



Texas Department of Transportation

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Texas Department of Transportation

PEPS Division

Self-Certification Program

Architectural, Engineering
and Surveying Consultants

OUR GOALS

MAINTAIN A SAFE SYSTEM ▪ ADDRESS CONGESTION ▪ CONNECT TEXAS COMMUNITIES ▪ BEST IN CLASS STATE AGENCY

An Equal Opportunity Employer

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Navigating the TxDOT Website for Self-Certification

NAVIGATING THE TxDOT website

Website Link:

<https://www.txdot.gov/business/consultants/architectural-engineering-surveying/getting-started/administrative-qualification.html>

Become Administratively Qualified

Texas Department of Transportation > Business > Consultants
> Architectural, Engineering and Surveying Consultants > Getting Started

Administrative qualification is a process TxDOT uses to verify that your firm has an indirect cost rate that meets TxDOT requirements.

Become Administratively Qualified

You may demonstrate administrative qualification by an audit or by self-certification of its incorporated entity or business segment. TxDOT requires the use of direct labor cost as the allocation base for allocating indirect costs.

Click Here



- Certified Public Accountant (CPA) Audit
- Self-Certification
- Safe Harbor Rate (applies to Texas firms only)
- Overhead Review Process for Administrative Qualification

Submit Qualification Documentation

After an audit is complete, you must submit qualification documentation for review.

- Submittal and Review Process

Requirements for Processes

The administrative qualification requirements for the four selection processes — Comprehensive, Federal, Streamlined, and Accelerated — are addressed in the [Texas Administrative Code](#), Title 43, Subchapter C, in Sections 9.34(b), 9.35(b), 9.36(b), and 9.37(b), respectively. The requirements are further explained below:

- Comprehensive, Streamlined and Accelerated Processes
- Federal Process

Maintain Administrative Qualification Status

- Each year you need to submit a new CPA audit or self-certification overhead audit for review no later than six months after the last day of the close of your financial year.
- You need to maintain the correct [insurance requirements](#), depending on the project.

List of Firms

You may download a list of administrative qualification status by firm. You may need to refresh your browser to ensure the most current list loads.

Contact Us

Administrative Qualifications Administrator
[Email](#)

Revised: December 2019

Self-Certification

[Texas Department of Transportation](#) > [Business](#) > [Consultants](#)
> [Architectural, Engineering and Surveying Consultants](#) > [Getting Started](#) > [Become Administratively Qualified](#)

Administrative Qualification by Self-Certification

Self-certification may be conducted by the provider and must include a cost report and an internal controls report. The self-certified cost report must comply with the current versions of the following:

- [Electronic Code of Federal Regulations \(C.F.R.\) Title 48, Part 31](#)
- [Generally Accepted Government Auditing Standards \(GAGAS\)](#)
- [American Association of State Highway Transportation Officials \(AASHTO\) Uniform Audit and Accounting Guide](#)

The self-certified internal control report must certify the provider has internal controls in place within its organization. Both the cost report and the internal control report must be signed by a company officer and notarized.

NOTE: Although the cost report information is to be developed in compliance with GAGAS, the cost report is not an audit.

Click Here



- [Submittal Format for a Self-Certification Report](#)

The audit or self-certification shall be based on the provider's fiscal year. The indirect cost rate, as approved by PEPS the Administrative Qualifications Group, shall become effective six months after the end of the provider's fiscal year, or immediately if filed more than six months after the end of the provider's fiscal year. It shall be effective no more than twelve months and shall expire eighteen months after the end of the fiscal year upon which it is based.

A provider must submit on an annual basis a compensation analysis for all executives in accordance with the AASHTO Uniform Audit and Accounting Guide.

The department may audit the indirect cost rate of a provider under contract with, or seeking to do business with, the department. These audits will be conducted in accordance with the criteria outlined in the rules.

A provider must submit a signed Certification of Final Indirect Costs with the audit report or self-certification. The certification must follow the requirements of the Federal Highway Administration.

Administrative qualification is applicable only to the incorporated business entity upon which the indirect cost rate is based and does not extend to a subsidiary, affiliate, or parent of the incorporated entity, except as provided for in [Texas Administrative Code](#) Section 9.34(b)(4), as well as sections 9.35(b), 9.36(c), and 9.37(b), as applicable.

Contact Us

Administrative Qualifications Administrator
[Email](#)

**Items Required
for
Self-Certification Packet**

Items Required for Self-Certification Packet:

Submittal Format for Self-Certification Cost Report

[Texas Department of Transportation](#) > [Business](#) > [Consultants](#)
> [Architectural, Engineering and Surveying Consultants](#) > [Getting Started](#) > [Become Administratively Qualified](#)
> [Self-Certification](#)

The following documents must be submitted in **separate PDF's** labeled as noted below:

| Document | Description |
|----------|--|
| 1 | Self Certified Cost Report |
| 2 | Certification of Final Indirect Costs for Self-Certification |
| 3 | Indirect Cost Rate Schedule <ul style="list-style-type: none">• With Field Rate• Without Field Rate |
| 4 | Notes to Report |
| 5 | Management's Report on Internal Control and Compliance |
| 6 | Completed AASHTO Internal Control Questionnaire (ICQ fillable PDF) |
| 7 | National Compensation Matrix (NCM) Compensation analysis of executives (By surveys, TxDOT requires 3 surveys, or by the new NCM. If by survey, TxDOT requires three surveys, and copies of the three surveys must be attached. Magazine or newspaper surveys, free Internet surveys and General Services Administration (GSA) schedules are not acceptable. You must follow FAR 31.205-6 and the procedure described in Section 7.5.C. Compensation analysis must be signed and dated by an Officer of the Company. |
| 8 | Trial Balance |
| 9 | Detail General Ledger |
| 10 | Organization Chart |
| 11 | Chart of Accounts |
| 12 | Depreciation Schedule (Method of depreciation used by firm and copy of the depreciation list of all assets) |
| 13 | Bonuses Paid (List of bonuses paid by name or id number, calculation and amount) |
| 14 | Written Bonus plan. (Follow outline in AASHTO Audit Guide Ch.7.11) |
| 15 | Board of Directors Minutes (for December or last month of fiscal year) |

The following documents must also be submitted as **separate files in Excel format** labeled as noted below:

| Document | Description |
|----------|-----------------------------|
| 3 | Indirect Cost Rate Schedule |
| 8 | Trial Balance |
| 9 | Detail General Ledger |
| 12 | Depreciation Schedule |
| 13 | Bonuses Paid |

Submittal

All Administrative Qualification (AQ) packets must be submitted via email; we are no longer accepting mailed AQ packets. Please submit the cost report with all documents to: PEPS_Admin_Quals@txdot.gov.

Contact Us

Administrative Qualifications Administrator
[Email](#)

Revised: December 2019

SAMPLE:

Self-Certification Administrative Packet

Items required for Submission

Document 1:
Self Certified Cost Report

(Company's Letterhead Must be the Legal Name of Company)

**SELF CERTIFIED REPORT ON THE
STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD
FOR THE YEAR ENDING DECEMBER 31, 20XX**

Texas Department of Transportation
Austin, Texas

In accordance with Section 9.34 (b) of Title 43 in the Texas Administrative Code, **Legal Name of Company** have prepared a Statement of Direct Labor, Fringe Benefits, and General Overhead, hereinafter referred to as "the Schedule", for the fiscal year ended December 31, 20XX. The Schedule is the sole responsibility of the Company's management. The Company's management expresses and certifies that the Schedule is accurate and correct and was developed from the financial records of the Company.

Management has prepared the Schedule in manner to obtain reasonable assurance that the Schedule is free of material misstatement. The self-certified report includes examining the evidence supporting the amounts and disclosures in the Indirect Cost Schedule. Management follows the general accepted accounting principles for recording all their accounting transactions.

The accompanying overhead schedule was prepared on a basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations (FAR) and certain other Federal and State regulations as discussed in Note B, and is not intended to be a presentation in conformity with generally accepted accounting principles.

Management states that the overhead schedule referred to above presents fairly, in all material respects, the direct labor, fringe benefits, and general overhead of the Company for the year ended December 31, 20XX based on accounting described in Note B.

In accordance with FAR 31 and other Federal and State Regulations, Management has issued a report dated 20XX. This report is intended solely for the use and information of the Company and for the Texas Department of Transportation and should not be used for any other purpose.

Signature Required

President: Print Name

Legal Name of Company

Legal Name on file with Secretary of State - No dba's

DATE:

Must be Dated and Notarized

STATE of TEXAS

COUNTY of

SUBSCRIBED AND SWORN BEFORE ME ON THIS THE _____ DAY OF _____, 20XX

(NOTARY SEAL)

Notary Public

Print Name

My Commission Expires:

Document 2:
Certification of Final Indirect
Costs for Self-Certification

Certification of Final Indirect Costs for Self-Certification

Firm Name: **Legal Name on file with Secretary of State - No dba's**

Proposed Indirect Cost Rate: **Rate must match Overhead Schedule submitted**

Completion Date of Cost Report (mm/d/yyyy):

Fiscal Period Covered (mm/d/yyyy to mm/d/yyyy): to

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

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

Signature: _____

Name of Certifying Official:* Print

Title:

Date of Certification (mm/d/yyyy):

*The "Certifying Official" must be an individual executive or financial officer of the firm at a level no lower than a Vice President or Chief Financial Officer, or equivalent, who has the authority to make such a representation of the organization's financial information.

Ref. FHWA Directive 4470.1A available on line at:
<http://www.fhwa.dot.gov/legsregs/directives/orders/44701a.htm>

Document 3:
Indirect Cost Rate Schedule
With Field Rate OR Without Field Rate

AASHTO Audit Guide - Chapter 5 - Sample Overhead Schedule (with Home Office and Field Rates)

SAMPLE CONSULTING COMPANY, Inc.
Statement of Direct Labor, Fringe Benefits, and General Overhead (with Field Rate)
For the Year Ended December 31, 20 XX

| Account Number & Description | General Ledger Account Balance | Direct Costs | Disallowed Costs | Proposed Company Wide | ALLOCATIONS | | | Percent to Field Office |
|---|-----------------------------------|---------------------|---------------------|-----------------------------|----------------------------|-----------------------------|-----|-------------------------------|
| | | | | | Proposed Home Office | Proposed Field Office | | |
| DIRECT LABOR | \$ 1,950,501 | \$ 1,950,501 | \$ - | \$ 1,950,501 | \$ 1,826,853 | \$ 123,648 | (n) | 6.34% |
| INDIRECT COSTS: FRINGE BENEFITS | | | | | | | | |
| 6300 Benefits: Bonuses..... | \$ 234,060 | \$ - | \$ (28,560) (a) | \$ 205,500 | \$ 193,000 | \$ 12,500 | (n) | |
| 6310 Benefits: 401(k)..... | 97,525 | - | - | 97,525 | 91,255 | 6,270 | (n) | |
| 6320 Benefits: PTO (vac., sick, and holiday)..... | 253,565 | - | - | 253,565 | 241,421 | 12,144 | (n) | |
| 6820 Insurance: Disability..... | 58,515 | - | - | 58,515 | 54,806 | 3,709 | | 6.34% |
| 6830 Insurance: Life..... | 21,846 | - | (800) (b) | 21,046 | 19,711 | 1,334 | | 6.34% |
| 6840 Insurance: Medical..... | 136,535 | - | - | 136,535 | 127,880 | 8,655 | | 6.34% |
| 6850 Insurance: Workers' Comp..... | 15,799 | - | - | 15,799 | 14,798 | 1,002 | | 6.34% |
| 7500 Payroll Taxes: FICA and Med..... | 180,421 | - | - | 180,421 | 168,984 | 11,437 | | 6.34% |
| 7510 Payroll Taxes: FUTA and SUTA..... | 78,020 | - | - | 78,020 | 73,074 | 4,946 | | 6.34% |
| TOTAL FRINGE BENEFITS | \$ 1,076,286 | \$ - | \$ (29,360) | \$ 1,046,926 | \$ 984,928 | \$ 61,998 | | |
| GENERAL OVERHEAD | | | | | | | | |
| 6700 Indirect Labor (G&A and support allocation)..... | \$ 741,190 | \$ - | \$ (3,300) (c) | \$ 737,890 | \$ 680,506 | \$ 38,736 | (o) | 5.25% |
| 6700 Indirect Labor (field labor allocation)..... | - | - | - | - | - | 18,648 | (n) | |
| 5010 Direct: Lodging, Meals, and Travel..... | 122,101 | (122,101) | - (d) | - | - | - | | 5.25% |
| 5020 Direct: Employee Mileage Reimbursements..... | 159,941 | (159,941) | - (d) | - | - | - | | 5.25% |
| 5030 Direct: Rentals and Supplies..... | 21,651 | (21,651) | - (d) | - | - | - | | 5.25% |
| 5040 Direct: Subconsultants..... | 44,862 | (44,862) | - (d) | - | - | - | | 5.25% |
| 6000 Advertising and Marketing..... | 23,991 | - | (6,750) (e) | 17,241 | 16,336 | 905 | | 5.25% |
| 6100 Automobile Expense..... | 68,268 | - | (13,580) (f) | 54,688 | 51,817 | 2,871 | | 5.25% |
| 6200 Bank Service Charges..... | 9,753 | - | - | 9,753 | 9,241 | 512 | | 5.25% |
| 6400 Contributions and Gifts..... | 14,629 | - | (14,629) (g) | - | - | - | | 5.25% |
| 6500 Depreciation Expense..... | 117,030 | - | - | 117,030 | 117,030 | - | (p) | |
| 6600 Dues and Subscriptions..... | 16,189 | - | (350) (h) | 15,839 | 15,008 | 831 | | 5.25% |
| 6800 Insurance: Automotive..... | 15,409 | - | - | 15,409 | 14,600 | 809 | | 5.25% |
| 6810 Insurance: Business Liability..... | 23,406 | - | - | 23,406 | 22,177 | 1,229 | | 5.25% |
| 6900 Interest Expense..... | 36,084 | - | (36,084) (i) | - | - | - | | 5.25% |
| 7000 Licenses and Permits..... | 21,456 | - | - | 21,456 | 20,329 | 1,126 | | 5.25% |
| 7100 Maintenance and Repairs..... | 97,135 | - | - | 97,135 | 92,036 | 5,099 | | 5.25% |
| 7200 Meals & Entertainment..... | 19,310 | - | (1,050) (j) | 18,260 | 17,301 | 959 | | 5.25% |
| 7300 Misc. Fees, Fines, Penalties..... | 6,827 | - | (6,827) (k) | - | - | - | | 5.25% |
| 7400 Office Expense: Cleaning..... | 8,192 | - | - | 8,192 | 8,192 | - | (p) | |
| 7410 Office Expense: Postage and Delivery..... | 4,486 | - | - | 4,486 | 4,486 | - | (p) | |
| 7420 Office Expense: Office Supplies..... | 32,183 | - | - | 32,183 | 32,183 | - | (p) | |
| 7430 Office Expense: Other Office Expense..... | 35,889 | - | - | 35,889 | 35,889 | - | (p) | |
| 7600 Personal Property Tax..... | 42,911 | - | - | 42,911 | 42,911 | - | (p) | |
| 7700 Prof Fees: Accounting and Legal..... | 30,428 | - | - | 30,428 | 28,830 | 1,597 | | 5.25% |
| 7800 Rent..... | 180,049 | - | (2,400) (l) | 177,649 | 177,649 | - | (p) | |
| 7900 Telephone..... | 60,466 | - | - | 60,466 | 57,291 | 3,174 | | 5.25% |
| 8000 Utilities..... | 29,472 | - | - | 29,472 | 29,472 | - | (p) | |
| Credit for Internal Allocations..... | - | - | (107,278) (m) | (107,278) | (107,278) | - | (p) | |
| TOTAL GENERAL OVERHEAD | \$ 1,983,306 | \$ (348,555) | \$ (192,247) | \$ 1,442,505 | \$ 1,366,008 | \$ 76,497 | | |
| TOTAL INDIRECT COSTS | \$ 3,059,593 | \$ (348,555) | \$ (221,607) | \$ 2,489,431 | \$ 2,350,936 | \$ 138,495 | | |

OVERHEAD RATES (as percentages of direct labor cost).....

| | | |
|--------------|-------------|--------------|
| 127.63% | 128.69% | 112.01% |
| Company Wide | Home Office | Field Office |

FAR References and Notes:

- (a) 31.205-6(a)(6)(ii)(B): Owners' compensation in excess of reasonable amount is disallowed (distribution of profits).
- (b) 31.205-19(e)(2)(v): Officers' life insurance is disallowed.
- (c) 31.201-6(e)(2): Marketing, lobbying, and any labor associated with unallowable activities is disallowed.
- (d) 31.202: Excluded direct project costs (both billable & non-billable costs) from indirect cost pool.
- (e) 31.205-1: Costs for general marketing materials are disallowed.
- (f) 31.205-6(m)(2) & 31.205-46(d): Personal use of a company asset (automobile) is disallowed.
- (g) 31.205-8 & 31.205-13(b): Contributions and gifts are disallowed.
- (h) 31.205-22: Lobbying costs, paid as a percentage of professional dues, are disallowed.
- (i) 31.205-20: Interest is disallowed.
- (j) 31.205-14 & 31.205-51: Costs for entertainment and alcoholic beverages are disallowed. (The entertainment cost principle supersedes all others.)
- (k) 31.201-4, 31.205-15, & 31.205-20: Disallowed late fees; Government-imposed fines and penalties; and credit card interest.
- (l) 31.205-36(b)(3): Related-party rent (not an arm's-length transaction) is limited to actual cost of ownership, net of interest and other unallowable items.
- (m) 31.202: Direct costs segregated and removed from indirect cost pool.
- (n) Field employee labor and fringe specifically identified.
- (o) Indirect general administrative and support labor less identified field portion is allocated.
- (p) Accounts specifically identified as home office only.

AASHTO Audit Guide - Chapter 5 - Sample Overhead Schedule (with Home Office and Field Rates)

SAMPLE CONSULTING COMPANY, Inc.

Statement of Direct Labor, Fringe Benefits, and General Overhead (with Field Rate)

For the Year Ended December 31, 20 **XX**

Field Employee Worksheet

| Employee Name & Classification | Direct Labor | Indirect Labor (general) | Bonuses (fringe benefit) | 401(k) (fringe benefit) | PTO (fringe benefit) | Field-Specific Totals |
|--------------------------------|----------------|-----------------------------|-----------------------------|----------------------------|-------------------------|--------------------------|
| Name 1 - Project Manager | - | 10,920 | - | - | - | 10,920 |
| Name 2 - Senior Engineer | 50,176 | 3,136 | 7,500 | 2,620 | 4,928 | 68,360 |
| Name 2 - Project Engineer | 41,216 | 2,576 | 3,500 | 1,966 | 4,048 | 53,306 |
| Name 4 - Technician 1 | 32,256 | 2,016 | 1,500 | 1,685 | 3,168 | 40,625 |
| | 123,648 | 18,648 | 12,500 | 6,270 | 12,144 | 173,210 |

Field Office Direct Labor Calculation

| | |
|-----------------------------------|--------------|
| Direct Labor (Field Office) | 123,648 |
| | + |
| Total Direct Labor (Home + Field) | 1,950,501 |
| Direct Labor Based Field % | 6.34% |

Field Office Labor Calculation

| | Company Wide | Field Office |
|-----------------------------|------------------|----------------|
| Direct Labor | 1,950,501 | 123,648 |
| PTO (vacation/sick/holiday) | 253,565 | 12,144 |
| Indirect Labor | 737,890 | 18,648 |
| Totals | 2,941,957 | 154,440 |
| | | ÷ |
| Total Company Labor | | 2,941,957 |
| General Overhead Field % | | 5.25% |

AASHTO Audit Guide - Chapter 5 - Sample Overhead Schedule

SAMPLE CONSULTING COMPANY, Inc.
Statement of Direct Labor, Fringe Benefits, and General Overhead
For the Year Ended December 31, 20 **XX**

| Account Number & Description | General Ledger Account Balance | Direct Costs | Disallowed Costs | Proposed Company Wide | % of Direct Labor |
|---|-----------------------------------|---------------------|---------------------|-----------------------------|-------------------------|
| DIRECT LABOR | \$ 1,950,501 | \$ 1,950,501 | \$ - | \$ 1,950,501 | 100.00% |
| INDIRECT COSTS: FRINGE BENEFITS | | | | | |
| 6300 Benefits: Bonuses..... | \$ 234,060 | \$ - | \$ (28,560) (a) | \$ 205,500 | 10.54% |
| 6310 Benefits: 401(k)..... | 97,525 | - | - | 97,525 | 5.00% |
| 6320 Benefits: PTO (vac., sick, and holiday)..... | 253,565 | - | - | 253,565 | 13.00% |
| 6820 Insurance: Disability..... | 58,515 | - | - | 58,515 | 3.00% |
| 6830 Insurance: Life..... | 21,846 | - | (800) (b) | 21,046 | 1.08% |
| 6840 Insurance: Medical..... | 136,535 | - | - | 136,535 | 7.00% |
| 6850 Insurance: Workers' Comp..... | 15,799 | - | - | 15,799 | 0.81% |
| 7500 Payroll Taxes: FICA and Med..... | 180,421 | - | - | 180,421 | 9.25% |
| 7510 Payroll Taxes: FUTA and SUTA..... | 78,020 | - | - | 78,020 | 4.00% |
| TOTAL FRINGE BENEFITS | \$ 1,076,286 | \$ - | \$ (29,360) | \$ 1,046,926 | 53.67% |
| GENERAL OVERHEAD | | | | | |
| 6700 Indirect Labor..... | \$ 741,190 | \$ - | \$ (3,300) (c) | \$ 737,890 | 37.83% |
| 5010 Direct: Lodging, Meals, and Travel..... | 122,101 | (122,101) | - (d) | - | 0.00% |
| 5020 Direct: Employee Mileage Reimbursements..... | 159,941 | (159,941) | - (d) | - | 0.00% |
| 5030 Direct: Rentals and Supplies..... | 21,651 | (21,651) | - (d) | - | 0.00% |
| 5040 Direct: Subconsultants..... | 44,862 | (44,862) | - (d) | - | 0.00% |
| 6000 Advertising and Marketing..... | 23,991 | - | (6,750) (e) | 17,241 | 0.88% |
| 6100 Automobile Expense..... | 68,268 | - | (13,580) (f) | 54,688 | 2.80% |
| 6200 Bank Service Charges..... | 9,753 | - | - | 9,753 | 0.50% |
| 6400 Contributions and Gifts..... | 14,629 | - | (14,629) (g) | - | 0.00% |
| 6500 Depreciation Expense..... | 117,030 | - | - | 117,030 | 6.00% |
| 6600 Dues and Subscriptions..... | 16,189 | - | (350) (h) | 15,839 | 0.81% |
| 6800 Insurance: Automotive..... | 15,409 | - | - | 15,409 | 0.79% |
| 6810 Insurance: Business Liability..... | 23,406 | - | - | 23,406 | 1.20% |
| 6900 Interest Expense..... | 36,084 | - | (36,084) (i) | - | 0.00% |
| 7000 Licenses and Permits..... | 21,456 | - | - | 21,456 | 1.10% |
| 7100 Maintenance and Repairs..... | 97,135 | - | - | 97,135 | 4.98% |
| 7200 Meals & Entertainment..... | 19,310 | - | (1,050) (j) | 18,260 | 0.94% |
| 7300 Misc. Fees, Fines, Penalties..... | 6,827 | - | (6,827) (k) | - | 0.00% |
| 7400 Office Expense: Cleaning..... | 8,192 | - | - | 8,192 | 0.42% |
| 7410 Office Expense: Postage and Delivery..... | 4,486 | - | - | 4,486 | 0.23% |
| 7420 Office Expense: Office Supplies..... | 32,183 | - | - | 32,183 | 1.65% |
| 7430 Office Expense: Other Office Expense..... | 35,889 | - | - | 35,889 | 1.84% |
| 7600 Personal Property Tax..... | 42,911 | - | - | 42,911 | 2.20% |
| 7700 Prof Fees: Accounting and Legal..... | 30,428 | - | - | 30,428 | 1.56% |
| 7800 Rent..... | 180,049 | - | (2,400) (l) | 177,649 | 9.11% |
| 7900 Telephone..... | 60,466 | - | - | 60,466 | 3.10% |
| 8000 Utilities..... | 29,472 | - | - | 29,472 | 1.51% |
| Credit for Internal Allocations..... | - | - | (107,278) (m) | (107,278) | -5.50% |
| TOTAL GENERAL OVERHEAD | \$ 1,983,306 | \$ (348,555) | \$ (192,247) | \$ 1,442,505 | 73.96% |
| TOTAL INDIRECT COSTS & OVERHEAD RATE | \$ 3,059,593 | \$ (348,555) | \$ (221,607) | \$ 2,489,431 | 127.63% |

AASHTO Audit Guide - Chapter 5 - Sample Overhead Schedule

SAMPLE CONSULTING COMPANY, Inc.

Statement of Direct Labor, Fringe Benefits, and General Overhead

For the Year Ended December 31, 20 **XX**

FAR References and Notes :

- (a) 31.205-6(a)(6)(ii)(B): Owners' compensation in excess of reasonable amount is disallowed (distribution of profits).
- (b) 31.205-19(e)(2)(v): Officers' life insurance is disallowed.
- (c) 31.201-6(e)(2): Marketing, lobbying, and any labor associated with unallowable activities is disallowed.
- (d) 31.202: Excluded direct project costs (both billable & non-billable costs) from indirect cost pool.
- (e) 31.205-1: Costs for general marketing materials are disallowed.
- (f) 31.205-6(m)(2) & 31.205-46(d): Personal use of a company asset (automobile) is disallowed.
- (g) 31.205-8 & 31.205-13(b): Contributions and gifts are disallowed.
- (h) 31.205-22: Lobbying costs, paid as a percentage of professional dues, are disallowed.
- (i) 31.205-20: Interest is disallowed.
- (j) 31.205-14 & 31.205-51: Costs for entertainment and alcoholic beverages are disallowed. (The entertainment cost principle supersedes all others.)
- (k) 31.201-4, 31.205-15, & 31.205-20: Disallowed late fees; Government-imposed fines and penalties; and credit card interest.
- (l) 31.205-36(b)(3): Related-party rent (not an arm's-length transaction) is limited to actual cost of ownership, net of interest and other unallowable items.
- (m) 31.202: Direct costs segregated and removed from indirect cost pool.

Document 4:
Notes to Report

Note A – Description of the Company

Example Company, (the “Company”) is a Texas Corporation and was formed in XXXXX. The Company performs engineering services on land development, civil, transportation and other engineering projects. The company also provides services related to assessments of transportation and highway projects, and construction management services for public works/transportation projects. The Company is privately owned and has elected to be a Subchapter (C, S, LLC,) corporation for tax purposes.

Note B – Basis of Accounting

The Company’s overhead schedule was prepared on the basis of accounting practices prescribed in Part 31 of the Federal Acquisition Regulations (FAR). Accordingly, the overhead schedule is not intended to present the results of operations of the Company in conformity with accounting principles generally accepted in the United States of America. The Company uses the accounting system (Name or description of accounting system used).

Note C – Description of Accounting Policies

The Company uses the (cash, accrual, or hybrid) basis of accounting for recording revenues and expenses. The Company’s policy is to prepare its overhead schedule, which supports the schedule of direct labor, fringe benefits and general indirect costs, on the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations (FAR). The Company maintains a job-order (Project) cost accounting system for recording and accumulating costs incurred under its contracts. Each project, overhead account, and other functions where cost is to be accumulated are assigned a job number so that costs may be segregated and accumulated in the Company’s job-order (Project) cost accounting system. Direct costs are charged to the projects based on actual costs incurred. Any contract labor is charged directly to the project based on actual cost.

The Company’s method of estimating costs for pricing purposes during the proposal process is consistent with the accumulation and reporting of costs under its job-order cost accounting system.

Note D – Description of Overhead Rate Structure

The Company’s overhead rate is a unitary rate for all offices and all disciplines of the Company. The allocation basis for indirect costs is direct labor. In-house costs such as computer, CADD, equipment, and computer software programs are included in the firm’s overhead rate.

Note E – Description of Labor – Related Costs

Labor and related costs are as follows:

Project Labor

The company charges project labor based on actual hourly rates of employees. Direct labor of salaried employees is calculated using their standard hourly rate (annual salary/2080 hours).

Variances

Describe how and when variances are recorded if using other than actual labor costs.

Paid Time Off

The Company's paid time off policy allows for sick leave, vacation and comp time. The consultant's employees code the time off on time sheets within the project accounting system and the costs are charged to the proper general ledger accounts for sick or vacation accounts.

Paid Overtime or Uncompensated Overtime

The Company has certain hourly employees that may be paid overtime. The overtime rate would be used to charge the cost to the projects or indirect cost pool depending on the item being charged. The Company salaried employees may work more than 40 hours a week and have uncompensated overtime. The Company monitors uncompensated overtime and reallocates based on the effective cost method the amounts of uncompensated overtime. No amounts were reallocated for number of hours worked in excess of 40 for salaried employees for the year ended December 31, 20XX . (See Chapter 11, page 113 of AASHTO's Guide).

Highly Compensated Employees/Officers/Owners

(Example) The Company paid compensation to senior executives in excess of the FAR 31.205-6(p) limit of \$XXXXXXX per person. The total, which was adjusted to the overhead schedule, amounted to \$XXXXXXX. (See Chapter 11, page 113 of AASHTO's Guide)

Pension Plans, Deferred Compensation Plans, and ESOPs

(Example) The Company operates a 401 (k) pension plan, meeting the requirements of FAR 31.205-6(j), to which it makes cash contribution of 2 percent of participating employees' salaries per year. Review Chapter 11, page 114 for additional information for note.

Contract/Purchased Labor

(Example) The Company uses contract labor for engineering related services, and bills this labor as if it were for regular employees. The Company provides office space, administrative support, and controls the contract laborers. Therefore, contract laborers are considered employees, and their labor costs (\$52,000 for the period being reported) have been included in the direct labor base.

Note F - Description of Depreciation and Leasing Policies

Certain assets are purchased and depreciated, while others are leased and considered operating leases. The annual lease costs are included in the overhead pool. The Company uses straight line depreciation for financial reporting and FAR overhead purposes.

Note G - DESCRIPTION OF RELATED PARTY TRANSACTIONS

Identify any related parties, who are considered to have common control, to the extent that adjustments are required, and the amounts of required adjustments per FAR 31.205-26(e) and FAR 31.205-36(b) (3). See example of Chapter 11, page 114 of the Uniform Audit and Accounting Guide.

Note H - Facilities Capital Cost of Money (FCCM)

The cost-of-money rate has been calculated in accordance with FAR 31.205.10, using average net book values of equipment and facilities multiplied by the average treasury rate for the applicable period. Equipment and facilities include furniture and fixtures, computer equipment, vehicles, and leasehold improvements. The Company has not claimed Facilities Capital Cost of Money in the overhead calculation. The Facilities Capital Cost of Money needs specific approval from Regulators to be allowable. The calculation was made as follows:

12/31/XX

| | |
|--|----------------------|
| Net Book Value of Corporate Assets | \$ |
| Average Treasury Rate | <u> </u> |
| Computed Facilities Capital Cost of Money | \$ <u> </u> |
| Direct Labor Base | \$ <u> </u> |
| Cost-of-Money Rate | |
| (See Chapter 11, page 113 of AASHTO's Guide) | |

I – LIST OF OTHER DIRECT COST ACCOUNTS AND CHARGE RATES

Provide a listing of the types of costs that were charged directly to contracts, along with a description of the control procedures used to ensure that these costs were not also included in the indirect cost pool.

J – COST ESTIMATION PROCESS

Include a statement regarding the company's method of estimating costs for pricing purposes. (See Chapter 11, page 115 of AASHTO's Guide)

(Example) The company's method of estimating costs for pricing purposes during the proposal process was consistent with the accumulation and reporting of costs under the company's job order cost accounting system.

K -MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The Company has evaluated subsequent events through 20XX, the date upon which the Statement of Direct Labor, Fringe Benefits, and General Overhead was available for issuance.

Document 5:
Management's Report on Internal
Control and Compliance

(Company's Letterhead Must be the Legal Name of Company)

**MANAGEMENT'S REPORT ON
INTERNAL CONTROL AND COMPLIANCE**

Texas Department of Transportation
125 E 11th Street
Austin, Texas 78701

In accordance with Section 9.34 (b) of Title 43 in the Texas Administrative Code, ***Legal Company Name*** have prepared a Statement of Direct Labor, Fringe Benefits, and General Overhead of the Company for the fiscal year ended December 31, 20XX and have issued our Self-Certified Overhead Direct and Indirect Cost Report thereon dated. The report was prepared on a basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations (FAR) and certain other Federal and State regulations. The report was prepared in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

Management is responsible for establishing and maintaining internal control over its financial reporting. In fulfilling this responsible, Management has established internal controls within the Company and has written policy to support its internal controls and procedures. The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with Part 31 of the Federal Acquisition Regulations. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with Part 31 of the Federal Acquisition Regulations such that there is more than a remote likelihood that a misstatement of the Company's overhead schedule that is more than inconsequential will not be prevented or detected by the Company's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's overhead schedule will not be prevented or detected, or corrected, on a timely basis. Management consideration of internal control over financial reporting is reviewed annually for any deficiencies and/or material weaknesses.

Compliance and Other Matters

For Management to obtain reasonable assurance that the Company's overhead schedule is free from material misstatement, Management reviews Company's policies and procedures to assure that the Company is in compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of the applicable sections of Part 31 of the Federal Acquisition Regulations. Management recognizes that noncompliance could have a direct and material effect on the determination of the amounts reported on the overhead schedule.

This report is intended solely for the use and information of the Company and the Texas Department of Transportation. This report should not be used for any other purpose.

Signature Required

(Signature of Official Representative of Firm)

Legal Name of Firm

Legal Name on file with Secretary of State - No dba's

DATE:

Must be Dated and Notarized

STATE OF TEXAS

COUNTY OF

SUBSCRIBED AND SWORN BEFORE ME ON THIS THE DAY OF , 20 **XX**

Notary Public:Print Name

(NOTARY SEAL)

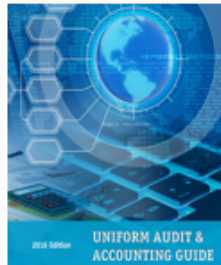
My Commission Expires

Document 6:

AASHTO Appendix B - Internal Control Questionnaire

Website: <https://audit.transportation.org/>

External Audit



2016 Uniform Audit & Accounting Guide

Drafts

[Appendix A-CPA WP Review Template](#)

Posted March 10, 2016

Audit Guide

NEW! [2016 Uniform Audit & Accounting Guide](#)

Note: The interactive keyword index is functional only in the Word version of the file.

[AASHTO Uniform Audit Guide Suggestion Form](#)

[Appendix B-Internal Control Questionnaire](#)

Updated Jan. 5, 2016

Click Here



Internal Control Questionnaire (ICQ) for Consulting Engineers

Name of Engineering Consultant ("the Company"): _____

TIN (Taxpayer Identification Number): _____

Headquarters Address: _____

Company Website: _____

Fiscal Year End: _____

This ICQ was prepared for (DOT/agency name): _____

Time Period Covered: _____

Location of Accounting Records: _____

- Please include the following items as **attachments** to this ICQ:

- FAR Part 31 Overhead Audit Report for most recent fiscal year, including audited Statement of Direct Labor, Fringe Benefits, and General Overhead (hereinafter "Indirect Cost Rate Schedule") and related reconciliation to the financial statements.
- Cognizant audit report or cognizant letter of concurrence from the cognizant Government agency.
Check here if not applicable: ☐
- Post-closing trial balance and financial statements (balance sheet, income statement, and statement of cash flows) for the most recent fiscal year. (Note: If the indirect cost rate schedule does not directly tie to the trial balance, then please provide a supplemental reconciliation schedule.)
- Current chart of accounts that ties to financial statements and indirect cost rate schedule.
- Independent Auditor's Report on financial statements and accompanying management letter.
Check here if not applicable: ☐
- Sample timesheet.
- The Company's policies for vacation and sick leave.
- The Company's bonus policy.
- Other written policies, as requested throughout this ICQ.

Note: Throughout this ICQ, all references to "AASHTO Guide" pertain to the 2016 Edition of the *AASHTO Uniform Audit & Accounting Guide*.

- Please identify the Company's primary contact for accounting questions:

Name: _____

Title: _____

Phone Number: _____

E-mail Address: _____

Mailing address (if different than headquarters address listed above): _____

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 ☐ S Corporation
- ☐ Other _____

AASHTO Internal Control Questionnaire for Consulting Engineers

A.3. Parent/Subsidiary. Is the Company a subsidiary of any other company?

- ☐ Yes If “yes,” please explain: _____
- ☐ No

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

- ☐ Yes If “yes,” please explain: _____
- ☐ No

A.5. Ownership. Please list the stockholders, partners, or other owners with greater than five percent ownership of the Company and their respective percentages of ownership.

Table 1: Company Ownership

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

A.6. Services Provided. What types of services does the Company provide? (e.g., consultant—Architectural and Engineering Design)

- a. _____
- b. _____
- c. _____
- d. _____

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

- a. Number: _____
- b. Locations: _____

AASHTO Internal Control Questionnaire for Consulting Engineers

A.8. Number of Employees. How many employees (including managers and principals) does the Company currently employ?

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

- Has this number changed in the past one-year period?

☐ No ☐ Yes. If "yes," please explain: _____

A.9. Revenue Sources.

1. For most recent fiscal year, what percentage of the Company's revenue was generated from each of 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:

a. Revenues from Government Projects: \$ _____
b. Revenues Other Customers: \$ _____
Total Company Gross Revenue: \$ _____

A.10. Contract Mix. What percentage of the Company's revenue was generated from each of the following contract types?

a. Lump sum: _____% c. Cost plus (time and materials): _____%
b. Cost plus fixed fee: _____% d. Other: _____% Please explain "Other." _____

B. Accounting: General Background

B.1. Fiscal Period. Has the Company used the same fiscal reporting period for the past two years?

☐ Yes ☐ No

B.2. Accounting Method/Basis. What basis of accounting does the Company use to prepare general purpose financial statements?

☐ Cash ☐ Accrual ☐ Hybrid. Please explain "Hybrid." _____

- Was the same basis of accounting also used to prepare the firm's indirect cost rate schedule?

☐ Yes ☐ No. Please explain: _____

B.3. Accounting Policies. Does the Company have written accounting policies that address the following topics?

(If "yes," please provide a copy.)

| | Yes | No |
|--|--------------------------|--------------------------|
| a. Accounting system | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Billing | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Cost estimating/allowability. | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Recording time worked/timesheet preparation | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Fringe benefits/leave time | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Recording overtime | <input type="checkbox"/> | <input type="checkbox"/> |
| g. Compliance with FAR Part 31 ^(†) and applicable CAS | <input type="checkbox"/> | <input type="checkbox"/> |
| h. Recording direct and indirect costs | <input type="checkbox"/> | <input type="checkbox"/> |
| i. Overhead/indirect cost rate development | <input type="checkbox"/> | <input type="checkbox"/> |
| j. Billing rate development | <input type="checkbox"/> | <input type="checkbox"/> |

^(†) FAR Part 31 is codified at 48 CFR Part 31, which is available at
<https://www.acquisition.gov/far/html/FARTOCP31.html>.

AASHTO Internal Control Questionnaire for Consulting Engineers

B.4. Preparing the Indirect Cost Schedule. How frequently does the Company prepare an indirect cost rate schedule to determine costs eligible for reimbursement per FAR Part 31?

☐ Annually ☐ Other (please specify): _____

- Was the most recent schedule prepared by the Company or by another entity instead (e.g., CPA firm)?

Prepared by: ☐ Internal staff ☐ External party (specify): _____

- Period covered by most recent indirect cost schedule:

☐ One-year period ended December 31, 20____

☐ Other (please specify): _____

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

☐ No ☐ Yes. If "yes," please explain: _____

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

☐ Yes ☐ 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 the Company's operations?

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

a. **Financial Statements:** ☐ Audit ☐ Review ☐ Compilation ☐ Other (please specify): _____

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

b. **Overhead Rate:** ☐ Audit ☐ Review ☐ Compilation ☐ Other (please specify): _____

- Was the overhead rate calculated in accordance with FAR Part 31? ☐ Yes ☐ No

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

c. **Project Audits:** ☐ Audit ☐ Review ☐ Compilation ☐ Other (please specify): _____

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

AASHTO Internal Control Questionnaire for Consulting Engineers

C. Accounting System(s)

C.1. Accounting Software. What type of accounting software does the Company use?

- ☐ Internally-developed system. ☐ Commercial system. Name of vendor: _____
☐ Hybrid system. Please explain: _____

- Please describe any significant manual procedures used outside of the automated accounting system to record transactions:

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

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

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

- ☐ Yes ☐ No. Please explain: _____

b. Describe any manual procedures 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?

| | <u>Yes</u> | <u>No</u> |
|---|--------------------------|--------------------------|
| a. General ledger | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Cash disbursements journal | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Cash receipts journal | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Job/Project-cost ledger | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Labor distribution reports | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Employee expense reports | <input type="checkbox"/> | <input type="checkbox"/> |
| g. 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?

- a. Labor costs ☐ Yes ☐ No
b. 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 per FAR Part 31 and applicable Cost Accounting Standards? (See AASHTO Guide, Sections 2.2, 4.4, 5.2, 5.5, and 6.3.)

- ☐ No. Please explain: _____
☐ Yes. If "yes," please answer a through c, below.

a. Please provide details about the system. _____

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

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

AASHTO Internal Control Questionnaire for Consulting Engineers

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

☐ No ☐ Yes

- If "yes," are separate ledgers maintained for each? ☐ Yes ☐ No

Comment: _____

C.8. Reconciliations.

a. Does the Company reconcile the financial accounting system to the job-cost system?

☐ N/A (no job-cost ledger used).

☐ No. Please explain: _____

Check here if systems are integrated: ☐

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

Comment: _____

b. How frequently are bank statements reconciled? Who performs this process?

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

☐ Yes ☐ No

Comment: _____

- 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? (See 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—

☐ a single base for cost allocation. Description of base: _____

☐ multiple bases for cost allocation. Description of bases: _____

(See AASHTO Guide Section 4.7 for a discussion of common allocation bases for indirect costs.)

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

☐ No

☐ Yes. If "yes,"

a. Are separate indirect cost rates used for the home office and field offices?

☐ Yes ☐ No

Please explain: _____

b. If home office and field office indirect cost rates are computed, are they presented consistently to all State DOTs?

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

Please check here if not applicable: ☐

AASHTO Internal Control Questionnaire for Consulting Engineers

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

☐ No ☐ Yes. If “yes,” please explain, and list the States that use these rates: _____

D. Information Technology (IT) Systems

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

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

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

☐ Yes ☐ No

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

☐ Yes ☐ No

Comment: _____

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

☐ Yes ☐ No

Comment: _____

AASHTO Internal Control Questionnaire for Consulting Engineers

E. Accounting – Payroll and Timekeeping

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

☐ No ☐ Yes. If “yes,” please specify: _____

E.2. Pay Cycle. What is the Company’s standard pay cycle?

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

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 |
|--|--------------------------|--------------------------|
| a. Employee Name. | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Employee ID number. | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Gross pay | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Payroll deductions | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Net pay | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Check amount | <input type="checkbox"/> | <input type="checkbox"/> |
| g. Hourly rate | <input type="checkbox"/> | <input type="checkbox"/> |
| h. Pay period | <input type="checkbox"/> | <input type="checkbox"/> |
| i. Normal hours for pay period | <input type="checkbox"/> | <input type="checkbox"/> |
| j. Overtime hours for pay period | <input type="checkbox"/> | <input type="checkbox"/> |

Comments: _____

E.4. Timekeeping System.

a. Does the Company use an electronic timekeeping system?

☐ Yes ☐ No

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

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

☐ Yes ☐ No

If “no,” please explain: _____

c. Are all employee timesheets approved by supervisors?

☐ Yes ☐ No

If “no,” please explain: _____

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

☐ Yes ☐ No

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

e. How are timesheet coding errors detected and corrected?

f. How do timesheets identify work performed outside an agreement’s original scope of services?

AASHTO Internal Control Questionnaire for Consulting Engineers

F. Labor Cost Accumulation

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

☐ Yes ☐ No

- If "yes," do all employees, including managers and principals, record direct and indirect time on their timesheets?

- If "no," then please explain the method used to segregate direct and indirect labor hours. _____

F.2. Work Week. Please list the Company's normal hours of business operation (normal work week):

F.3. Uncompensated Overtime (see AASHTO Guide, Section 5.4). 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?

☐ No. If "no," please explain: _____

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

☐ Effective Rate Method. Please explain: _____

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

☐ Other. Please explain: _____

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

AASHTO Internal Control Questionnaire for Consulting Engineers

G. Labor Billings and Project Costing

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

- ☐ Description: _____
- ☐ Billing-rate policy attached.

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

- If "yes,"

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

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

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

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

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

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

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

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

- ☐ Yes ☐ No ☐ N/A

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

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

AASHTO Internal Control Questionnaire for Consulting Engineers

H. Expense Accumulation and Billing

H.1. Nonsalary Direct Costs (Other Direct Costs). Besides labor, what type of costs does the Company normally bill/invoice as direct expenses?

H.2. 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.3. 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 accounted for the stipend in the accounting system: _____

H.4. Classification of Cost Items. How are the following cost items accounted for and billed?
(Check both "D" and "I," if applicable.)

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

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

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

H.6. Authorization. How does the Company ensure that costs are not billed to Government projects prior to proper authorization?

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

☐ Yes ☐ No

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

☐ Leased ☐ Owned

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

_____ Leased _____ Owned

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

☐ Yes ☐ No

Explanation: _____

AASHTO Internal Control Questionnaire for Consulting Engineers

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

Explanation: _____

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

\$ _____ per mile.

Explanation: _____

- f. How was the rate developed? _____

H.8. Computer Expenses. Are the Company's computer expenses incurred as a result of (select one):

- a. ☐ Outside Services? ☐ Company ownership? ☐ Both?
- b. Does the Company compute a charge rate for computers? ☐ Yes ☐ No
- If "yes," what is the rate? _____
- How was the rate developed? _____
- c. Is computer usage segregated by direct and indirect classifications? ☐ Yes ☐ No
- d. Are computer usage logs maintained and coded by job/project? ☐ Yes ☐ No

H.9. Printing and Reproduction Costs. How are printing and reproduction expenses treated?

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

If you marked "combination of both," please explain: _____

- a. For in-house services, are usage logs maintained and coded by job/project?
- ☐ Yes ☐ No
- b. Is usage segregated by direct and indirect classifications?
- ☐ Yes ☐ No
- c. If these costs are incurred through the use of an outside vendor, are the invoices coded by job/project when received?
- ☐ Yes ☐ No

H.10. Telephone Costs. 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 below:

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

AASHTO Internal Control Questionnaire for Consulting Engineers

H.11. Activities Ineligible for Cost Reimbursement. Did any of the Company's employees engage in activities for lobbying, advertising, public relations, charity, and/or entertainment?

- If "yes," please list 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.

- a. Did the Company pay, or accrue for, bonuses earned by owners or employees during the period covered by the latest indirect cost rate schedule?
 - ☐ Yes ☐ No
 - If "yes," were the bonuses included in the submitted overhead rate? ☐ Yes ☐ No ☐ N/A
 - Was any portion of these bonuses excluded from the submitted overhead rate? ☐ Yes ☐ No ☐ N/A
 - Comment: _____
- b. Does the Company have a written bonus plan?
 - ☐ Yes. Please provide a copy of the plan.
 - ☐ No. Please describe how bonuses are determined and how this is communicated to employees. _____
- c. Are all employees eligible for the bonuses? ☐ Yes ☐ No. If "no," please explain: _____

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

☐ Yes ☐ No

- If "yes," describe the methodology used and how this process has been documented: _____

AASHTO Internal Control Questionnaire for Consulting Engineers

J. Related-Party Transactions

J.1. Related Employees. Please provide the following information for all **employees** who are related to the parties listed in the Ownership Table (Table 1) 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: Related to: How Related (e.g., spouse, parent, child, sibling, in law): | | | | |
| 2 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| 3 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| 4 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| 5 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| 6 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| 7 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| 8 | | | \$ | \$ | \$ | \$ |
| | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |

AASHTO Internal Control Questionnaire for Consulting Engineers

| | Name or ID: | Title/Position: | Wages/Salary: | Bonus: | Other Compensation: | Total Compensation: |
|----|---------------------------------|--|---------------|--------|---------------------|---------------------|
| | | | \$ | \$ | \$ | \$ |
| 9 | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |
| | | | | | | |
| | | | \$ | \$ | \$ | \$ |
| 10 | Total Hours Worked During Year: | Job Duties: Related to: How Related: | | | | |

J.2. Related Vendors. Please provide the following information for all **vendors** related to the parties listed in the Ownership Table (Table 1) shown in A.5:

Table 4: Vendors Related to Company Owners

| Name: | Contact Information: | How Related: | Products/Services Provided: | Total Payments During Year: |
|-------|----------------------|--------------|-----------------------------|-----------------------------|
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
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| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |

AASHTO Internal Control Questionnaire for Consulting Engineers

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

☐ Yes ☐ No

- If “yes,”

a. Are any of the Company’s owners/stockholders, or members of their immediate family, also owners/stockholders of the other entity?

☐ Yes ☐ No

- If “yes,” please explain: _____

b. Have the rental/lease costs been adjusted to the property owner’s actual costs?

☐ Yes ☐ No

- If “yes,” what basis was used to determine actual cost? (E.g., the property owner’s tax return less interest expense, plus cost of money).

Description: _____

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

☐ No ☐ Yes. If “yes,” please complete Table 5:

Table 5: Other Related-Party Transactions

| Name: | Contact Information: | How Related: | Products/Services Provided: | Total Payments During Year: |
|-------|----------------------|--------------|-----------------------------|-----------------------------|
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
| | | | | \$ |
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| | | | | \$ |
| | | | | \$ |

AASHTO Internal Control Questionnaire for Consulting Engineers

K. Other Questions

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

☐ Yes ☐ No

- If "yes,"

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

☐ Yes – total amount: _____ ☐ No

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

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

☐ Other (specify) _____

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

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

☐ Accidental death ☐ Other (please specify): _____

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

☐ Yes ☐ No

- If "yes," please provide complete details: _____

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

☐ Yes ☐ No

- If "yes," please describe the process: _____

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

☐ Yes ☐ No

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

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

AASHTO Internal Control Questionnaire for Consulting Engineers

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

Typed or Printed Name

Signature

Title

Date Completed

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

AASHTO Internal Control Questionnaire for Consulting Engineers

Keyword Index

| <u>Keyword or Phrase</u> | <u>Section</u> | <u>Page</u> |
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| Budgeting system (project planning and oversight) | C.9 | B-7 |
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| Communication of FHWA/DOT requirements | K.5 | B-18 |
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| Design/build stipends | H.3 | B-12 |
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| Overtime (premium portion) | G.2 | B-11 |
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| Parent/subsidiary relationships | A.3 | B-3 |
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| Printing and reproduction costs (outsourced versus in-house, tracking, usage logs, etc.) | H.9 | B-13 |
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| Related-party transactions (employees) | J.1 (Table 3) | B-15 to B-16 |
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AASHTO Internal Control Questionnaire for Consulting Engineers

Keyword Index


| <u>Keyword or Phrase</u> | <u>Section</u> | <u>Page</u> |
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| Software (general ledger/accounting system) | C.1 | B-6 |
| Suspension or debarment | K.2 | B-18 |
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| Unallowable activities (types of activities ineligible for cost reimbursement) | H.11 (Table 2) | B-14 |
| Unallowable costs (how determined and how excluded from indirect cost schedule) | C.6 | B-6 |
| Updates for changes to FAR Part 31 (frequency of updates to procedures/policies) | K.3 | B-18 |
| Vehicle expenses (number leased/owned, mileage logs, billing rate, etc.) | H.7 | B-12 to B-13 |
| Work week (normal operating hours) | F.2 | B-10 |
| Year established (year the Company was founded) | A.1 | B-2 |

Document 7:

2020 National Compensation Matrix

Website: <https://audit.transportation.org/>

External Audit



2016 Uniform Audit & Accounting Guide

Drafts

[Appendix A-CPA WP Review Template](#)
Posted March 10, 2016

Audit Guide

NEW! [2016 Uniform Audit & Accounting Guide](#)

Note: The interactive keyword index is functional only in the Word version of the file.

[AASHTO Uniform Audit Guide Suggestion Form](#)

[Appendix B-Internal Control Questionnaire](#)
Updated Jan. 5, 2016

[Sample FAR Audit Report](#)

[Final ICDR-IC Compliance Report Template](#)
Posted Feb. 17, 2016

[Appd A-CPA WP Review Template, 2015 \(Word\)](#)

[Appd A-CPA WP Review Template, 2015 \(Excel\)](#)

National Compensation Matrix

[2020 National Compensation Matrix](#)
(to be used with 2019 data)
Posted February 27, 2020

Instructions

Q&As

[Sample NCM Compliance Worksheet](#)

[2019 National Compensation Matrix](#)
(to be used with 2018 data)
Posted March 25, 2019

[2018 National Compensation Matrix](#)
(to be used with 2017 data)

[2017 National Compensation Matrix](#)
(to be used with 2016 data)

Step 1: Fill out the
2020 NCM Matrix Tool

Step 2: Fill out the
NCM Compliance
Worksheet. Must be
signed and dated.

National Compensation Matrix Tool - 2020

Automated Tool for Compensation Allowability

Enter Gross Revenues for Target Firm:

← Enter your Firm's Revenue

| Position | Formulaic Result | +RoR | Computed Compensation |
|--|------------------|--------|-----------------------|
| Chairman (non-CEO) | 368,209 | 38,249 | 406,458 |
| CEO/President | 941,510 | 62,646 | 525,000 |
| Executive Vice President / Chief Operating Officer | 548,186 | 33,487 | 525,000 |
| Senior Vice President | 476,223 | 29,346 | 505,569 |
| Vice President | 384,666 | 28,116 | 412,781 |
| Chief Financial Officer | 482,033 | 35,241 | 517,274 |
| Top Engineering Executive | 348,735 | 7,420 | 356,155 |
| Human Resources Director | 201,420 | 12,469 | 213,890 |

* The NCM has a gross revenue ceiling of \$500M. Formulaic results are shown for \$500M

** At the time of this release, all positions are subject to a statutory compensation cap of \$525,000 until a new authorized amount is published by OFPP.

Statutory Compensation Cap for Calendar Year 2019:

525,000

NCM Revenue Floor:

1,500,000

NCM Revenue Ceiling:

500,000,000

The Computed Compensation column will automatically recalculate.

(#) The NCM was developed using a compilation of published surveys involving companies with a single CEO; accordingly, the CEO position should be matched only to a *single* executive. Engineering consultants with unique ownership and compensation structures that do not fit the NCM model should prepare their own executive compensation studies in accordance with the procedures recommended in Chapter 7 of the *AASHTO Uniform Audit & Accounting Guide*.

All executives must be listed. This worksheet has space available for 15 executive positions. Additional positions may be added by clicking [here](#):

1.Complete this section with Company information.

[illegible]

Must be signed and dated

Use the Computed Compensation Amounts from the NCM Tool

Use these amounts as disallowed compensation in the Indirect Overhead schedule.

Figure 1: NCM Compliance Schedule

| | |
|---|--|
| Company name..... | Firm X |
| Date prepared..... | 3/1/2016 |
| For costs incurred during fiscal year ended..... | 12/31/2015 |
| Gross revenue from engineering consulting services..... | \$5,000,000 (revenue applicable to general engineering, and related, services) |

| (Steps 1 & 2) | | (Step 1) | | | | (Step 3) | | (Step 4) | | (Step 5) | |
|--|--------------|------------|--------------------------|-----------------------|-----------------------|---|---|--|--------------|---|---------------------------------|
| Position (Match to NCM Job Descriptions) | Salary | Bonus | Deferred Compensation | Other Compensation | Total Compensation | Adjustment for Unallowable Activities | Adjustment for Unallowable Forms of Compensation | Compensation Subject to Reasonable- ness Test | NCM Amount | Adjustment Amount in Excess of NCM | Total Required Adjustment |
| Chief Executive Officer | \$ 255,000 | \$ 55,000 | \$ 32,000 | \$ 23,000 | \$ 365,000 | \$ (18,000) | \$ (500) | \$ 346,500 | \$ 319,588 | \$ (26,912) | \$ (45,412) |
| Chief Financial Officer | 204,000 | 22,000 | 18,000 | 28,000 | 272,000 | (17,000) | (500) | 254,500 | 182,344 | (72,156) | (89,656) |
| Senior Vice President | 195,840 | 29,376 | 17,000 | 2,584 | 244,800 | (10,000) | (500) | 234,300 | 217,354 | (16,946) | (27,446) |
| Vice President | 146,250 | 35,100 | 12,000 | 1,650 | 195,000 | (6,900) | (200) | 187,900 | 192,300 | - | (7,100) |
| Vice President | 146,250 | 38,500 | 9,000 | 1,250 | 195,000 | (6,900) | (200) | 187,900 | 192,300 | - | (7,100) |
| Human Resource Director | 165,000 | 8,000 | 10,000 | 5,000 | 188,000 | (8,400) | (100) | 179,500 | 119,958 | (59,542) | (68,042) |
| TOTALS | \$ 1,112,340 | \$ 187,976 | \$ 98,000 | \$ 61,484 | \$ 1,459,800 | \$ (67,200) | \$ (2,000) | \$ 1,390,600 | \$ 1,223,846 | \$ (175,554) | \$ (244,754) |

I hereby certify that, to the best of my knowledge, this schedule is complete and accurate

Name and Title (printed or typed)

Signature

Date

(Note: This schedule should be certified by a Company officer/executive.)

This is an example of the completed NCM analysis that will be included in the Self-Certification Package.

This page, and the NCM Compensation Matrix tool for the company will be submitted together the Department.

Documents 8 - 15:
Additional documents that must be
submitted

Additional Documents that must be submitted:

Document 8: Trial Balance (PDF & Excel Format)

Document 9: General Ledger (PDF & Excel Format)

Document 10: Organization Chart (PDF)

Document 11: Chart of Accounts (PDF)

Document 12: Depreciation Schedule (PDF & Excel Format)

Method of depreciation used by firm and copy of the depreciation list of all assets.

Document 13: Bonuses Paid (PDF & Excel Format)

List of bonuses paid by name or id number, calculation and amount.

Document 14: Written Bonus Plan (PDF)

Follow Outline in AASHTO Guide Ch. 7.11.

Document 15: Board of Directors Minutes (PDF)

For December or last month of fiscal year.

Submit complete package to:

PEPS_Admin_Quals@txdot.gov

**Overhead Review Process
for
Administrative Qualification**

Overhead Review Process for Administrative Qualification

Website Link:

<https://www.txdot.gov/business/consultants/architectural-engineering-surveying/getting-started/administrative-qualification.html>

Become Administratively Qualified

Texas Department of Transportation > Business > Consultants
> Architectural, Engineering and Surveying Consultants > Getting Started

Administrative qualification is a process TxDOT uses to verify that your firm has an indirect cost rate that meets TxDOT requirements.

Become Administratively Qualified

You may demonstrate administrative qualification by an audit or by self-certification of its incorporated entity or business segment. TxDOT requires the use of direct labor cost as the allocation base for allocating indirect costs.

- Certified Public Accountant (CPA) Audit
- Self-Certification
- Safe Harbor Rate (applies to Texas firms only)
- Overhead Review Process for Administrative Qualification

Click Here

Submit Qualification Documentation

After an audit is complete, you must submit qualification documentation for review.

- Submittal and Review Process

Requirements for Processes

The administrative qualification requirements for the four selection processes — Comprehensive, Federal, Streamlined, and Accelerated — are addressed in the [Texas Administrative Code](#), Title 43, Subchapter C, in Sections 9.34(b), 9.35(b), 9.36(b), and 9.37(b), respectively. The requirements are further explained below:

- Comprehensive, Streamlined and Accelerated Processes
- Federal Process

Maintain Administrative Qualification Status

- Each year you need to submit a new CPA audit or self-certification overhead audit for review no later than six months after the last day of the close of your financial year.
- You need to maintain the correct [insurance requirements](#), depending on the project.

List of Firms

You may download a list of administrative qualification status by firm. You may need to refresh your browser to ensure the most current list loads.

Contact Us

Administrative Qualifications Administrator
[Email](#)

Revised: December 2019

TxDOT Overhead Review Process for AQ

[FAR 31 \(48 CFR Part 31 Contract Cost Principles and Procedures\)](#)

[AASHTO \(American Association of State Highway and Transportation Officials\) Guidelines](#)

[TAC 9.34, Comprehensive Process](#)

[Acceptance of Final Review of Overhead Rate](#)

[Job Cost Accounting](#)

[Management Responsibilities](#)

[Responsibility of Consultant Accounting Departments](#)

[CPA's Responsibility \(if applicable\)](#)

[Direct, Indirect and Directly Associated Expenses](#)

[Documentation](#)

[Reasonableness of Expenses](#)

[Vehicles and Equipment](#)

[Cell Phone Expenses](#)

[Combined, Office and Field Rates](#)

[Meetings, Conferences & Trade Shows](#)

[Meals Eligibility and Documentation](#)

[Sample Vehicle Tracking System](#)

[Bonus Policy Requirements pg. 6](#)

[Detailed General Ledger](#)

[Depreciation of Assets](#)

[Direct Labor Costs/Indirect Labor Costs/ Fringe Benefits](#)

[Immigration Expenses](#)

[Independence of Annual OHA Reports](#)

[Direct Selling Costs](#)

[Allowability FAR 31.201-2\(d\)](#)

[Public Relations and Advertising \(FAR 31.205-1\)](#)

[Employee morale, health, welfare, food service and dormitory costs and credits \(FAR 31.205-13\) pg. 9](#)

[Entertainment \(FAR 31.205-14\)](#)

[Professional and Consultant Costs \(FAR 31.205-33\)](#)

[Taxes \(FAR 31.205-41\)](#)

[Trade, business, technical and professional costs \(FAR 31.205-43\)](#)

[Travel costs \(FAR 31.205-46\)](#)

It is incumbent upon a Consultant or CPA to learn and maintain the specialized knowledge of FAR 31 guidelines prior to completion of an Overhead Audit report. Additionally, the Consultant's accounting department should be knowledgeable of FAR guidelines in maintaining the records of the consultant to ensure compliance and separation of allowable and unallowable costs in the required job cost accounting system.

FAR 31 (48 CFR PART 31 CONTRACT COST PRINCIPLES AND PROCEDURES)

TxDOT Administrative Qualifications reviews of consultant's Overhead Audit Reports are based on FAR 31 which establishes boundaries and parameters regarding allowable and unallowable costs that can be claimed under government contracts.

AASHTO (AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS) GUIDELINES

Management and CPA's should have an understanding of AASHTO which is a resource/guide "designed to assist engineering consultants, independent CPA's, and state DOT auditors with the preparation, and/or auditing, of Statements of Direct Labor, Fringe Benefits and General Overhead (indirect cost rate schedules)" and for understanding FAR 31 guidelines and Overhead Audit Reports.

TAC 9.34, COMPREHENSIVE PROCESS

The TxDOT Administrative Qualifications Process for contracting is subject to the rules published under the Texas Administrative Code Title 43, Part 1, Chapter 9, Subchapter C, Rule 9:34, Comprehensive Process.

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ACCEPTANCE OF FINAL REVIEW OF OVERHEAD RATE

Upon notification of the final review and approval of the Overhead Rate by the Department, if no response is provided by the Contractor within five (5) business days, the rate will become final.

JOB COST ACCOUNTING SYSTEMS

Under FAR, the consultant must maintain a job cost accounting system which accumulates and assigns costs to contracts/projects. The CPA and accounting department should be well versed in job cost accounting practices and systems used by A/E firms. The OHA report should include a description of accounting policies and procedures governing the classification of costs as direct or indirect, and describe how project costs are accumulated and assigned to projects.

MANAGEMENT RESPONSIBILITIES

Management should establish Policies and Procedures for compliance with FAR 31 and TAC 9.34. Management bears the sole responsibility to see that all relevant employees should have a clear and consistent understanding of the policies and procedures for recording allowable costs and for identifying, segregating and removing unallowable costs as transactions occur, and the necessary documentation required under FAR 31. Management must be responsible to certify that the indirect cost rate schedule includes only allowable costs in preparation for an independent audit or self-certification report. Management bears the ultimate responsibility for the Overhead Audit Report and should perform its own analysis of high-risk accounts, assurance that internal controls are adequate and working properly, and that all unallowable costs have been removed from the final report.

RESPONSIBILITY OF CONSULTANT ACCOUNTING DEPARTMENTS

The Accounting Department is responsible for the Consultant's understanding of the principles in FAR Part 31.2, which are the primary federal regulations addressing Allowable Costs and Unallowable Costs. The Accounting Department shall:

- Ensure Employees are formally trained in the requirements of FAR Part 31.2.
- Maintain an appropriate chart of accounts and maintain cost accounts in the general ledger to enable the segregation of Unallowable Costs.
- Ensure costs are properly coded as "Allowable" or "Unallowable" and that Employees do not submit Unallowable Costs for reimbursement.
- Ensure all Unallowable Costs are identified and removed from the indirect rates used for OHA Indirect Cost Rate schedules.
- Arrange for periodic internal reviews and audits to ensure that the Consultant is complying with FAR Part 31 and any applicable state or local regulations such as TAC 9.34.
- Have final authority within the Consultant to decide which costs are allowable and which are unallowable.
- Enforce this Policy on behalf of the Consultant and update and revise the Policy as needed.

CPA RESPONSIBILITIES

Before accepting a FAR audit engagement, CPAs must determine if they have the required specialized knowledge, including CPE courses, to complete the engagement. The CPA auditor is responsible for performing an audit in accordance with Government Auditing Standards (GAGAS) to obtain reasonable assurance that the engineering consultant complied with FAR Part 31 and applicable Cost Accounting Standards. A CPA's testing must be performed independently to verify that the engineering consultant's internal controls are properly designed and are operating effectively. Adequate testing of accounts, especially high-risk areas as noted in AASHTO, is critical in issuing an opinion of the Overhead Audit Report.

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DIRECT, INDIRECT AND DIRECTLY ASSOCIATED EXPENSES

Per FAR 31 and AASHTO guidelines, Costs identified specifically with a contract(s) are direct costs of that contract including labor, materials, reimbursable expenses, and non-reimbursable expenses. Costs incurred related to contracts and that further or benefit a contract should be recorded as direct costs of the contract under a Consultant's job cost accounting system. The expense of vehicles, equipment supplies, etc. used in the performance of a contract(s) are considered job related costs and are direct costs of a contract. These costs should be tracked as direct cost of contracts in the job cost accounting system and recorded as Direct: Non-Billable costs on the Overhead Audit Report.

As a corollary item, a directly associated cost is a cost generated solely as a result of the incurrence of another cost, and which would not have been incurred had the other cost not also been incurred. If the other cost is a direct cost, the directly associated costs are disallowed. Directly associated costs may include labor, fringe, travel meals, supplies used and similar costs.

Indirect costs represent remaining general and administrative costs that are allocable to multiple cost objectives.

DOCUMENTATION

Per FAR 31.201-2(d), costs included in the Overhead Audit Report must be supported and engineering consultants must maintain adequate records, including supporting documentation to demonstrate that the costs comply with applicable FAR cost principles. Receipts/Invoices must have the written purpose/reason for the expense, place, date, full names of all employees and guests, and for meals, must have the receipt that reflects the individual items ordered. Credit card statements are not acceptable proof of expenses. The AQ staff may disallow all or part of any claim that lacks adequate supporting documentation.

During the review of the Overhead Audit Report or the Self-Certification Report, the Reviewer may request additional information pertaining to proof of expenses. The Reviewer may request copies of the original receipts or invoices that support the expense item. Individual expense report, credit card statement, and bank statement are not acceptable proof of expenses. It is important for a Contractor to understand that when the Department requests additional backup information to a submitted OHA report, the Contractor has 30 days to comply or the entire submission may be rejected and no rate provided for that fiscal year. This point is noted at the bottom of the email as:

*"In accordance with TAC Title 43, Part 1, Chapter 9, Subchapter C, Rule 9:34 (3)(B), **all** information requested must be returned within **30 calendar days** of the request by the Department. Failure to return **all** information, or returning only a portion of the information requested, will result in the file being closed for the calendar year and the submittal will not be processed for administrative qualification. If the information is received after the **30 calendar days**, the file will not be reopened."*

REASONABLENESS OF EXPENSES

Per FAR 31.201-3, a cost is reasonable if it does not exceed that which would be incurred by a prudent person in the conduct of competitive business and is considered an ordinary and necessary expense. The burden of proof shall be upon the consultant to establish a cost is reasonable. While the reasonableness test applies to all expenses, as noted in the AASHTO guidelines, of specific concern for reasonableness is the amount of indirect labor in relation to direct labor which may cause concerns regarding a firm's efficiency and the extent to which the State should reimburse costs through the overhead rate.

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VEHICLES & EQUIPMENT

Vehicle costs in the indirect cost pool must **exclude** personal use, direct project costs, and travel associated with unallowable business-related activities (e.g., lobbying general advertising, etc.). Engineering consultants are required to maintain adequate documentation, such as vehicle mileage logs completed in accordance with IRS requirements, to separate and establish that the vehicle costs in the indirect cost pool are allowable and exclude unallowable portions noted above. Expenses associated with the operation of a vehicle for personal use or job-related activities such as depreciation, repairs and maintenance and insurance should also be disallowed. (Examples of job related vehicle and equipment use are survey trucks and equipment, paving equipment, etc.) A sample vehicle tracking system is noted below. The contracting officer may disallow all or part of a claimed cost that lacks adequate support.

FAR 31 states that for reasons of practicality, the contractor may treat any direct cost of a minor dollar amount as an indirect cost if the accounting treatment provided that; a) the cost is consistently applied to all final cost objectives; and, b) it produces substantially the same results as treating the cost as a direct cost. Some Contractors use this to lump all vehicle expenses into an indirect cost pool for vehicles. However, this is *only* after all vehicle costs directly associated with the performance of a contract, or that further or benefit the performance of a contract, have been excluded. What are left are the true general and administrative costs of the vehicles of which the personal usage of the vehicles must be adjusted. Records of such costs must be maintained by the consultant as noted below in the Vehicle Tracking Schedule or like system.

Direct and indirect expenses including insurance, depreciation, fuel, repairs and maintenance, etc. for vehicles/equipment used in the performance of jobs/contracts are directly associated expenses and are project related. The contracting officer may disallow all or part of a claimed cost that lacks adequate support.

CELL PHONE EXPENSES

Per the ICQ, a consultant should maintain a log of cell phone usage indicating the phone numbers of incoming and outgoing calls to verify the use of cell phones for business purposes only. Such documentation of calls is normally included on the monthly cell phone billings and can be used as a cell phone log if broken down between business and personal calls. Only business calls are allowable under FAR; personal calls are disallowed. Therefore, only the portion of business related calls should be reported on the Overhead Report.

For a phone owned by and billed to the consultant for business purposes, if no logs are kept or the consultant does not trace business and personal calls via the monthly billing, the contracting officer may disallow all or part of a claimed cost that lacks adequate support.

At times, a consultant will allow employees to use personal phones in the course of doing business and provide a reimbursement expense. In such cases, the consultant must provide a cell phone log or billing record to determine the breakout of business and personal usage to verify the expense on the Overhead Report. A cell phone allowance or reimbursement, with no log or backup documentation from phone billings, is not allowable. The contracting officer may disallow all or part of a claimed cost that lacks adequate support.

COMBINED, OFFICE AND FIELD RATES

Under AASHTO 4.2- State and Local Cost Principles

“Although FHWA regulations require state DOT’s to accept indirect cost rates compliant with FAR Part 31 and to accept cognizant audits of FAR-compliant indirect cost rates, those regulations are not applicable to contracts *that do not involve Federal funding*”. Accordingly, for contracts with no Federal funding, some state DOT’s and local agencies define allowable cost more restrictively than FAR Part 31.” And further that, “...methodologies prescribed

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by contracting agencies sometimes include: restatement of multi-tiered indirect cost rate structures to a single rate based on direct labor; and, Restatement of separate field and home office indirect cost rates as a combined consultant-wide rate”.

It is TxDOT policy that:

- For State funding contracts that do not require a field rate, the Combined Rate will be used in these contracts.
- For State funding contracts that require a field rate, the home office and field rate will be used. In the event the consultant does not have a field rate, the Department will establish a field rate per TAC 9.34.
- The established field rate is a calculation of the Departments database of companies that have actually developed a home office and field rate. The average is the percentage used to establish the final field rate for the contract. At the end of each FY, the average is reviewed and may be adjusted for future contracts.
- For Federal funded contracts, the rate will follow the FAR 31 guidelines for Federal funded contracts.

MEETINGS, CONFERENCES, TRADE SHOWS

For all meetings, conferences, trade show, seminary, chamber of commerce, or any professional meetings of any kind attended by employees, officers, directors, quests, outside contractor on behalf of the firm, the Reviewer requires a copy of the agenda, original receipts for the expenses and employee's title and relationship to Firm. Any expense item not properly supported in accordance with FAR 31.201-2(d); FAR 31.205-46 will be disallowed

MEALS ELIGIBILITY AND DOCUMENTATION

Per AASHTO guidelines, meals associated with valid travel purpose expenses are governed by FAR 31.205-46 which includes references to maximum per diem rates. Travel meal expenses in excess of the per diem allowable is disallowed. Non-travel business meals are governed by FAR 31.205-43(c), which provides that incidental meal costs incurred during business meetings are allowable if the principal purpose of the meeting is the dissemination of trade, business, technical, or professional information, are properly supported, and are reasonable in amount.

Documentation for meals must contain receipts/invoices with the written purpose/reason for the expense, place, and date, full names of all employees and quests, and a receipt that reflects the individual items ordered by each person. Individual receipts are important to verify reasonableness and disallowed expenses such as alcohol. Credit card, bank, and company expense statements are not acceptable proof of expenses. Alcohol is not an allowable expense.

SAMPLE VEHICLE TRACKING SCHEDULE (EXCEL BASE)



BONUS POLICY REQUIREMENTS

Pursuant to FAR 31.205-6(f)(1), for any bonus to be allowable in a TxDOT review of an OHA report, the Contractor must have a written bonus policy entered into in good faith before the services are rendered whereby incentive/bonus payments are awarded according to supporting metrics determined by the company. Bonus policies are normally written and/or revised to coincide with the fiscal year of a company. Written bonus plans should contain, at a minimum, the following components:

- Eligibility Criteria
- Period of the bonus plan

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- Measurable performance criteria by position
- Incentive awards/spot bonuses must be related to performance measured by quantitative and qualitative factors
- Form of payment to be received, and
- Distribution of timeline

If a bonus pool of profits is used, in good faith, management should determine the profit percentage or amount of the pool as early as possible

Basing bonus payments solely on the profitability of the firm, or at the discretion of management/supervisors, does not comply with FAR. Also, please provide how each of the individual bonuses were calculated.

Hiring bonuses or referral bonuses should be clearly outlined with parameters of why, to whom, and when these types of payments will be paid. Such bonuses are part of the recruitment process and should be included in the recruitment expenses.

DETAILED GENERAL LEDGER

The detailed general ledger is a record that lists and details all business accounts and all transactions posted to each account during a fiscal year, and should be properly segregated to correspond with the accounts listed on the OHA report (i.e., professional fees, office supplies, etc.). The detailed General Ledger is not a trial balance or compilation of checks/payments for the year. A job cost accounting software should be able to generate a detailed general ledger.

As noted below, each expense, by account, should be listed by date, the payee, and a brief description of the purpose of the expense, and debit or credit at a minimum. The description should be brief but descriptive enough to allow a transaction to be verified and vouched from the general ledger to the source documents. Description of a payment as a credit card payment does not provide sufficient detail to describe the payment type and purpose.

Example:

Professional Fees

| Date | Account | Name of Payee | Explanation/Description | Debit | Credit | Ending Bal |
|------|---------|---------------|-------------------------|-------|--------|------------|
|------|---------|---------------|-------------------------|-------|--------|------------|

Office Supplies

| Date | Account | Name of Payee | Explanation/Description | Debit | Credit | Ending Bal |
|------|---------|---------------|-------------------------|-------|--------|------------|
|------|---------|---------------|-------------------------|-------|--------|------------|

Repairs & Maintenance

| Date | Account | Name of Payee | Explanation/Description | Debit | Credit | Ending Bal |
|------|---------|---------------|-------------------------|-------|--------|------------|
|------|---------|---------------|-------------------------|-------|--------|------------|

DEPRECIATION OF ASSETS

FAR 31.205-11 requires that a Contractor's plant, equipment, IT software and other personal property be depreciated. Reimbursement of fixed asset costs shall be based on the asset costs recovered over the estimated useful life of the fixed assets using depreciation methods acceptable for financial purposes. For the purpose of FAR 31 guidelines, depreciation should use a straight line, double-declining balance, or sum of the year's digits. IRS 179 or accelerated depreciation is not allowable.

All depreciable assets should be depreciated. While some Contractor's may have a policy to expense items below certain threshold amounts, FAR 31 guidelines does not recognize expensing of depreciable assets. Assets of similar

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function may be combined into a single depreciable item of like term and nature such as several hard drives for computers or groupings of smaller equipment.

DIRECT LABOR COSTS/INDIRECT LABOR COSTS/ FRINGE BENEFITS

The relationship between the reasonableness of Direct Labor Costs, Fringe Benefits and Indirect Labor Costs is important in reviewing an OHA report. As noted in AASHTO 4.3, the relationship of these cost elements must be reviewed for reasonableness in accordance with FAR 31.201-2 and 31.201-3. For example, the amount of indirect labor, or other fringe benefits, in relation to direct labor may cause concerns regarding the firm's efficiency, holding of employees, or assignment of duties and the extent to which the government should reimburse costs through the overhead rate. When a firm's relationship between Direct Labor Costs and a particular Fringe Benefit or Indirect Labor Costs is not in alignment with other OHA reports reviewed by the Department, an adjustment to the cost may be made by the Department. Pursuant to FAR guidelines, the burden of proof of reasonableness shall be upon the contractor.

IMMIGRATION EXPENSES

Legal and other fees relating to an employee's immigration status are personal expenses of the employee and are not allowable.

INDEPENDENCE OF ANNUAL OHA REPORTS

Each year's annual Overhead review is independent from previous year's reports and the approved OHA rate is independent of previous year's rates. The allowable or disallowed costs contained in each year's report are independent upon each year's review.

Depending on the complexity of a company's OHA report, the Department may perform a more in-depth review of the OHA report and individual expenses, including the documentation and allowable expenses. It is the policy of the Department to conduct an in-depth review of a contractor's OHA report at least every three years where possible.

DIRECT SELLING COSTS

Direct selling costs is characterized by person to person contact to induce a particular customer to purchase a particular product or service of a contractor for the customer's use. Direct selling may include:

- Familiarizing a potential or existing customer with a contractor's products or services, conditions of sale or service capabilities
- Negotiation, liaison between customer and contractor personnel, technical and consulting efforts, individual demonstrations of products and/or services

ALLOWABILITY FAR 31.201-2(D)

Adequate documentation necessary to demonstrate: costs have been incurred; costs are allocable to a contract; and, costs comply with cost principles.

Documentation to show whom is included, nature and purpose of expense, dates of expenditures, agendas if applicable and allowable costs.

PUBLIC RELATIONS AND ADVERTISING (FAR 31.205-1)

Allowable advertising includes: requirement of contract- acquiring scarce items or disposal of scrap or surplus items; recruiting needed personnel; promoting sales of products as exports normally sold to US government.

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Allowable Public Relations includes: items required by a contract; responding to inquiries on company policy, media liaison, communication with press or stockholders; certain community service activities; plant tour and open houses; and, product roll out or ship christening ceremonies if allowed by contract.

Unallowable public relations and advertising includes: any cost/event that is related to promoting sale of products or services by stimulating interest in product, or call favorable attention to company and/or enhancing company image to sell company's product; trade shows where emphasis is not on export sales of products normally sold to government; meetings/seminars where purpose is not business related; promotional materials, brochures, souvenirs, meeting wages, etc. whose purpose is to promote products or company image; company celebrations and new product announcements; and, memberships in community and civic organizations.

EMPLOYEE MORALE, HEALTH, WELFARE, FOOD SERVICE AND DORMITORY COSTS AND CREDITS (FAR 31.205-13)

Unallowable expenses include any cost that has recreational or entertainment features including: company picnics and holiday parties; tickets to sports or other entertainment events; memberships to social organizations; gifts to employees, unless connected to established awards policy based on performance; and, company sponsored trips and outings; coffee/snacks in break room for employees if the amount of coffee and snacks is unreasonable; awards banquets meals, trophies, etc.; birthday cakes, greeting cards and seasonal decorations.

Exceptions to unallowable employee morale recreational activities include: company sponsored sports teams; wellness or fitness centers; counseling or health advisory services; vending machines/cafeterias or lunch wagons; dormitory services; house publications such as company newsletters, announcements, human resource notifications, etc.

ENTERTAINMENT (FAR 31.205-14)

Regardless of purpose, cost for any amusement, diversion, social or recreational activity is considered unallowable. Examples include: memberships in social, dining, or country clubs; gifts to clients or employees (unless performance related); tickets to shows or sporting events; company picnics, parties, or other outings where activity is recreational in part; dinners or other after hours events (unless solely business related); business meetings where spouses or guests are present; client entertainment of any kind; alcoholic beverages, music (band), organ grinder, magician; and, business lunches are suspect, especially if frequent and expensive.

PROFESSIONAL AND CONSULTANT COSTS (FAR 31.205-33)

Allowability factors specified include: a qualified specialist; need for service given contractor's service specialty; arm's length bargaining; customary fees charged for same service in general market place; impact of services on government business; and, whether service can be performed internally.

Specific Documentation Requirements (FAR 31.205-33(f)) are: agreement details including scope of work to be performed, compensation rates, nature and amount of other expenses; evidence that work was performed, and the details as to services provided (deliverables, if applicable and related documents, i.e. trip reports, minutes of meetings, monthly report activities); and, invoices that sufficiently describe services performed and time expended.

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TAXES (FAR 31.205-41)

Allowable taxes are: state and local income, franchise taxes; sales taxes; FICA, FUI, SUI; and, communications taxes.

Unallowable taxes include: federal income and excess profits taxes; interest or penalties on late payment of taxes; taxes for refinancing/refunding operation; taxes where exemptions are available to Government; taxes from which company is exempt (e.g. state income taxes on Sub S distribution); special assessments on land that represents capital improvement; and, taxes on property used solely for purposes other than Government contracts.

TRADE, BUSINESS, TECHNICAL AND PROFESSIONAL COSTS (FAR 31.205-43)

Allowable costs include: membership dues for technical, business, professional, and trade organizations; subscriptions to technical and trade journals, magazines, newsletters; cost for meeting or seminars when purpose is for dissemination of business/technical information, stimulation of production, and improved productivity.

Allowable meeting costs may include: organizing, setting up, advertising, sponsoring; rental of facility; travel costs of participants and business lunches; and, refreshments.

TRAVEL COSTS (FAR 31.205-46)

Travel costs incurred by contractor personnel in connection with official company business are allowable subject to limitations including:

- Cost principle covers- per diem (lodging and meals and incidentals), miscellaneous expenses, transportation
- Travel cost principle does not incorporate government travel regulation in their entirety; only incorporates: definition of lodging, meals, and incidentals; maximum per diem rates-combination of hotel and meals/incidentals; one ceiling covering total; special or unusual situations when higher per diem amounts may be justified.
- Hotel, meals, and incidentals are allowable up to daily per diem ceilings (in total) for lodging and meals/incidentals specified in: FTR- travel within conterminous 48 states; JTR- travel in other states, and US possessions outside 48 states; Dept. of State Standardized Regulations- overseas locations.
- Airfare is restricted to lowest priced airfare available to contractor during normal business hours. Exceptions are provided- medical conditions, prolonged travel, unreasonable travel hours- and regulations should not be interpreted to allow Business or First-Class travel.
- Car rental- no specified restrictions, but should be reasonable
- Regardless of reimbursement plan, contractor must document: date and place of trip; purpose of trip; name of employee and relationship to contractor.
- Adequate documentation necessary to demonstrate: costs have been incurred; costs are allocable to contracts; and, costs comply with cost principles.
- Documentation should show nature and purpose of expense (agendas if applicable), names of persons traveling, dates of travel.

Information Required for Proof of Expenses

In accordance with Texas Administrative Code (TAC) Title 43, Part 1, Chapter 9, Subchapter C, Rule 9.34 (3) (B), all information requested must be submitted within 30 calendar days of the request by the Department. FAILURE to return all information, or returning only a portion of the information requested, will result in the file being closed, the submittal will not be processed for administrative qualification, and the submitter notified via email the file has been closed.

TAC 9.34 (3)(C): If an AQ submittal is rejected under subparagraph (B), the provider may refile a corrected audit report or self-certification and shall include any previously requested information. The provider may not refile earlier than 90 days after the day that the department sends the notice rejecting the submittal

FAR 31.205-46 (a) (7) states that costs are allowable only if the contractor maintains specific documentation to support claimed travel costs. The documentation requirements are similar to the long-standing requirements imposed by Section 274 of the Internal Revenue Code (IRC). For claimed costs to be allowable, the following information must be documented:

- (1) Date and place (city, town, or other similar designation) of the expenses,
- (2) Purpose of the trip, and
- (3) The name of person on trip and that person's title or relationship to the contractor. This information must be maintained in a book, diary, account book, or similar records. Documentation such as cancelled checks, credit card receipts, and hotel bills are to be maintained as corroboration for expenses, but without the diary or similar records, they may not be sufficient support for deductibility.
- (4) Cost of the meeting, by item

The above guidelines closely parallel the current record keeping requirements in Section 274 of the Internal Revenue code for entertainment costs as a tax deductible expense.

Supporting Documentation Required for Review of Expenses:

During the review of the OH Audit Report, or the Self-Certification Report, the State reviewer may request additional information pertaining to proof of expenses. The reviewer may request copies of the original receipts or invoices that support the expense item. Individual expense reports, credit card statements, and bank statements are not acceptable proof of expenses.

For airplane fares, the firm must provide the itinerary and purpose of the trip.

Cell phone and vehicle expenses must have the supporting mileage logs and cell phone logs.

INFORMATION REQUIRED FOR PROOF OF EXPENSES

For all meetings, conferences, trade shows, seminary, chamber of commerce, or any professional meetings of any kind attended by employees, officers, directors, quests, and/or an outside contractor on behalf of the firm; the reviewer may require a copy of an agenda, original receipts for expenses, and the employee's title and relationship to the firm.

Any expensed item not properly supported in accordance with FAR 31.201-2(d), or FAR 31.205-46 will be disallowed.

Substantiation of Travel Costs

As provided in FAR 31.205-46(a)(7), travel costs are allowable only if the following information is documented.

- Date and place of expenses
- Purpose of the trip
- Name of person on trip and that person's title or relationship to the contractor

According to DCAA CAM Section 7; this information must be maintained in a book, diary, account book, or similar records. Documentation such as cancelled checks, credit card receipts, and hotel bills are to be maintained as corroboration for expenses. With that being said, this type documentation may not be sufficient support for deductibility without including the diary or similar records.

The contractor may adopt policies for reimbursing employees for travel expenses based on actual expenses, fixed amount, or a combination for actual expenses (e.g. for lodging) and fixed amount (e.g. meals and incidental expenses). In any event, allowable costs to Government contracts may not exceed the maximum per diem rates specified in the Government travel regulations. If a contractor's policy is to reimburse its employees a fixed amount (per diem) for subsistence within the prescribed maximum daily per diem rates, there is a presumption that the costs are reasonable and allowable and detailed receipts or other documentation are not required to support claims by employees. On the other hand, if a contractor's policy is to reimburse its employees actual expenses incurred, all unallowable costs such as alcoholic beverages and entertainment must be separately identified and excluded from billings, claims, and proposals to the Government in accordance with FAR 31.201-6 and CAS 405.

Appendix

C

Keyword Index of 48 CFR Part 31 (Federal Acquisition Regulation, Part 31)

Key

† - See Exceptions. (*) - Requires advance agreement or verifiable methodology.

KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

| Citation | Key | General Allowable? |
|-------------------|---|---------------------------|
| 31.205-6(d)(1) | Accrual of Compensation Expenses (allowable). | YES† |
| 31.201-2(d) | Adequate Recordkeeping (requirement for, and Contracting Officer's authority to disallow unsupported costs). | -- |
| 31.109 | Advance Agreements: defined and requirements of (in writing, executed by both parties, stated duration). | -- |
| 31.205-1(b) | Advertising defined (generally, allowability is limited to recruitment costs). | YES - help wanted |
| 31.205-1(d) | Advertising (allowable types of). | YES |
| 31.205-1(f) | Advertising (unallowable types of). | NO |
| 31.205-38(b)(1) | Advertising as a part of selling costs. | NO |
| 31.205-51 | Alcoholic Beverages. | NO |
| 31.205-46(b) | Airfare, generally. | YES |
| 31.205-46(c) | Aircraft owned by consultants. | YES† |
| 31.201-4 | Allocability (allowability, reasonableness, and allocability). | -- |
| 31.201-2 & 31.204 | Allowability (reasonable, allocable, CAS Compliant, meets terms of contract, & not otherwise unallowable). | -- |
| 31.205-52 | Asset Valuations Resulting from Business Combinations. | -- |
| 31.201-6(a) | Associated Costs, defined (costs associated with unallowables). See also CAS 405. | NO |
| 31.205-46(a)(1) | Automobile: Mileage Costs. | YES |
| 31.205-6(m)(2) | Automobile: Personal Use of (see also 31.205-46(d)). Includes commuting and other personal costs. | NO |
| 31.205-6(f)(1) | Awards for Employees (Performance-Based Awards—bonus and incentive compensation) | YES |
| 31.205-18(c) | B&P: Bid and Proposal Costs (allowability of). | YES |
| 31.205-6(h) | Back pay (generally unallowable). | NO |
| 31.205-3 | Bad Debts (and directly-associated costs). | NO |
| 31.205-6(p) | BCA (Benchmark Compensation Amount)—statutory limit on executive compensation. (Not a safe harbor or guaranteed amount of cost recovery.) | -- |
| 31.205-4 | Bonding Costs (e.g., bid, performance, payment, infringement, and fidelity). | YES |
| 31.205-6(f) | Bonuses and Incentive Pay, generally. (See 31.205-6(f)(1)(ii) for required basis and support.) | YES† |

Key

† - See Exceptions. (*) - Requires advance agreement or verifiable methodology.

KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

| Citation | Key | General Allowable? |
|-------------------|--|---------------------------|
| 31.205-1(f)(5) | Brochures and Promotional Materials. | NO |
| 31.201-3(a) | Burden of Proof on Consultant (determining reasonableness). | -- |
| 31.205-52 | Business Combinations (asset valuations resulting from). | LIMITED DEPR. |
| 31.205-16(a) | Business Combinations (gains and losses related to). | NO |
| 31.205-11(h) | Capital Leases (full payment not allowable—limited to depreciation of property capitalized under the lease). | LIMITED DEPR. |
| 31.205-11(h)(2) | Capital Leases: Related Parties. | LIMITED DEPR. |
| 31.205-43(a) | Chambers of Commerce, Dues (but disallow portion of dues attributable to lobbying). | YES† |
| 31.103 | Commercial Organizations (contracts with). | -- |
| 31.205-36(b)(3) | Common Control of Leased Properties (e.g., between sub. and parent: limited to normal costs of ownership). | YES† |
| 31.205-6(p) | Compensation, generally. | YES† |
| 31.205-44(f) | College Savings Plans for Dependents of Company Employees. | NO |
| 31.105 & 31.201-7 | Construction and Architect-Engineer Contracts. | -- |
| 31.205-33 | Consultant Service Cost and Professional Fees (outside accountants, lawyers, actuaries, and marketing consultants). Also known as "Professional and Consultant Service Fees" (PCS costs). See Retainer fees at 31.205-33(e). | YES† |
| 31.205-7 | Contingencies. | NO |
| 31.205-42 | Contract-Termination Costs. | VARIES |
| 31.205-8 | Contributions or Donations. (All cash donations are unallowable). | NO |
| 31.205-1(e)(3) | Contributions or Donations: Community Service Activities (cash contributions unallowable; donation of time/labor is allowable). | YES |
| 31.205-10 | Cost of Money also known as "Facilities Capital Cost of Money" (FCCM). | YES |
| 31.205-14 | Country-Club Memberships. | NO |
| 31.201-5 | Credits (costs must be presented net of all applicable credits.) | OFFSET |
| 31.205-47 | Defense of Fraud (False Claims Act, Anti-Kickback Act, etc.). | NO† |
| 31.205-18(d) | Deferred IR&D Costs: Allowability. | NO† |

Key

† - See Exceptions. (*) - Requires advance agreement or verifiable methodology.

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| 31.001 | Definitions of Terms used in FAR Part 31. | -- |
| 31.205-44(f) | Dependents: Employee-dependent education plans | NO |
| 31.205-11 | Depreciation, generally. | YES |
| 31.205-11(c) | Depreciation: Expense in excess of amount used for financial accounting. | NO |
| 31.202 | Direct Costs. | YES |
| 31.205-38(b)(5) | Direct Selling Costs. | YES |
| 31.201-6(a) & CAS 405-40 | Directly-Associated Costs, defined (costs associated with unallowables). | NO |
| 31.205-28(f) | Directors' Meetings | YES |
| 31.205-6(a)(6)(ii)(B) | Distribution of Profits to Owners (unallowable for closely-held companies). | NO |
| 31.205-8 | Donations | NO |
| 31.205-13 | Dormitory Costs and Credits. | YES |
| 31.202(a) & 31.203(b) | Double-Counted Costs (unallowable). | NO |
| 31.205-43 | Dues and Subscriptions. | YES |
| 31.205-12 | Economic Planning Costs. | YES |
| 31.205-44 | Education Costs (vocational training, part-time college, full-time college) | YES |
| 31.205-6(f) | Employee Performance Awards (bonuses and incentive). | YES |
| 31.205-6(n) | Employee Rebate and Purchase-Discount Plans. | NO |
| 31.205-6(q) | Employee Stock Ownership Plans (ESOPs). | YES |
| 31.205-14 | Entertainment Costs (overrides all other cost principles). | NO |
| 31.205-6(q) | ESOPs | YES |
| 31.205-6(q)(2)(i)(B) | ESOP: Current Funding Requirement. | YES |
| 31.205-41(b)(1) | Excess Profits | NO |
| 31.205-6(p)(1) | Executive Benchmark Compensation Amount (reference to). Note that these costs are further limited by reasonableness—see National Compensation Matrix (Audit Guide Section 6.4) for details. | YES† |
| 31.205-41(b)(1) | Federal Income | NO |

Ke

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| 31.205-15(a) | Fines, Penalties, and Mischarging Costs Related to Violation of Laws. | NO |
| 31.205-15(b) | Fines, Penalties, and Mischarging Costs Related to Improper Charging or Recording of Costs. | NO |
| 31.102 | Fixed-Price Contracts. | -- |
| 31.205-13(d) | Food Service, and Dormitory Costs and Credits. | YES |
| 31.205-47(b), (f)(4) & 31.205-6(m) | Fraud, Defense of (including requirement to segregate and account for these costs separately—see 31.205-47(g)). | SEGREGATE |
| | Fringe Benefits. | YES |
| 31.205-16 | Gains and Losses on Disposition or Impairment of Depreciable Property or Other Capital Assets. | YES† |
| 31.201-1 | Generally Accepted Methods for Measuring Costs (requirement to use). | -- |
| 31.205-1(d)(2) | Gifts (to clients and the public as part of trade shows). | NO |
| 31.205-13(b) | Gifts (to employees). | NO |
| 31.205-6(l)(2) | Golden Handcuff Payments. | NO |
| 31.205-6(l)(1) | Golden Parachute Payments. | NO |
| 31.205-49 | Goodwill. | NO |
| 31.205-44(d) | Grants, Scholarships, and Fellowships to Educational or Training Institutions. | NO |
| 31.205-13 | Health, Welfare, Food Service, and Dormitory Costs and Credits. | YES |
| 31.205-34(a)(1) & (b) | Help-Wanted Advertising Costs—Recruitment. | YES |
| 31.205-35(a)(2) | House-Hunting Trip Costs (for employees with a permanent change of work location). | YES |
| 31.205-17(b) | Idle Facilities Costs. | NO† |
| 31.205-17(c) | Idle Capacity Costs. | YES |
| 31.205-6(e)(1) | Income Tax Differential Pay (foreign assignments). | YES |
| 31.205-6(e)(2) | Income Tax Differential Pay (domestic assignments). | NO |
| 31.205-41(b)(1) | Income Taxes, | NO |
| 31.205-41(a)(1) | Income Taxes, State and Local. | YES |

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| 31.205-18 | Independent Research and Development and Bid and Proposal Costs. | YES |
| 31.110 | Indirect Cost Rate Certification and Penalties on Unallowable Costs. | -- |
| 31.203 | Indirect Costs. | -- |
| 31.205-19 | Insurance and Indemnification. | YES |
| 31.205-20 | Interest and Other Financial Costs. | NO |
| 31.205-18 | IR&D and B&P: Independent Research and Development and Bid and Proposal Costs. | YES |
| 31.205-21 | Labor Relations Costs. | YES |
| 31.205-19(e)(2)(v) | Key-Man Life Insurance (allowable to extent that costs is included in compensation of officers—not allowable when company is beneficiary of policy) | LIMITED† |
| 31.205-36(b)(1) | Leases (operating leases for real property and personal property) | YES |
| 31.205-47 | Legal and Other Proceedings. | YES |
| 31.205-19(e)(2)(v) | Life | YES |
| 31.205-22 | Lobbying and Political Activity Costs. | NO |
| 31.205-46 | Lodging, Meals, and Incidental Expenses. | YES† |
| 31.205-35(c)(1) | Loss on Sale of Home (for employees with a permanent change of work location). | NO |
| 31.205-23 | Losses on Other Contracts. | NO |
| 31.205-25 | Manufacturing and Production Engineering Costs. | YES |
| 31.205-1; 31.205-38 | Marketing Costs. (Note: FAR Part 31 does not expressly use the term "marketing," but public relations, advertising costs, and selling costs are widely referred to as marketing by many individuals. Within the FAR, <i>selling costs</i> are the most analogous to marketing costs—see 31.205-38.) | NO |
| 31.205-38(b)(4) | Market Planning. | YES |
| 31.205-26 | Material Costs (direct costs, primarily). | YES |
| 31.205-46(a)(2) | Meals, Lodging, and Incidental Expenses. | YES |
| 31.205-1(f)(7) | Memberships in Civic and Community Organizations. | NO |
| 31.205-46(d) | Mileage Costs: Automobile. | YES |

Key

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| 31.205-18 | Independent Research and Development and Bid and Proposal Costs. | YE |
| 31.110 | Indirect Cost Rate Certification and Penalties on Unallowable Costs. | -- |
| 31.203 | Indirect Costs. | -- |
| 31.205-19 | Insurance and Indemnification. | YE |
| 31.205-20 | Interest and Other Financial Costs. | NO |
| 31.205-18 | IR&D and B&P: Independent Research and Development and Bid and Proposal Costs. | YE |
| 31.205-21 | Labor Relations Costs. | YE |
| 31.205-19(e)(2)(v) | Key-Man Life Insurance (allowable to extent that costs is included in compensation of officers—not allowable when company is beneficiary of policy) | LIMITED† |
| 31.205-36(b)(1) | Leases (operating leases for real property and personal property) | YE |
| 31.205-47 | Legal and Other Proceedings. | YE |
| 31.205-19(e)(2)(v) | Life | YE |
| 31.205-22 | Lobbying and Political Activity Costs. | NO |
| 31.205-46 | Lodging, Meals, and Incidental Expenses. | YES† |
| 31.205-35(c)(1) | Loss on Sale of Home (for employees with a permanent change of work location). | NO |
| 31.205-23 | Losses on Other Contracts. | NO |
| 31.205-25 | Manufacturing and Production Engineering Costs. | YE |
| 31.205-1; 31.205-38 | Marketing Costs. (Note: FAR Part 31 does not expressly use the term "marketing," but public relations, advertising costs, and selling costs are widely referred to as marketing by many individuals. Within the FAR, <i>selling costs</i> are the most analogous to marketing costs—see 31.205-38.) | NO |
| 31.205-38(b)(4) | Market Planning. | YE |
| 31.205-26 | Material Costs (direct costs, primarily). | YE |
| 31.205-46(a)(2) | Meals, Lodging, and Incidental Expenses. | YE |
| 31.205- | Memberships in Civic and Community Organizations. | NO |
| 31.205-46(d) | Mileage Costs: Automobile. | YE |

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| 31.205-13 | Morale, Health, Welfare, Food Service, and Dormitory Costs and Credits (subject to limitations in 31.205-13(b) through (e)). | YES† |
| 31.205-35 | Moving Costs Paid to Employees. | YES† |
| 31.205-25 | M&PE Costs (Manufacturing and Production Engineering Costs). | YES |
| 31.205-19(e)(2)(v) | Officers' Life Insurance. | NO† |
| 31.205-1(e)(4) | Open Houses (subject to limitations in 31.205-1(f)(5): costs unallowable for promotional materials, videos/films, handouts, magazines, etc.). | YES |
| 31.205-36 | Operating Leases (real property and personal property). | YES |
| 31.205-27(a) | Organization/Reorganization Costs. | NO |
| 31.205-28 | Other Business Expenses, generally. | YES |
| 31.205-30(c) | Patent Costs. | NO |
| 31.205-15(a) | Penalties, Fines, and Mischarging Costs. | NO |
| 31.205-6(j) | Pension Costs, generally. | YES |
| 31.205-6(j)(1)(i) | Pension Costs: Current Funding Requirement. | YES |
| 31.205-6(j)(4) | Pension Costs: Defined Contribution Plans. | YES |
| 31.205-6(j)(4)(i) | Pension Costs: Contribution Limits. | YES† |
| 31.205-6(f) | Performance Awards to Employees. | YES |
| 31.205-6 | Personal Services (compensation for). | YES |
| 31.205-6(m)(2) | Personal Use of Automobiles. | NO |
| 31.205-29 | Plant Protection Costs. | YES |
| 31.205-31 | Plant Reconversion Costs. | NO |
| 31.205-32 | Precontract Costs (direct costs). | YES |
| 31.205-43 | Professional Activity Costs. | YES |
| 31.205-33 | Professional and Consultant Service Costs (e.g., external accountants, lawyers, actuaries, and marketing consultants). | YES |
| 31.205-19 | Professional Liability and General Insurance. | YES |

Key

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| 31.205-6(a)(6)(ii)(B) | Profits to Owners, Distribution of (unallowable for closely-held companies). | NO |
| 31.205-1 | Public Relations and Advertising Costs. | NO† |
| 31.205-6(n) | Purchase-Discount Plans for Employees. | NO |
| 31.205-1(f)(5) | Promotional Materials. | NO |
| 31.205-35(a)(3) | Real Estate Brokers' Fees and Commissions (for employees with a permanent change of work location). | YES |
| 31.201-3 | Reasonableness. (No presumption of reasonableness exists.) | -- |
| 31.205-31 | Reconversion Costs. | NO |
| 31.201-2(d) | Recordkeeping Requirements (engineering consultants' responsibility to maintain adequate records). | -- |
| 31.205-13(c) | Recreation for Employees. | NO† |
| 31.205-34 | Recruitment Costs. | YES |
| 31.205-36(b)(3) | Common Control of Leased Properties (e.g., between sub. and parent). | YES† |
| 31.201-6(a) | Related Costs (Costs Related to Unallowable Costs). See also CAS 405. | NO |
| 31.205-36(b)(3) | Related Party Transactions: Rental Costs (common control). | YES† |
| 31.205-35 | Relocation Costs Paid to Employees. | YES |
| 31.205-36 | Rental Costs: Operating Leases. | YES |
| 31.205-27 | Reorganization Costs. | NO |
| 31.205-48 | Research and Development (R&D) Costs. | YES |
| 31.205-37(a) | Royalties and Other Costs for Use of Patents (direct costs). | YES |
| 31.205-11(h)(1) | Sale and Leaseback. | YES† |
| 31.205-38 | Selling Costs (marketing the engineering consultant's services). | LIMITED† |
| 31.205-1(f)(3) | Seminars, Symposia, and Meetings (unallowable portion of these costs). | NO |
| 31.205-39 | Service and Warranty Costs (direct costs). | YES |
| 31.205-42 | Settlement Costs Associated with Contract Terminations. | VARIES |

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| 31.205-6(g) | Severance Pay, generally. | YES |
| 31.205-14 | Social and Dining Club Memberships (entertainment). | NO |
| 31.205-40 | Special Tooling and Special Test Equipment Costs (direct costs). | YES† |
| 31.205-41(a)(1) | State Income | YES |
| 31.201-6(c)(2) | Statistical Sampling for Unallowable Costs. | ONLY IF(*) |
| 31.205-28(a) | Stock Issue | YES |
| 31.205-43(b) | Subscriptions and Dues (net of incidental lobbying costs). | YES |
| 31.205-41 | Taxes. | YES† |
| 31.205-42 | Termination Costs (direct costs). | VARIES |
| 31.201-1(a) | Total Cost, defined. | -- |
| 31.205-43 | Trade, Business, Technical, and Professional Activity Costs. | YES |
| 31.205-1(f)(2) | Trade Shows. | NO |
| 31.205-44 | Training and Education Costs (subject to limitations listed in 31.205-44(a) through (f)). | YES† |
| 31.205-46 | Travel | YES† |
| 31.201-6 | Unallowable Costs (and related costs). | -- |
| 31.205-13 | Welfare, Food Service, and Dormitory Costs and Credits. | YES |
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