

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, C.1.2, C.3.3, D.1, F.1, I.1.2, K.3, K.4, 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-ServicePrequal@Michigan.gov.

NOTE: All references in the Financial Prequalification Questionnaire to *AASHTO Guide* pertain to the 2012 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) 373-1500

Technical Questions/Concerns:

Contract Services Division

[Mike Meddaugh](#)..... (517) 335-5905

[Christin Grant](#)..... (517) 373-6402

RESOURCES:

Adobe Acrobat Technical Support:

<https://helpx.adobe.com/acrobat.html>

MDOT Technical Support:

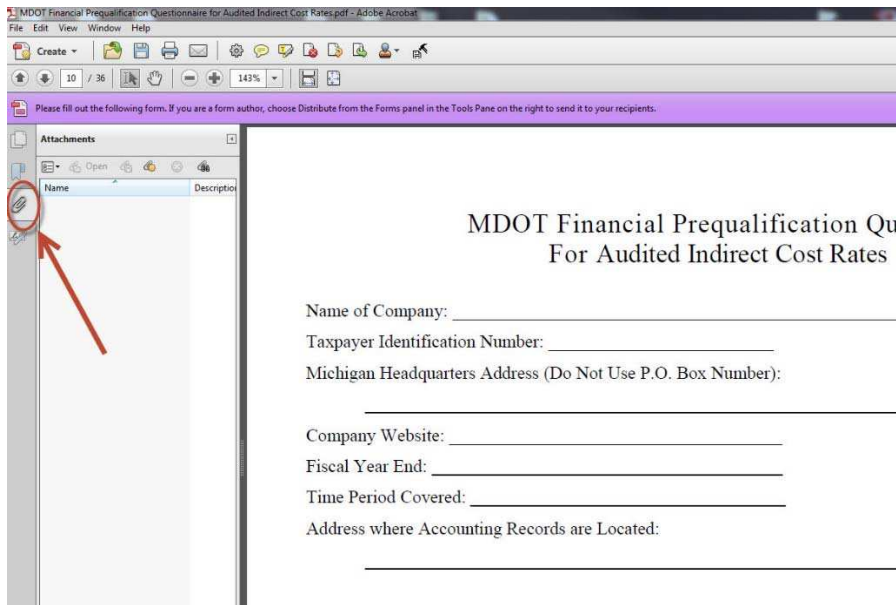
MDOT-ServicePrequal@Michigan.gov

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.**

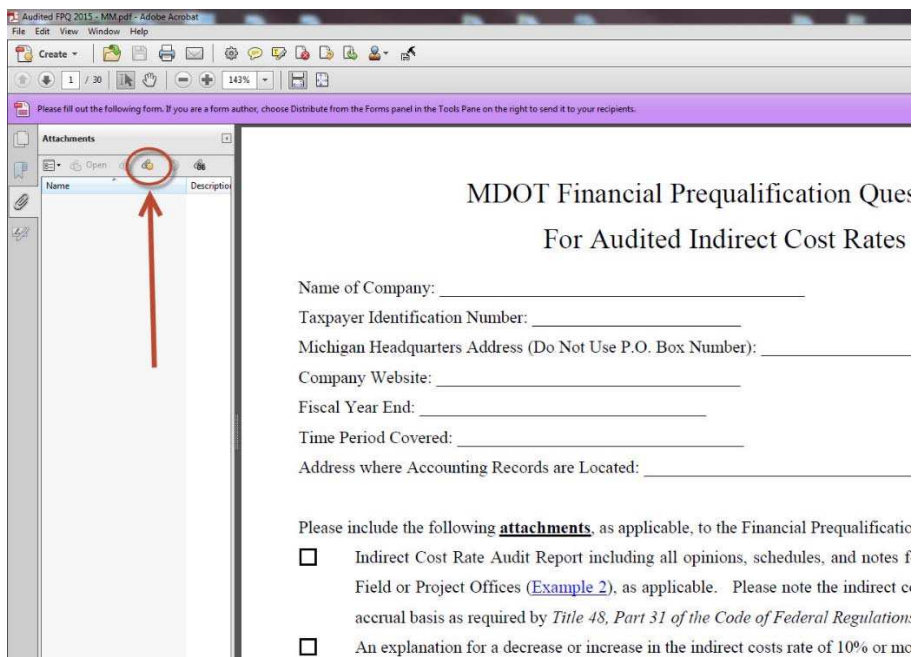
If you're not sure if the changes have been saved, choose File → Save/Save As → In the File Name List, type or select a name for the file → In the Save as Type list, click PDF.

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)**

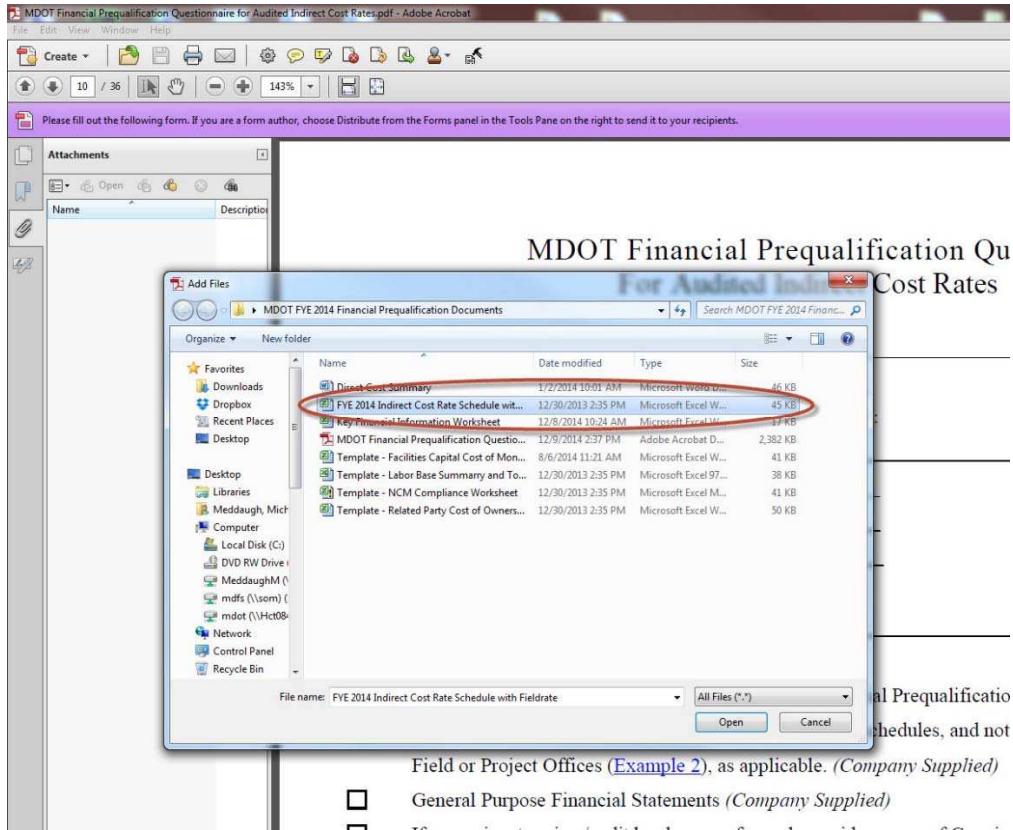


4. **In the Attachments Panel, select the “Add a New Attachment” icon.**

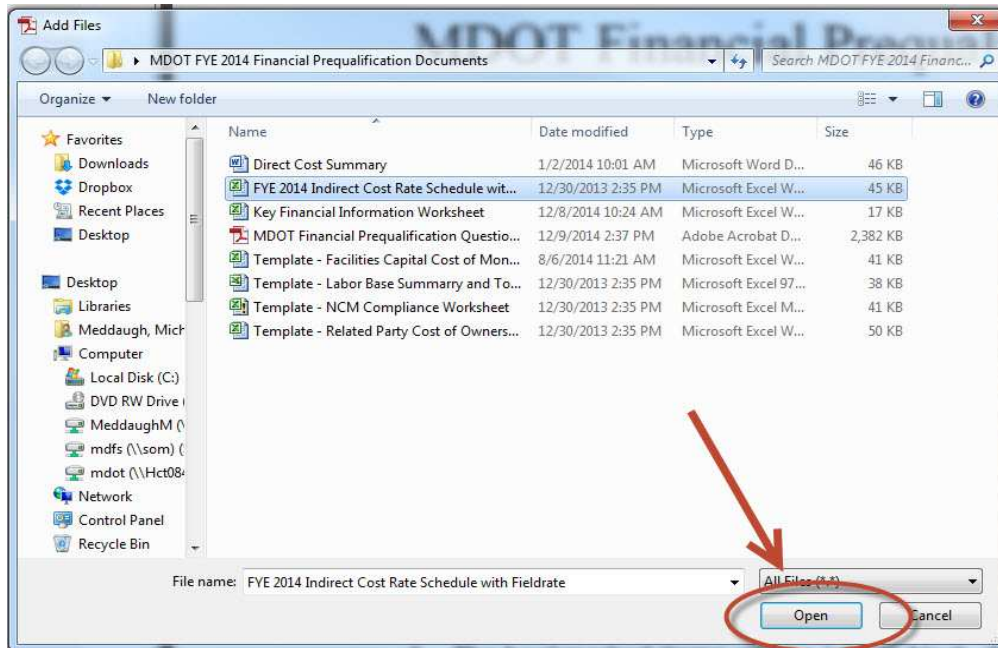
The Add Attachment dialog box will open.



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.

MDOT Financial Prequalification Questionnaire for Audited Indirect Cost Rates.pdf - Adobe Acrobat

File Edit View Window Help

Create [Icons]

10 / 36 143%

Please fill out the following form. If you are a form author, choose Distribute from the Forms panel in the Tools Pane on the right to send it to your recipients.

Name	Description
FYE 2014 Indirect Cost Rate Sch...	

MDOT Financial Prequalification Questionnaire
For Audited 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: _____

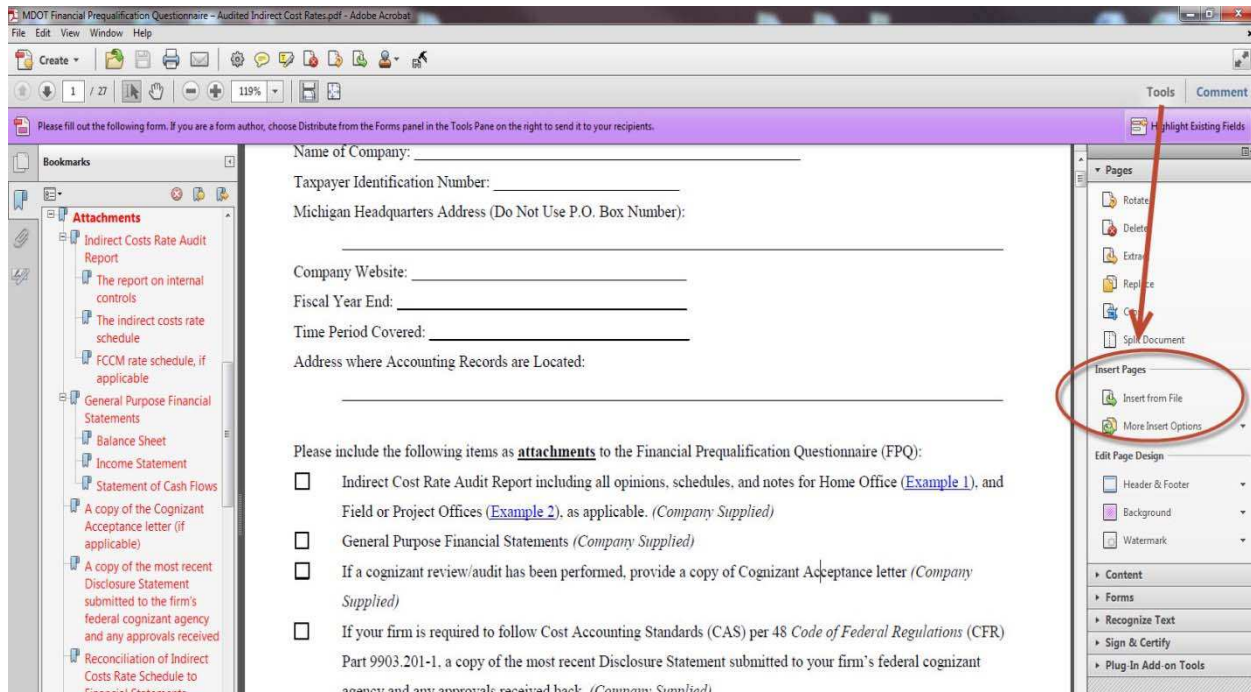
How to insert additional PDF pages into the Financial Prequalification Questionnaire (FPQ):

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.

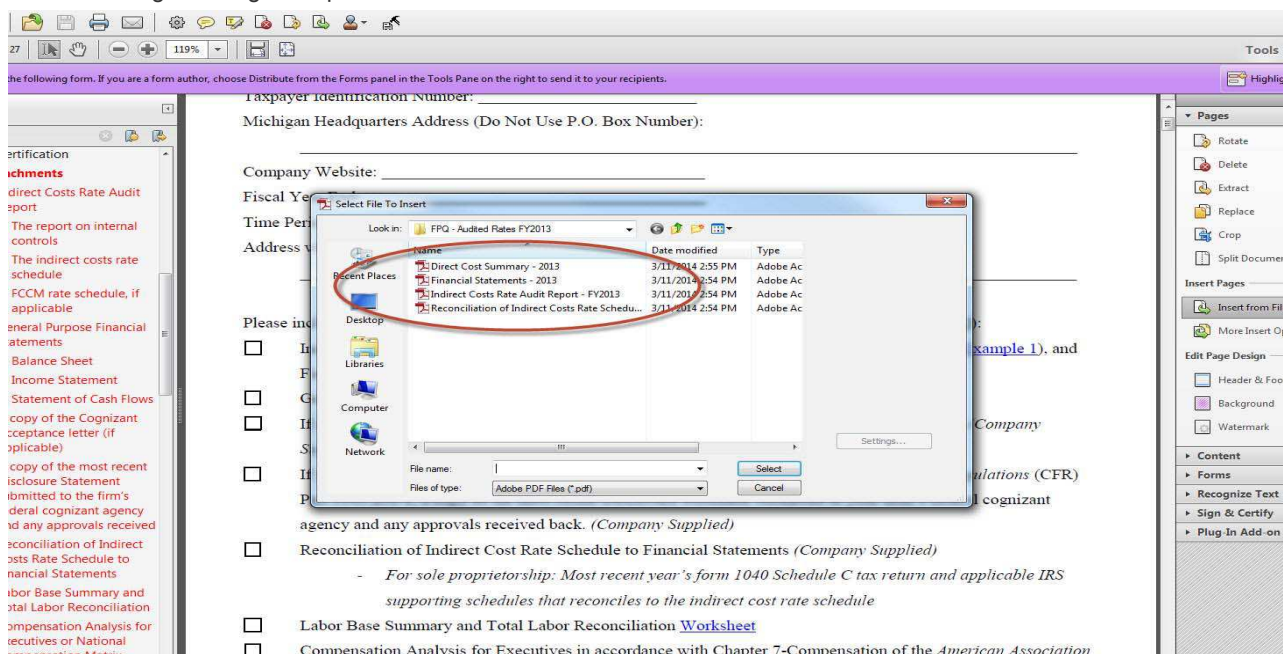
2. Choose 'Insert from File' on the Tools Pages palette.

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.

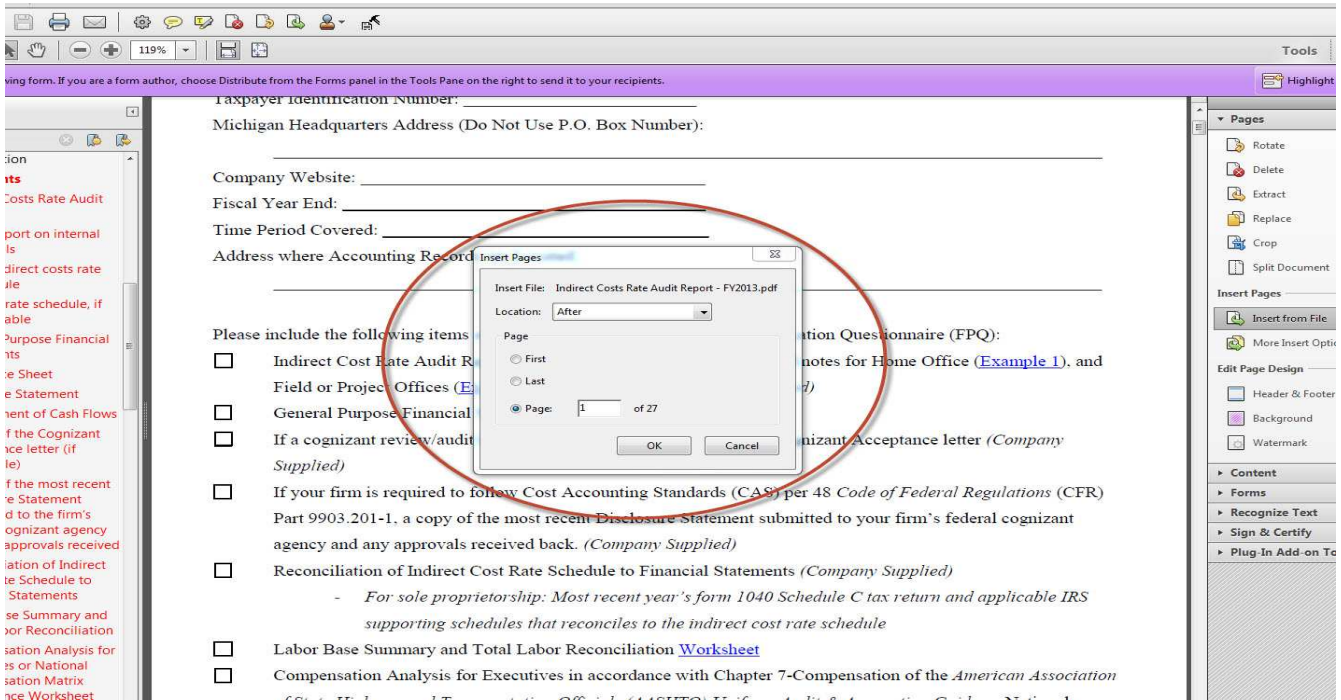
The Insert Pages dialog box opens



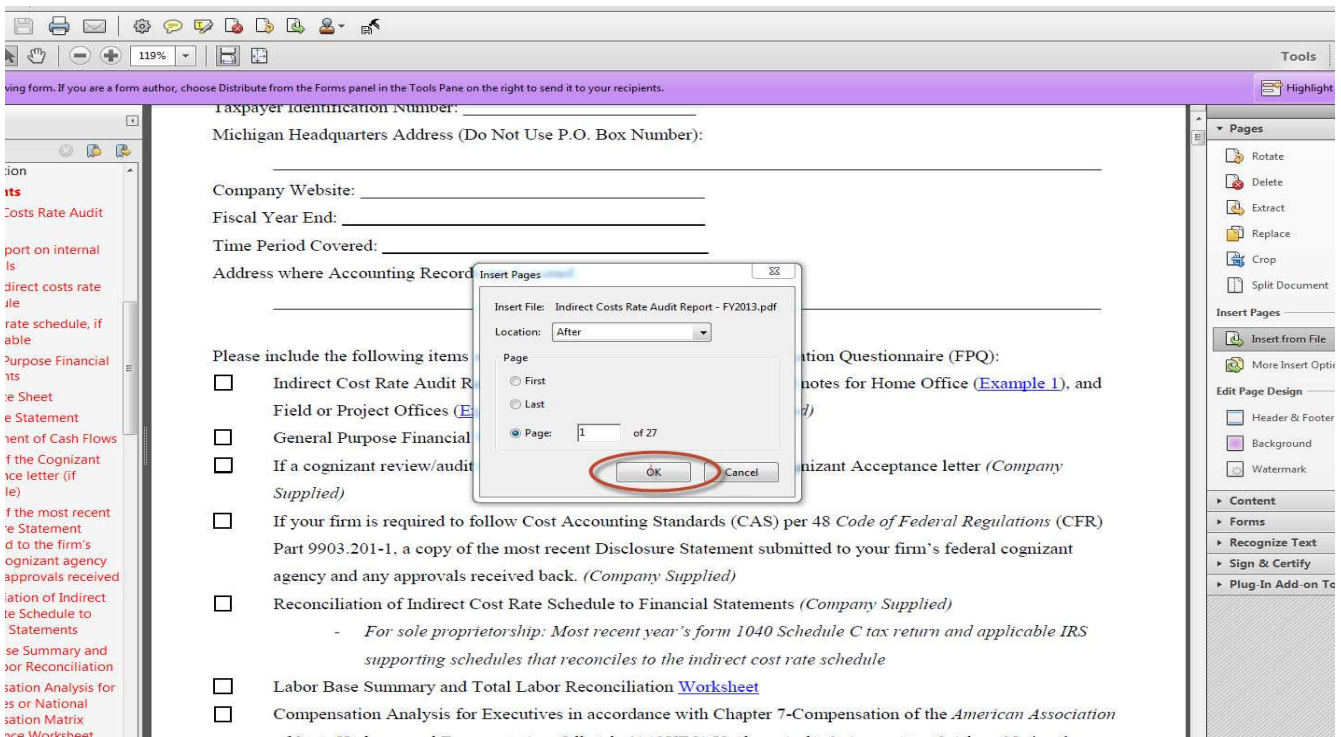
4. In the Page area, click one of the following radio buttons:

- **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.

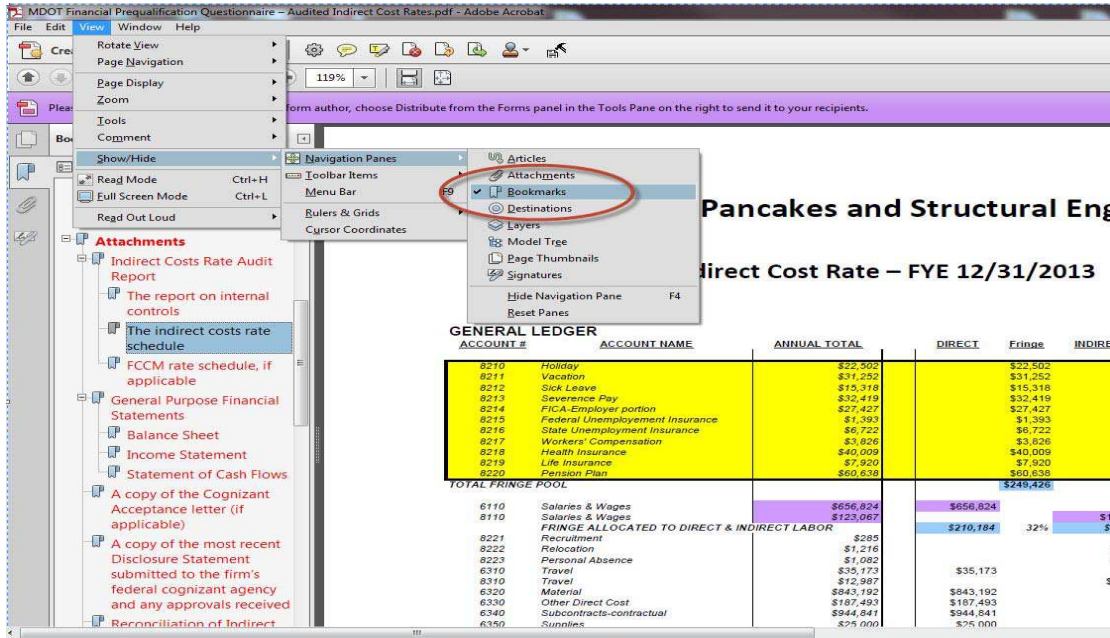


How to bookmark an inserted document in the Financial Prequalification Questionnaire (FPQ):

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:

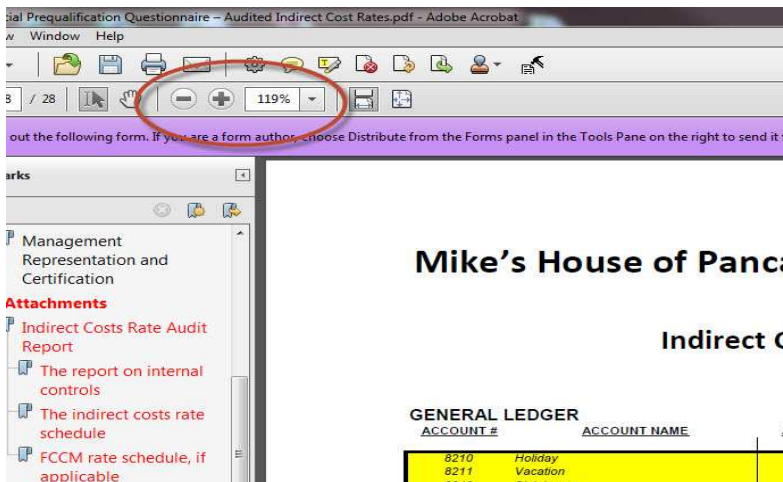
1. If the Bookmark icon isn't visible, choose View→Show/Hide→Navigation pane→Bookmarks

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.

Mike's House of Pancakes and Structural Engineering
Indirect Cost Rate - FYE 12/31/2013

ACCOUNT #	ACCOUNT NAME	ANNUAL TOTAL	DIRECT	Fringe	INDIRECT	UNALLOWABLE
8210	Holiday	\$22,502		\$22,502		
8211	Vacation	\$31,252		\$31,252		
8212	Sick Leave	\$15,316		\$15,316		
8213	Severance Pay	\$32,419		\$32,419		
8214	FICA-Employer portion	\$27,427		\$27,427		
8215	Federal Unemployment Insurance	\$1,393		\$1,393		
8216	State Unemployment Insurance	\$6,722		\$6,722		
8217	Workers' Compensation	\$3,826		\$3,826		
8218	Health Insurance	\$40,009		\$40,009		
8219	Life Insurance	\$7,920		\$7,920		
8220	Pension Plan	\$60,638		\$60,638		
TOTAL FRINGE POOL				\$249,426		
6110	Salaries & Wages	\$656,824	\$656,824			
8110	Salaries & Wages	\$123,067			\$123,067	
FRINGE ALLOCATED TO DIRECT & INDIRECT LABOR			\$210,184	32%	\$39,381	
8221	Recruitment	\$265			\$265	
8222	Relocation	\$1,216			\$1,216	
8223	Personal Absence	\$1,082			\$1,082	
8310	Travel	\$35,173	\$35,173			
8310	Travel	\$12,987			\$12,987	\$2,50
6330	Material	\$843,192	\$843,192			
6330	Other Direct Cost	\$187,493	\$187,493			
6340	Subcontracts-contractual	\$944,841				
6350	Supplies	\$25,000				
6350	Supplies	\$15,014			\$15,014	
6360	Equipment Rental	\$15,000	\$15,000			
8360	Equipment Rental	\$12,150			\$12,150	
8410	Legal Fees	\$1,744			\$1,744	
8420	Audit Fees	\$32,361			\$32,361	
8430	Miscellaneous	\$3,969			\$3,969	
8401	Print/Postcard	\$484			\$484	\$41

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

Mike's House of Pancakes and Structural Engineering, Inc.
Indirect Cost Rate - FYE 12/31/2013

ACCOUNT #	ACCOUNT NAME	ANNUAL TOTAL	DIRECT	Fringe	INDIRECT	UNALLOWABLE	INDIRECT-CLAIMED
8210	Holiday	\$22,502		\$22,502			
8211	Vacation	\$31,252		\$31,252			
8212	Sick Leave	\$15,316		\$15,316			
8213	Severance Pay	\$32,419		\$32,419			
8214	FICA-Employer portion	\$27,427		\$27,427			
8215	Federal Unemployment Insurance	\$1,393		\$1,393			
8216	State Unemployment Insurance	\$6,722		\$6,722			
8217	Workers' Compensation	\$3,826		\$3,826			
8218	Health Insurance	\$40,009		\$40,009			
8219	Life Insurance	\$7,920		\$7,920			
8220	Pension Plan	\$60,638		\$60,638			
TOTAL FRINGE POOL				\$249,426			
6110	Salaries & Wages	\$656,824	\$656,824				
8110	Salaries & Wages	\$123,067			\$123,067		\$123,067
FRINGE ALLOCATED TO DIRECT & INDIRECT LABOR			\$210,184	32%	\$39,381		\$39,381
8221	Recruitment	\$265			\$265		\$265
8222	Relocation	\$1,216			\$1,216		\$1,216
8223	Personal Absence	\$1,082			\$1,082		\$1,082
8310	Travel	\$35,173	\$35,173				
8310	Travel	\$12,987			\$12,987		\$10,487
6330	Material	\$843,192	\$843,192				
6330	Other Direct Cost	\$187,493	\$187,493				

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.

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 ensure that the right job number is used, b) describe the steps you take to ensure that the accurate hourly rate is used, and c) describe the steps you take to ensure 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:

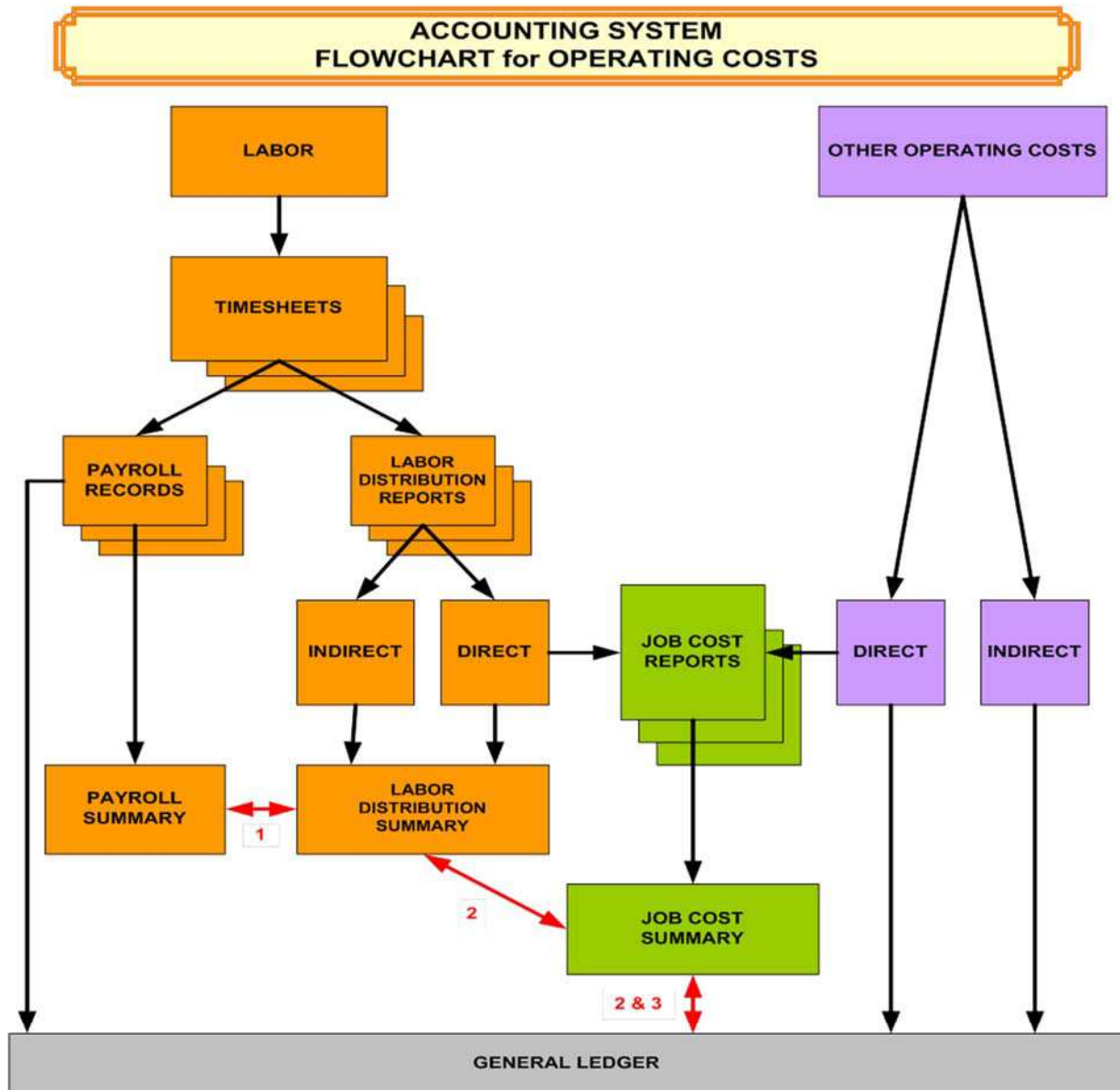
- (1) Billing unallowable costs
- (2) Including unallowable costs in indirect cost rate calculations
- (3) Including costs in direct billings and indirect cost rate calculations that are directly associated unallowable costs
- (4) Failure to allocate indirect costs to unallowable direct costs

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

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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: _____

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*
- Key Financial Information [Worksheet](#)
- 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 and indirect costs rate schedule (*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*)
- 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*)

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- Sample of current completed timesheet (*Company Supplied*)
- Sample of current project cost report from the cost accounting system (*Company Supplied*)
- The company's policies for vacation and sick leave (*Company Supplied*)
- The company's bonus policy (*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*)

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.

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

1. Number: _____

2. Locations:

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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			

3. Based on the total dollar amount subcontracted for the most recent fiscal year, please identify the five subconsultants that performed the most subcontracted work for your company. Also, identify the total dollar amount contracted per subconsultant:

Subconsultant	Total Dollar Amount Contracted

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4. Based on the total dollar amount contracted for the most recent fiscal year, please identify the five prime consultants that the company performed the most subcontracted work for. Also, identify the total dollar amount contracted per prime consultant:

Prime Consultant	Total Dollar Amount Contracted

A.10. Contract Mix. What percentage of the company’s revenue was generated from the following contract payment types?

1. Lump sum: _____% 2. Cost plus (time and materials): _____%
3. Cost plus fixed fee: _____% 4. 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:

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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:

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. Cost Estimating/Allowability
4. Recording time Worked/Timesheet Preparation
5. Fringe Benefits/Leave Time
6. Recording Overtime
7. Compliance with FAR Part 31^(†) and applicable Cost Accounting Standards
8. Recording Direct and Indirect Costs
9. Overhead/Indirect Cost Rate Development
10. Billing Rate Development
11. Recording Allowable/Unallowable Costs

^(†) FAR Part 31 is codified at Title 48 of the CFR Part 31, which is available at:

<http://www.acquisition.gov/far/html/FARTOCP31.html>

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:

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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: _____

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

Name of CPA or Agency: _____

Primary Contact: _____

Fiscal Year End Covered: _____

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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:

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

	<u>Yes</u>	<u>No</u>	<u>If no, please explain:</u>
1. General ledger	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. Cash disbursements/accounts payable journal	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Cash receipts/accounts receivable journal	<input type="checkbox"/>	<input type="checkbox"/>	_____
4. Job/Project-cost ledger	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. Labor distribution reports	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Employee expense reports	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Payroll registers	<input type="checkbox"/>	<input type="checkbox"/>	_____

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:

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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:

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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:

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D. Information Technology (IT) Systems

D.1. IT Processes. Please provide written IT system processes concerning the following topics.
(Please complete this section similar to B.3. Accounting Processes.)

1. Hardware/Software
 - a. Purchasing
 - b. Inventory
 - c. Maintenance
 - d. Access
 - e. Use of In-House and Off-Site
 - f. Addition and Removal/Retirement/Disposition
2. Business Continuation Plan.
3. Security Protocol
4. Activation and deactivation of employees upon hiring or termination

D.2. 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.3. IT Security Review. Are system security and application access logs enabled and reviewed periodically?

Yes No

If no, please explain:

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

If no, please explain:

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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?

	<u>Yes</u>	<u>No</u>	<u>If no, please explain</u>
1. Employee Name	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. Employee ID number	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Gross pay	<input type="checkbox"/>	<input type="checkbox"/>	_____
4. Payroll deductions	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. Net pay	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Check amount	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Hourly rate	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. Pay period	<input type="checkbox"/>	<input type="checkbox"/>	_____
9. Normal hours for pay period	<input type="checkbox"/>	<input type="checkbox"/>	_____
10. Overtime hours for pay period	<input type="checkbox"/>	<input type="checkbox"/>	_____

E.4. Timekeeping System.

1. Does the company use an electronic timekeeping system?

- Yes No

If yes, please provide an explanation of its operation, and provide system documentation:

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

- Yes No

If no, please explain:

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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?

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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 Does the company record 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? (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. 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:

No. If 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?

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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:

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

H.1. Credits Associated with Direct Costs. Is the indirect cost pool relieved/reduced for credits/reimbursements received for direct costs?

Yes No

If no, please explain:

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:

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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. Is computer usage segregated by direct and indirect classifications?

Yes No

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:

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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

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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.

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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: _____ Name of Related Person: _____ Relationship (e.g., spouse, parent, child, sibling, in-law): _____				
			\$	\$	\$	\$
2	Total Hours Worked During Year: _____	Job Duties: _____ Name of Related Person: _____ Relationship (e.g., spouse, parent, child, sibling, in-law): _____				
			\$	\$	\$	\$
3	Total Hours Worked During Year: _____	Job Duties: _____ Name of Related Person: _____ Relationship (e.g., spouse, parent, child, sibling, in-law): _____				
			\$	\$	\$	\$
4	Total Hours Worked During Year: _____	Job Duties: _____ Name of Related Person: _____ Relationship (e.g., spouse, parent, child, sibling, in-law): _____				
			\$	\$	\$	\$
5	Total Hours Worked During Year: _____	Job Duties: _____ Name of Related Person: _____ Relationship (e.g., spouse, parent, child, sibling, in-law): _____				
			\$	\$	\$	\$
6	Total Hours Worked During Year: _____	Job Duties: _____ Name of Related Person: _____ Relationship (e.g., spouse, parent, child, sibling, in-law): _____				

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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

If yes, please provide a written copy of 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 provide a written copy of the process. How are risks identified and addressed?

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.

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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. All costs included in the establishment of the final indirect cost rate are allowable in accordance with the cost principles of Federal Acquisition Regulation (FAR) Part 31 (48 Code of Federal Regulations (CFR) 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

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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.

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Keyword Index – Page references for the *AASHTO Guide*

Keyword or Phrase	Section
Accounting method/basis (cash, accrual, or hybrid)	B.2
Accounting processes (by category)	B.3
Accounting records (types of)	C.4
Accounting system (integration of)	C.3
Allocation base(s) used to compute indirect cost rate(s)	C.11
Allocation of cost versus billing	G.3
Audits/examinations (within the past three years)	B.7
Authorization (ensuring that costs are not billed prior to proper authorization)	H.4
Bonuses (bonuses paid or accrued, bonus plan, and eligibility)	I.1
Budgeting system (project planning and oversight)	C.9
Business form (sole proprietorship, partnership, corporation, etc.)	A.2
Classification of cost items (accounting and billing considerations)	H.1-H.9
Common ownership	A.4
Communication of FHWA/DOT requirements	K.5
Computer expenses (outsourced versus in-house, CADD charge rate, usage logs, etc.)	H.6
Contract mix (revenue generated by each type of contract)	A.10
Contract modifications (time tracking associated with work done on modifications)	F.4
Contract/purchased labor	G.4
Cost allocation (consistency of)	C.10
Countries/States currently doing business in	A.11
Credits associated with direct costs	H.1
Design/build stipends	H.2
Direct and indirect expenses (how recorded in accounting system)	C.5
Divisions/cost centers (list of)	C.7
Employees (number of)	A.8
FAR Part 31 (knowledge of)	B.6
Field offices/field indirect cost rates	C.12
Fiscal year end (reporting period for financial purposes)	B.1
Fraud, abuse, and contract violations	B.5
Indirect cost rate schedule (when prepared, by whom, and period covered)	B.4
Information technology data safeguards	D.4
Information technology processes	D.1
Information technology risk assessment	D.2
Information technology security review	D.3
Job-cost system	C.2
Labor (direct and indirect - timesheet reporting codes)	F.1
Life insurance (costs, types, and beneficiaries)	K.1
Locations (number of offices and locations)	A.7
Non-billable costs (accounting for)	H.3
Overtime (allocation of)	G.2
Overtime (premium portion)	G.1
Overtime (uncompensated)	F.3
Ownership table (list of owners with >5% ownership)	A.5 (Table 1)
Parent/subsidiary relationships	A.3
Pay cycle (standard pay periods)	E.2
Payroll register (components of)	E.3
Payroll service (internal or external)	E.1

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Keyword Index – Page references for the *AASHTO Guide*

Keyword or Phrase	Section
Printing and reproduction costs (outsourced versus in-house, tracking, usage logs, etc.)	H.7
Project-specific indirect cost rate(s)	C.13
Reasonableness of executive compensation (description of procedures performed to establish reasonableness)	I.2
Reconciliations (financial accounting system to job-cost system)	C.8
Related-party transactions (employees)	J.1 (Table 3)
Related-party transactions (other)	J.4 (Table 5)
Related-party transactions (property or facilities leased from)	J.3
Related-party transactions (vendors)	J.2 (Table 4)
Revenue sources (Governmental vs. commercial; prime vs. subconsultant)	A.9
Risk Assessment (as related to changes to the cost accounting system or company policy)	K.4
Services provided	A.6
Software (general ledger/accounting system)	C.1
Suspension or debarment	K.2
Telephone Costs (billing, tracking, and coding)	H.8
Timekeeping system (timesheet coding, certification, approval, etc.)	E.4
Unallowable activities (types of activities ineligible for cost reimbursement)	H.9 (Table 2)
Unallowable costs (how determined and how excluded from indirect cost rate schedule)	C.6
Updates for changes to FAR Part 31 (frequency of updates to processes)	K.3
Vehicle expenses (number leased/owned, mileage logs, billing rate, etc.)	H.5
Work week (normal operating hours)	F.2
Year established (year the company was founded)	A.1