

May 26, 2017

Questions and Answers in response to updated guidance on indirect cost rates
RE: CCS e-mail communication of May 12, 2017

Q1. I have a survey sub-consultant that performs work on some of my projects. They do approximately \$20,000 to \$30,000 worth of sub-consultant work annually on DOTD projects. They have asked me if they need to have an annual overhead audit if they are a sub-consultant. They have indicated the cost to perform an annual audit may not justify performing survey work as a sub-consultant on DOTD projects. Do they need to provide an annual overhead audit to DOTD if they are sub-consultants?

A1. Sub-consultants are subject to federal cost principles embodied in the Federal Acquisition Regulation (FAR), where applicable. Sub-consultants are not required to submit a cognizant audit or a CPA audited rate under the FAR or 23 CFR 172.11(c)(3), but may do so if they choose. If appropriate audit data is available, then DOTD will use this data to develop indirect cost rates (ICR) for that sub-consultant, consistent with DOTD policies.

Q2. If a sub-consultant fails to provide an annual indirect cost rate audit, will that firm be disqualified from being allowed to apply for future work with DOTD?

A2. Disqualification may be triggered by contract provisions. Since a sub-consultant is not directly contracting with DOTD, it is not subject to the disqualification provisions in the contract. In the event that a firm signs a contract as a prime consultant with DOTD, it will become subject to all contract provisions, including the audit and disqualification provisions.

Q3. In the past the DOTD Audit Section would perform the annual audit, with the consultant firm having the options of providing an independent CPA audited overhead rate. Will the DOTD Audit Section no longer provide annual overhead audits, thereby necessitating that each consultant have a CPA firm perform the required overhead audit?

A3. The Audit Section performs audits based on the resources that are available. However, per the terms of the contract and the CFR, consultant firms contracting with DOTD are obligated to develop and certify their indirect cost rates on an annual basis. While DOTD reserves the right to conduct audits of consultants, its exercise or not of that right does not relieve consultants of this obligation.

Q4. Will consultants be required to submit to DOTD the home office rate and field office rate?

A4. It is at each consultant's discretion whether to provide the home office rate and field office rate.

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Q5. If a firm hasn't provided 2014, 2015 and 2016 audited rates and did provide services during those years, is that firm required to submit all three years' audited rates by 9/1/2017, or just the 2016 audited rates (assuming a calendar year fiscal year) to be considered compliant with the DOTD contract and advertisement provisions?

A5. For those firms on a calendar fiscal year, the department requires that the 2016 audited rates be submitted by September 1, 2017. For those firms on any other fiscal year basis, the department requires that audited rates be submitted no later than six (6) months following the close of the firm's fiscal year.

Q6. When is the deadline for providing the audit?

A6. September 1, 2017, then annually thereafter.

Q7. Is there ability to get an extension and if not, what are the repercussions for failing to meet the deadline?

A7. DOTD does not anticipate that there will be any extensions granted. Per the terms of DOTD's standard contract for engineering or related services, any consultant that is a party to such a contract may be disqualified from submitting for future DOTD consultant contracts until the audited rates are submitted to DOTD.

Q8. Will the audit period be for the previous calendar year?

A8. Yes, the 2016 audited rates should be submitted by 9/1/2017.