

Consultant Advisory

2019-1

January 8, 2019

MDOT, CSD, Consultant
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Consultant Advisory
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2019 Financial Prequalification Updates

On January 7, 2019, Contract Services Division (CSD) published updated versions of the following Financial Prequalification documents:

- [Financial Prequalification Questionnaire for the Users of the Safe Harbor Rate](#)
- [Financial Prequalification Questionnaire for Compiled Indirect Cost Rates](#)
- [Financial Prequalification Questionnaire for Audited Indirect Cost Rates](#)
- [Labor Base Summary and Total Labor Reconciliation Worksheet](#)
- [Related Party Cost of Ownership Calculation Worksheet](#)
- [Facilities Capital Cost of Money Calculation Worksheet](#)

MDOT CSD has made these updates to provide clarification and to reduce the need for inquiries and requests for additional information from MDOT CSD or the Office of Commission Audits. Therefore, please provide the current version of the applicable FPQ during the annual prequalification renewal.

The following pages contain a description of the revisions to each document.

For complete annual prequalification renewal instructions, please review pages eighteen through twenty-one of the [MDOT Consultant Prequalification Application Instructions](#).

REVISIONS TO MDOT'S FINANCIAL PREQUALIFICATION APPLICATION

Financial Prequalification Questionnaire for Audited Indirect Cost Rates

FPQ Page	Original Language	Revised Language
1	Proposed Indirect Cost Rate(s): (Please limit all rates to two decimal places)	Proposed Indirect Cost Rate(s): (Please limit all rates to a two-decimal percentage; e.g. 127.39%)
1	Proposed Facilities Capital Cost of Money (FCCM) Rate(s): (Please limit all rates to two decimal places)	Proposed Facilities Capital Cost of Money (FCCM) Rate(s): (Please limit all rates to a two-decimal percentage; e.g. 0.39%)

Financial Prequalification Questionnaire for Compiled Indirect Cost Rates

FPQ Page	Original Language	Revised Language
1	Proposed Indirect Cost Rate(s): (Please limit all rates to two decimal places)	Proposed Indirect Cost Rate(s): (Please limit all rates to a two-decimal percentage; e.g. 127.39%)
1	Proposed Facilities Capital Cost of Money (FCCM) Rate(s): (Please limit all rates to two decimal places)	Proposed Facilities Capital Cost of Money (FCCM) Rate(s): (Please limit all rates to a two-decimal percentage; e.g. 0.39%)
2	Year-end reconciliation of the labor distribution to the total payroll amount included in the financial statements and indirect cost rate schedule (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)
2	If multiple rates are proposed, an explanation of when each rate will be utilized.	If multiple rates are proposed, an explanation of when each rate will be utilized and a copy of the cost allocation plan.
2	<i>New attachment requirement</i>	If vehicle expenses are billed directly, a copy of an actual mileage log sheet for a vehicle with typical travel for firm business.
6	B.3 Accounting Processes: 3. Costing Estimating/Allowability	<i>Delete</i>
6	B.3 Accounting Processes: 5. Fringe Benefits/Leave Time	B.3 Accounting Processes: 5. Recording and Tracking Indirect Time (leave, holiday, etc.)
6	B.3 Accounting Processes: 10. Billing Rate Development	B.3 Accounting Processes: 10. 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.

FPQ Page	Original Language	Revised Language
6	<i>Addition to B.3 Accounting Processes</i>	B.3 Accounting Processes: 12. Policy and procedures for vehicle costs – including procedures for accounting for vehicle costs and policy for vehicle mileage reimbursements.
15	E.4 Timekeeping System ...and provide system documentation.	<i>Delete</i> 'provide system documentation'.
17	F.3 Uncompensated Overtime Does the company record all hours worked by all employees, including managers and principals...	F.3 Uncompensated Overtime (Labor Variance) Does the company record all hours (including hours in excess of 40) worked by all employees, including managers, principals, and/or all salaried personnel...
17	<i>Addition to F.3 Uncompensated Overtime</i>	Does the company bill labor for salaried employees at the rates recorded in the system? <i>Include 'Yes' or 'No' checkbox options, and a 'Please explain.'</i> response box.
17	Effective Rate Method	Effective Rate Method: using this method, effective hourly pay rates are computed weekly, based on actual time charges.
17	Salary Variance Method	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.
17	<i>Addition to language (under "Salary Variance Method)</i>	Please explain how the salary variance is accounted for in the indirect cost rate.

Financial Prequalification Questionnaire for Users of the Safe Harbor Rate

FPQ Page	Original Language	Revised Language
2	<i>New attachment requirement</i>	If vehicle expenses are billed directly, a copy of an actual mileage log sheet for a vehicle with typical travel for firm business.
5	B.3 Accounting Processes: 3. Costing Estimating/Allowability	<i>Delete</i>
5	B.3 Accounting Processes: 5. Fringe Benefits/Leave Time	B.3 Accounting Processes: 5. Recording and Tracking Indirect Time (leave, holiday, etc.)
5	B.3 Accounting Processes: 10. Billing Rate Development	B.3 Accounting Processes: 10. Developing Billing Rates; including In-House Billing Rates (such as daily usage rates) and Certified Labor Rates
5	<i>Addition to B.3 Accounting Processes</i>	B.3 Accounting Processes: 12. Policy and procedures for vehicle costs – including procedures for accounting

FPQ Page	Original Language	Revised Language
		for vehicle costs and policy for vehicle mileage reimbursements.
12	E.4 Timekeeping System ...and provide system documentation.	Delete 'provide system documentation'.
14	F.3 Uncompensated Overtime Does the company record all hours worked by all employees, including managers and principals...	F.3 Uncompensated Overtime (Labor Variance) Does the company record all hours (including hours in excess of 40) worked by all employees, including managers, principals, and/or all salaried personnel...
17	<i>Addition to F.3 Uncompensated Overtime</i>	Does the company bill labor for salaried employees at the rates recorded in the system? <i>Include 'Yes' or 'No' checkbox options, and a 'Please explain:' response box.</i>
14	Effective Rate Method	Effective Rate Method: using this method, effective hourly pay rates are computed weekly, based on actual time charges
14	Salary Variance Method	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.
14	<i>Addition to language (under "Salary Variance Method)</i>	Please explain how the salary variance is accounted for in the indirect cost rate.

Calculation Worksheets

FPQ Attachment	Original Language	Revised Language
Attachment – Labor Base Summary and Total Labor Reconciliation	C. General Ledger	C. General Ledger/Payroll Journal
Attachment – Labor Base Summary and Total Labor Reconciliation	D. Payroll Records	D. Tax Documents (W3 or 941s)
Attachment – Related Party Cost of Ownership	<i>Add Formula to cell L36 on 'Blank – Example 1' tab</i>	<i>Cell L36 Formula: L35-L33</i>
Attachment – Related Party Cost of Ownership	<i>There are currently multiple 'blank' and 'example' tabs.</i>	<i>Only 1 'blank' and 1 'example' tab.</i>
Attachment – Related Party Cost of Ownership	<i>The 'Treasury Rates' tab currently only lists treasury rates through 2015.</i>	<i>Update each year to include current treasury rates or, alternatively, refer to the electronic source for treasury rates.</i>
Attachment – FCCM Calculation	<i>The 'Blank Ex. 1-1' tab is a protected worksheet.</i>	<i>Revised the worksheet to be unprotected.</i>
Attachment – FCCM Calculation	<i>There are currently multiple 'blank' and 'example' tabs.</i>	<i>Only 1 'blank' and 1 'example' tab.</i>

FPQ Attachment	Original Language	Revised Language
Attachment – FCCM Calculation	<i>The 'Treasury Rates' tab currently only lists treasury rates through 2017.</i>	<i>Update each year to include current treasury rates or, alternatively, refer to the electronic source for treasury rates.</i>