify the states that use these rates:

## D. Information Technology (IT) Systems

**D.1. IT Risk Assessment**. Has the company's management conducted an IT system risk assessment within the past three years?

☐ Yes. If yes, please provide a copy of the IT system risk assessment.

☐ No. If no, please explain:

**D.2. IT Security Review**. Are system security and application access logs enabled and reviewed periodically?

☐ Yes ☐ No

If no, please explain:

**D.3. 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

If no, please explain:

## E. Accounting – Payroll and Timekeeping

**E.1. Payroll Service**. Does the company use an external payroll service?

☐ Yes ☐ No

If yes, please explain:

**E.2. Pay Cycle**. What is the company's standard pay cycle?

☐ Bi-weekly ☐ Monthly ☐ 1st & 15th ☐ Other (please explain): _____

If the company uses more than one pay cycle, please explain:

**E.3. Payroll Register**. Does the payroll register include the following data?

| | Yes | No | If no, please explain |
|---|---|---|---|
| 1. Employee Name | ☐ | ☐ | _____ |
| 2. Employee ID number | ☐ | ☐ | _____ |
| 3. Gross pay | ☐ | ☐ | _____ |
| 4. Payroll deductions | ☐ | ☐ | _____ |
| 5. Net pay | ☐ | ☐ | _____ |
| 6. Check amount | ☐ | ☐ | _____ |
| 7. Hourly rate | ☐ | ☐ | _____ |
| 8. Pay period | ☐ | ☐ | _____ |
| 9. Normal hours for pay period | ☐ | ☐ | _____ |
| 10. Overtime hours for pay period | ☐ | ☐ | _____ |

## E.4. Timekeeping System.

1. Does the company use an electronic timekeeping system?

   ☐ Yes ☐ No

   If yes, please provide an explanation of its operation:

2. Are all employees, including managers and owners/principals, responsible for signing their own timesheets?

   ☐ Yes ☐ No

   If no, please explain:

3. Are all employee timesheets approved by supervisors?

   ☐ Yes ☐ No

   If no, please explain:

4. Is there a certification and approval process required for all time worked by owners and principals?

   ☐ Yes. If yes, please provide a narrative describing the process:

   ☐ No. If no, then how is owners and principals' time accounted for and billed to projects?

5. How are timesheet coding errors detected and corrected?

6. How do timesheets identify work performed outside a contract's original scope of services?

## F. Labor Cost Accumulation

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

☐ Yes. If yes, do all employees, including managers and principals, record direct and indirect time on their timesheets?

☐ No. If no, please explain the process used to segregate direct and indirect labor hours.

**F.2. Work Week**. Please identify the company's normal hours of operation (e.g., M-F 8:00 am to 5:00 pm):

**F.3. Uncompensated Overtime (Labor Variance)**

1. Does the company record all hours (including hours in excess of 40) worked by all employees, including managers, principals, and/or all salaried personnel regardless of whether the employees are exempt from overtime pay or whether all direct labor hours are billed to specific contracts? (AASHTO Guide, Section 5.4)

☐ 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? (*AASHTO Guide* Section 5.4.F.2)

☐ Effective Rate Method: Using this method, effective hourly pay rates are computed weekly, based on actual time charges.

Please explain:

☐ Salary Variance Method: Under this method, salaried employees' labor costs are allocated at standard hourly rates for every hour worked and overhead is reduced for the appropriate portion of labor costs generated by uncompensated overtime hours. **Standard rates are generally computed as the total salary costs paid to the salaried employee divided by the estimated number of hours the employee will work that fiscal year.**

What was the total dollar amount of the salary/payroll variance for the year?
$_____

Please explain how the salary variance is accounted for in the indirect cost rate:

☐ Other. Please explain:

☐ No. If no, please explain:

2. Does the company bill labor for salaried employees at the rates recorded in the system?

☐ Yes ☐ No

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?

## G. Labor Billings and Project Costing

**G.1. Premium Overtime**. Does the company pay overtime at a premium to any employees?

☐ Yes. If yes, please complete steps G.1.1 and 2. ☐ No

1. 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:

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

☐ As part of direct labor and overhead is applied to the overtime premium

☐ As an other direct cost and overhead is not applied to the overtime premium

☐ As an indirect labor cost and the overtime premium is included in the indirect cost rate

☐ Other. Please explain:

**G.2. 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.3. 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.4. 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 to the contract labor

☐ As an other direct cost and overhead is not applied to the contract labor

☐ Other. Please explain:

**H. Expense Accumulation and Billing (Please fill out and attach the "Direct Cost Summary")**

**H.1. Credits Associated with Direct Costs**.

1. How is the indirect cost pool relieved/reduced for credits/reimbursements received for direct costs?

2. If the company bills projects directly for company-owned equipment/vehicles, how does the company ensure that costs associated with such company-owned equipment/vehicles (such as maintenance, depreciation, insurance, etc.) are not also included in the indirect cost rate?

3. If the company bills projects directly for company-performed services (such as lab testing or drilling), how does the company ensure that costs associated with such services (such as lab costs, lab tech labor, etc.) are not also included in the indirect cost rate?

4. If the company bills projects directly for company-owned equipment/vehicles or company-performed services (such as lab testing or drilling), how does the company determine billing rates for such equipment?

**H.2. Design/Build Stipends**. Has the company received a stipend from any state DOT in connection with design/build efforts?

☐ Yes ☐ No

If yes, please explain how the company records the stipend in the accounting system:

**H.3. Non-billable Costs**. Describe the accounting treatment for direct costs not billable to clients. (Where/how are these costs recorded in the accounting system?)

**H.4. Authorization**. How does the company ensure that costs are not billed to government projects prior to proper authorization?

**H.5. Vehicle Expenses**. Does the company provide vehicles to employees for business purposes?

☐ Yes ☐ No

1. If yes, are the vehicles leased or owned?

   ☐ Leased ☐ Owned

2. Identify the total number of vehicles owned or leased by your company.

   Leased _____ Owned _____

3. Are mileage logs maintained for all vehicles?

   ☐ Yes ☐ No

   If no, please explain:

4. Is mileage separated by direct and indirect classifications, and is mileage incurred in connection with unallowable activities tracked?

   ☐ Yes ☐ No

   If no, please explain:

5. What recovery/billing rate is used for company vehicle mileage reimbursement?

   $_____ per mile.

6. How was the recovery/billing rate developed?

**H.6. Computer Expenses**.

1. Are the company's computer expenses incurred as a result of? (select one)

   ☐ Outside Services ☐ Company Ownership ☐ Both

2. Does the company compute a charge rate for computers?

   ☐ Yes ☐ No

   a. If yes, what is the charge rate? _____

   b. How was the charge rate developed?

3. How are computer expenses treated?

☐ Direct ☐ Indirect ☐ Combination Direct/Indirect

If combination direct/indirect, please provide an explanation:

4. Are computer usage logs maintained and coded by job/project?

☐ Yes ☐ No

## H.7. Printing and Reproduction Costs.

1. How are printing and reproduction expenses treated?

In House: ☐ Direct cost ☐ Indirect cost ☐ Combination of direct and indirect

If you marked combination of direct and indirect, please explain:

Outside vendor: ☐ Direct cost ☐ Indirect cost ☐ Combination of direct and indirect

If you marked combination of direct and indirect, please explain:

2. For in-house services, are usage logs maintained and coded by job/project?

☐ Yes ☐ No

If no, please explain:

3. Is usage segregated by direct and indirect classifications?

☐ Yes ☐ No

If no, please explain:

4. If these costs are incurred through the use of an outside vendor, are the invoices coded by job/project when received?

☐ Yes ☐ No

If no, please explain:

**H.8. Telephone Costs**.

1. How is the expense for telephone service recorded and billed?

☐ Direct cost ☐ Indirect cost ☐ Combination of direct and indirect

If you marked combination of direct and indirect, please explain:

2. Does the company maintain a telephone log to record toll calls? ☐ Yes ☐ No
3. Are the calls job-coded by direct and indirect classifications? ☐ Yes ☐ No

**H.9. Activities Ineligible for Cost Reimbursement**. Did any of the company's employees, including principles and/or owners, engage in activities for lobbying, advertising, public relations, charity, and/or entertainment?

☐ Yes ☐ No

If yes, please identify the employees who engaged in these activities, and describe how the associated costs were tracked and accounted for in relation to the submitted indirect cost rate.

**Table 2: Unallowable Activities**

| Employee Name or ID & Title/Classification: | Activities: | Accounting Treatment: |
|---|---|---|
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## I. Compensation for Owners and Employees

**I.1. Bonuses.**

1. 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 indirect cost rate schedule?

☐ Yes ☐ No ☐ N/A

Was any portion of these bonuses excluded from the submitted indirect cost rate schedule?

☐ Yes ☐ No ☐ N/A Comment: _____

2. 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:

3. Are all employees eligible for the bonuses?

☐ Yes ☐ No

If no, please explain:

**Note: The bonus plan cannot be based on profit distribution. (*AASHTO Guide* Section 7.11.A-C; and FAR 31.201-3, FAR 31.201-4, and FAR 31.205-6(a)(6)(ii)(B))**

**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.)

☐ Yes

☐ Company ☐ Independent CPA Name: _____

☐ Compensation Consultant: _____

If company, independent CPA, or compensation consultant is selected, describe the methodology used and attach the evaluation to this FPQ.

☐ No. If no, please complete and attach the National Compensation Matrix compliance worksheet.

Note: The National Compensation Matrix is updated by AASHTO every year. The most current version of the matrix can be found on AASHTO's website (audit.transportation.org).

## J. Related-Party Transactions

**J.1. Related Employees**. Please complete Table 3: Employees Related to Company Others for all **employees** who are related to the parties listed in Table 1, as shown in A.5.

**Table 3: Employees Related to Company Owners**

| | Name or ID: | Title/Position: | Wages/Salary: | Bonus: | Other Compensation: | Total Compensation: |
|---|---|---|---|---|---|---|
| 1 | | | $ | $ | $ | $ |
| | Total Hours Worked During Year: _____ | Job Duties: _____<br>Name of Related Person: _____<br>Relationship (e.g., spouse, parent, child, sibling, in-law): _____ | | | | |
| 2 | | | $ | $ | $ | $ |
| | Total Hours Worked During Year: _____ | Job Duties: _____<br>Name of Related Person: _____<br>Relationship (e.g., spouse, parent, child, sibling, in-law): _____ | | | | |
| 3 | | | $ | $ | $ | $ |
| | Total Hours Worked During Year: _____ | Job Duties: _____<br>Name of Related Person: _____<br>Relationship (e.g., spouse, parent, child, sibling, in-law): _____ | | | | |
| 4 | | | $ | $ | $ | $ |
| | Total Hours Worked During Year: _____ | Job Duties: _____<br>Name of Related Person: _____<br>Relationship (e.g., spouse, parent, child, sibling, in-law): _____ | | | | |
| 5 | | | $ | $ | $ | $ |
| | Total Hours Worked During Year: _____ | Job Duties: _____<br>Name of Related Person: _____<br>Relationship (e.g., spouse, parent, child, sibling, in-law): _____ | | | | |
| 6 | | | $ | $ | $ | $ |
| | Total Hours Worked During Year: _____ | Job Duties: _____<br>Name of Related Person: _____<br>Relationship (e.g., spouse, parent, child, sibling, in-law): _____ | | | | |

**J.2. Related Vendors**. Please complete Table 4: Vendors Related to Company Owners for all **vendors** related to the parties listed in Table 1, as shown in A.5.

**Table 4: Vendors Related to Company Owners**

| Name: | Contact Information: | Relationship: | Products/Services Provided: | Total Payments During Year: |
|---|---|---|---|---|
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**J.3. Property or Facilities Leased from Related Parties**.

1. Does the company rent or lease property and/or facilities from another entity or individual?

   ☐ Yes ☐ No

   If yes, are any of the company's owners/stockholders, or members of their immediate family, also owners/stockholders of the other entity (Common Control)?

   ☐ Yes ☐ No

   If yes, please explain:

2. If your company rents/leases facilities from a related party (*common control, see below*), then prepare and submit documentation for the cost of ownership claimed in the indirect cost rate schedule. Is the related party cost of ownership calculation attached?

   ☐ Yes. If yes, please attach ownership documentation.

   ☐ No. If no, please explain:

As noted in *AASHTO Guide* Section 8.23.B and FAR 31.205-36, *common control exists when, in the relationship between a consultant and another company that is involved in real-property renting, leasing arrangements, or joint ventures, a principal or person with management responsibilities or significant influence in the A/E firm either—*

1. *Owns 50 percent or more of the other company,*
2. *Also is a principal or person with management responsibilities or significant influence in the other company,*
3. *Has a family member who he or she might exert influence or control over because of the family relationship and who is a principal or has management responsibilities or significant influence in the other company, or*
4. *Has a family member who might control or influence him or her because of the family relationship and who is a principal in or has management responsibilities or significant influence in the other company.*

**J.4. Other Related-Party Transactions**. Did the company engage in any transactions with related parties other than those identified and described in J.1 through J.3?

☐ Yes ☐ No

If yes, please complete Table 5.

**Table 5: Other Related-Party Transactions**

| **Name:** | **Contact Information:** | **Relationship:** | **Products/Services Provided:** | **Total Payments During Year:** |
|---|---|---|---|---|
| | | | | |
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## K. Other Questions

**K.1. Life Insurance**. Does the company pay life insurance for officers/principals? (FAR 31.205-19(e)(2)(v))

☐ Yes ☐ No

If yes, please complete steps K.1.1 through 3.

1. Have any costs associated with this life insurance been included on the indirect cost rate schedule?

   ☐ Yes ☐ No

   If yes, note total amount: _____

2. Please identify the beneficiary of the life insurance:

   ☐ Company/surviving partners ☐ Officer/principal's family

   ☐ Other (specify) _____

3. Please identify the type(s) of the life insurance:

   ☐ Term ☐ Whole life ☐ Universal life ☐ Endowments (annuities)

   ☐ Accidental death ☐ Other (please explain): _____

**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 explain in detail:

**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

**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

**K.5. Communications of Federal Highway Administration (FHWA)/DOT Requirements**. How does information flow from the FHWA/state DOTs to appropriate management personnel? (i.e., How are relevant updates to state DOTs' procedures or federal regulations disseminated to project managers and accounting personnel?) Please provide a written copy of the process.

# Management Representation and Certification

I, the undersigned, hereby certify that the following is true and accurate:

1. I am an owner and/or officer of this company and am duly authorized to sign this representation and certification on behalf of the aforementioned company, and that through my signature the company is responsible for this Management Representation and Certification.

2. I certify that to the best of my knowledge and belief this Financial Prequalification Questionnaire (FPQ) and attachments are a complete and accurate representation of the aforementioned company's cost accounting and billing practices.

3. I certify that I have reviewed this proposal to establish final indirect cost rate(s) and to the best of my knowledge and belief: (1) All costs included in this proposal are allowable in accordance with cost principles of the Federal Acquisition Regulation (FAR) of title 48, Code of Federal Regulations (CFR), part 31; and (2) This proposal does not include any costs which are expressly unallowable under applicable cost principles of the FAR of 48 CFR part 31.

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

5. For the annual accounting period represented by the overhead cost rate included with this submission, and the two (2) annual accounting periods preceding the annual accounting period represented by the overhead cost rate included with this submission: Any documentation related to our accounting system, internal control, financial information and overhead cost rate, from any independent audit, examination, compilation, or review of the overhead cost rate will be made available to MDOT or its representatives to audit, examine, review, assess, inspect, investigate, copy, and/or scan if MDOT or its representative deems it necessary. In addition, any CPA working papers resulting from any independent audit, examination, compilation, or review will be made available to MDOT or its representatives to audit, examine, review, assess, inspect and/or investigate. Any such audit(s), examination(s), review(s), assessment(s), inspection(s), investigation(s) performed as part of, or as a result of the information provided as part of this prequalification process will allow MDOT to make financial adjustment to charges for which this company has requested reimbursement via an MDOT service contract, and require this company, in a Prime Consultant and/or Subconsultant role, to be directly liable for any monies owed MDOT. The abovementioned audit, examination, review, assessment, inspection, and/or investigation and its corresponding potential liability is separate and distinct from those contract audits performed by MDOT, however, any irregularities determined may involve a review of charges made to existing contracts or contracts that have been closed out by MDOT, for the period of time stated above. By submitting this application, this company agrees to comply with the Audit and Record Keeping language provided in the Michigan Department of Transportation Consultant Prequalification Application Instructions.

6. I acknowledge that the information in this FPQ and attachments are being submitted for the express purpose of seeking and being eligible to be awarded contracts with the Michigan Department of Transportation, and that these contracts may include federal funding.

_____

**Printed Name**

| _____ | _____ | _____ |
|---|---|---|
| **Electronic Signature** | **Title** | **Date Completed** |

**Note**: The representations on this FPQ were made by, and are the responsibility of, the company's management.