

Consultant Advisory

2014-1

January 7, 2014

Mandatory Requirements for the Submittal of Financial Prequalification Information

The requirements below replace the current Part A, General Information Prequalification Requirements, as documented in MDOT's Consultant Prequalification Application Instructions.

In an effort to close out inactive projects in a timely manner, MDOT will be placing greater emphasis on addressing risk at the time of prequalification, as well as refocusing on the prevention of audit exceptions. To this end, the financial requirements and timeliness of general/financial prequalification requirements have been changed. In order to remain prequalified or obtain prequalification with MDOT, consultants must comply with the applicable requirements pertaining to one of the three overhead rate tiers:

1. **Safe Harbor Overhead Rate** – Consultants that meet the Safe Harbor Overhead rate eligibility requirements, as documented in the Consultant Advisory [2013-4](#) dated October 3, 2013, may utilize a 110% overhead rate, once approved by MDOT. A thorough, accurate, and complete [Financial Prequalification Questionnaire for the Users of the Safe Harbor Rate](#) must be submitted to MDOT, on an annual basis, no later than **three (3) months** following a consultant's fiscal year end.
2. **Overhead Rate Compilation** – Consultants with net MDOT revenue less than \$500,000, *calculated from the consultants previous fiscal year*, must submit an overhead rate compilation, or choose to submit a FAR Compliant Overhead Rate Audit by an independent CPA (see below). A thorough, accurate, and complete [Financial Prequalification Questionnaire for Compiled Indirect Cost Rates](#) must be submitted to MDOT, on an annual basis, no later than **three (3) months** following a consultant's fiscal year end.
3. **CPA FAR Compliant Overhead Rate Audit** – Consultants with net MDOT revenue of \$500,000 or greater, *calculated from the consultants previous fiscal year*, must submit a FAR compliant Overhead Rate Audit by an independent CPA. A thorough, accurate, and complete [Financial Prequalification Questionnaire for Audited Indirect Cost Rates](#) and Auditor's Report for the CPA FAR audited overhead rate must be submitted to MDOT, on an annual basis, no later than **five (5) months** following a consultant's fiscal year end.

NOTE: If a consultant exceeds or plans on exceeding \$500,000 in net MDOT revenue, a FAR compliant overhead Rate Audit by an independent CPA firm will be required to obtain prequalification or maintain prequalification.

MDOT, CSD, Consultant
Contracts Section
P.O. Box 30050
Lansing, MI 4890
Fax/517-355-7446
www.michigan.gov/mdot

Questions regarding this
Consultant Advisory
should be directed to:

Carol Rademacher
517-373-3382
rademacherc@michigan.gov

The following must be submitted with the consultants overhead rate information and questionnaire on an annual basis:

1. Service Prequalification Application ([Form 1242](#)) pgs. 1-5
2. Proof of 2/3rds Michigan Licensed Principles; required only for those consultants seeking prequalification in engineering, architecture, and surveying related classifications
3. Organization chart identifying all company principals
4. Proof of professional liability insurance with coverage of \$1,000,000 per occurrence; required only for those consultants seeking prequalification in engineering, architecture, and surveying related classifications
5. A legible copy of the consultant's Request for Taxpayer Identification Number and Certification Form ([W-9](#))
6. A legible copy of the consultant's Articles of Incorporation (Michigan Corporations), Articles of Organization (Michigan limited liability consultants), Certificate of Assumed Name (Michigan Sole Proprietorship's using an assumed name), Certificate of Authority to Transact Business or Conduct Affairs in Michigan (Non-Michigan corporation), or Certificate of Authority to Transact Business in Michigan (Non-Michigan limited liability companies)
7. The Vendor Availability Questionnaire ([Form 0168](#))

Process and Procedures

1. All currently prequalified consultants must complete MDOT [Form 5189](#), Overhead Submittal Intent, and submit the completed form to MDOT, Contract Services Division, no later than January 31, 2014. Failure to do so may result in the loss of prequalification.
2. 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.
3. As stated above, all documentation for consultants submitting a request to utilize the safe harbor overhead rate or meet the criteria for the submittal of an overhead rate compilation, must submit all required information to MDOT, on an annual basis, no later than three (3) months following the consultants fiscal year end. Consultants submitting a CPA FAR compliant Overhead Rate Audit by an independent CPA must provide all required information to MDOT, on an annual basis, no later than five (5) months following a consultants fiscal year end. Lack of submittal may result in the loss of prequalification.

Example1: Fiscal year end 12/31/13

- Those consultants eligible for the safe harbor rate or a compilation – All information/documentation for fiscal year end 2013 is due to MDOT no later than March 31, 2014
- Those consultants required to submit a CPA FAR Compliant Overhead rate – All information/documentation for fiscal year 2013 is due to MDOT no later than May 31, 2014
- Effective date of MDOT approved overhead rate is July 1, 2014

Example 2: Fiscal year end 9/30/14

- Those consultants eligible for the safe harbor rate or a compilation – All information/documentation for fiscal year end 2014 is due to MDOT no later than December 31, 2014
 - Those consultants that are required to submit a CPA FAR Compliant Overhead rate – All information documentation for fiscal year 2014 is due to MDOT no later than February 28, 2015
 - Effective date of MDOT approved overhead rate is April 1, 2015
4. Consultants are encouraged to submit their information as early as possible; however, the effective date of the approved overhead rate will not proceed the dates stated above.
 5. MDOT will allow written requests, with a valid justification, to extend these deadlines. The extension may not exceed 60 days. MDOT will either approve or deny the time extension, in writing, to the consultant.
 6. MDOT will provide each consultant with a letter indicating their approved overhead rate. Consultants must begin using this rate on all priced proposals and invoices subsequent to the implementation date, as explained above.
 7. MDOT approved overhead rate will remain in effect for a period of twelve months. Failure to use the MDOT approved overhead rate may result in return/rejection of your priced proposals and invoices.

8. For multi-year contracts, there will be no changes in the contract maximum amounts that would be attributable to overhead rate changes.
9. Consultants no longer have the option to 'self-limit' their contracting maximum amount to \$50,000. Required information must be provided to remain prequalified or obtain prequalification with MDOT.
10. Send all information to:
Michigan Department of Transportation
Contract Service Division – Consultant Prequalification
PO Box 30050
Lansing, MI 48909

Or

MDOT-serviceprequal@michigan.gov