

Colorado Department of Transportation

AUDIT DIVISION



CONSULTANT FINANCIAL QUALIFICATION PROCESS FOR OBTAINING A MASTER PRICING AGREEMENT WITH CDOT

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Definitions of Common Terms

CDOT	Colorado Department of Transportation
CDOT Contracts and Market Analysis Branch (CDOT Contracts)	The CDOT office in charge of issuing and maintaining Master Pricing Agreements (MPAs).
CDOT Audit Division (CDOT Audit)	The CDOT office that evaluates Consultant proposed costs prior to the implementation of an MPA by CDOT Contracts.
Cognizant Agency	An entity that may have primary responsibility for the audit of a firm's indirect cost rate (ICR). Typically, this is the firm's home-state DOT, but could also be a Federal audit agency, CPA firm, or a non-home-state DOT.
Cognizant Review Letter	A letter issued by a cognizant agency indicating a review of the ICR and supporting work papers and their compliance with 48 CFR Part 31. The review is very detailed and typically follows the program outlined in the AASHTO Audit Guide, Chapter 12 and Appendix A (see Section IV: Resources).
Consultant (Firm)	For the purposes of this document, a Consultant is an individual, corporation, partnership, or any other legal entity providing "professional services" to CDOT, whether as a prime or a sub consultant. Professional services include services provided by professional engineers, architects, landscape architects, land surveyors, industrial hygienists, etc.
Direct Salary Rates (DSR)	The actual salaries of a firm's employees, shown as an hourly rate.
Federal Acquisition Regulations (FAR)	The Federal Acquisition Regulations, codified at 48 CFR Part 31. This, along with 23 CFR 172, are the primary regulations governing the costs that can be included in the MPA.
Financial Package	The documents supporting the rates requested for the MPA. See Appendix A.
Indirect Cost Rate (ICR)	The indirect costs of a firm (rent, insurance, general office expenses, etc.), less unallowable costs as defined by 48 CFR Part 31, expressed as a percentage of direct labor.
Master Pricing Agreement (MPA)	The document that establishes the billing rates a Consultant can charge CDOT.

I. Background

CDOT procures engineering and design-related services using a qualifications-based selection process in compliance with the procurement procedures for architectural and engineering services codified at 40 U.S.C. 1101-1104, commonly referred to as the Brooks Act.

In carrying out these procurements, CDOT negotiates contracts for architectural and engineering services on the basis of demonstrated competence and qualification for the type of professional services required and at fair and reasonable prices. CDOT must consider the technical qualifications of the firm, education and experience of key personnel, professional licensure, and project experience. In addition, CDOT must provide assurance that the Consultant complies with Federal regulations, including 48 CFR Part 31 and 23 CFR Part 172.

In order to ensure compliance with these Federal regulations, CDOT performs two separate, annual qualification reviews: Technical Qualification and Financial Qualification.

Technical Qualification – Also referred to as prequalification. CDOT Contracts is responsible for performing the appropriate verifications. Successful completion of the technical verification process will allow a Consultant to bid on a proposed CDOT project. All Consultants have the opportunity to become technically qualified at any time. Please note that CDOT Audit is not involved with technical qualifications. For information regarding how to set up an account and submit your information, please see the CDOT self-service portal information here: <https://www.codot.gov/business/consultants>

Financial Qualification - CDOT Audit is responsible for performing the financial qualification review, which is conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Financial qualification is the subject of this brochure. Once CDOT Audit completes this review, CDOT Contracts may issue an MPA. All Consultants must obtain technical qualification prior to CDOT Audit conducting the financial qualification review. In addition, all Consultants must have an MPA before being awarded a contract or starting work on a CDOT project.

II. Financial Qualification Process and the MPA

CDOT requires all Consultants to have an MPA in place before CDOT will award a contract or allow a Consultant to work on a CDOT project. Effective January 1, 2017, CDOT provides numerous options for obtaining an MPA. These include submitting DSR and ICR concurrently, submitting DSR and ICR separately (renewals only), or submitting fee schedule rates (qualified firms only).

Regardless of the option chosen, Consultants must email all required financial qualification documentation to dot_audit@state.co.us.

Concurrent Review (DSR & ICR)

This option is available to Consultants who do not have an existing MPA, or to renewing Consultants who prefer not to submit two separate rate renewals. During this review, Consultants will update both the DSR and ICR.

Required Documents (*see Appendix A for descriptions of these documents*)

Appendix A

AASHTO Internal Control Questionnaire (*AASHTO ICQ*)

Appendix F - Certification of Indirect Cost Rate

Appendix G - Employee Listing (*one in Excel, one as a signed pdf*)

Payroll Registers

Current FYE Cognizant Review Letter (*if applicable*)

Current FYE FAR ICR Audit Report or Compilation*

Executive Compensation Analysis

Post-Closing Trial Balance

Financial Statements

Sample Timesheet

Bonus Policy

Normal Cost of Ownership Schedule (*if applicable*)

****Firms with total revenue from CDOT projects (as prime and sub consultant) of \$500,000 or more in the previous calendar year must have an audited ICR. Firms below this threshold may provide a compilation prepared by the firm or an outside party. See page 10 for details.***

Direct Salary Rate Review (DSR)

This option is only available to Consultants renewing their MPA. During this review, you will update only your DSR; no changes will be made to the ICR currently approved in your MPA. You will update your ICR separately (see ICR Review on the next page).

Required Documents (*see Appendix A for descriptions of these documents*)

Appendix A

AASHTO Internal Control Questionnaire (*AASHTO ICQ*)

Appendix G - Employee Listing (*one in Excel, one as a signed pdf*)

Pay Raise Certification (*if applicable, see below*)

Payroll Registers

Executive Compensation Analysis

If you choose to, Consultants can submit the required DSR documents prior to implementing the rates, *with the following conditions*:

1. The Consultant must guarantee that they will implement the proposed DSR on the firm's normal raise date. CDOT Audit will not accept rates that are still under consideration by the firm's management; they must already be approved.
2. The firm must submit a pay-raise certification attesting to the situation described above. This should be a simple one-page letter signed by the firm's authorized signer.
3. The firm must submit payroll registers as soon as available for CDOT Audit to verify that the firm implemented the rates. **CDOT Audit will not complete our financial qualification review until we have obtained this information.**

A firm must submit DSR renewals annually around the same time every year. No other updates to the DSR will be allowed during the year, with the exception of the Add Employee Process, which will remain unchanged and is conducted by CDOT Contracts personnel (see <https://www.codot.gov/business/consultants> for details). A firm will not be able to change their ICR during the DSR review; this will be a separate review, which must take place within six months of a firm's fiscal year end.

Indirect Cost Rate Review (ICR)

This option is also only available to Consultants renewing their MPA. During this review, a Consultant will update only their ICR; no changes will be made to the DSR currently approved in their MPA. A Consultant will update their DSR separately (see DSR Review on the previous page).

Required Documents (see Appendix A for descriptions of these documents)

Appendix A

AASHTO Internal Control Questionnaire (AASHTO ICQ)

Appendix F - Certification of Indirect Cost Rate

Appendix G - Employee Listing (as a signed pdf; must not include any DSR changes or employee additions other than those already approved through the Add Employee Process)

Current FYE Cognizant Review Letter (if applicable)

Current FYE FAR ICR Audit Report or Compilation*

Executive Compensation Analysis

Post-Closing Trial Balance

Financial Statements

Sample Timesheet

Bonus Policy

Normal Cost of Ownership Schedule (if applicable)

****Firms with total revenue from CDOT projects (as prime and sub consultant) of \$500,000 or more in the previous calendar year must have an audited ICR. Firms below this threshold may provide a compilation prepared by the firm or an outside party. See page 10 for details.***

A firm must submit an ICR renewal annually around the same time, and within six months of the firm's fiscal year end; no other updates to the ICR will be allowed during the year. Firms will not be able to add employees or change DSR during the ICR review; this is to be done through the annual DSR review and the Add Employee Process.

Fee Schedule Review (FS)

Small firms may be granted an exception to the above reviews. This exception is limited to very small firms that, due to the nature of their business operation, are unable to calculate a FAR-compliant indirect cost rate. *Note: Simply not having an indirect cost rate does not qualify a firm for this exception.*

Each Consultant requesting fee schedule status will be evaluated on a case-by-case basis, and CDOT will make the final determination of whether or not a firm qualifies for this exception. An evaluation of the reasonableness of the firm's rates will still be conducted; however, the documentation requirements are substantially reduced.

Required Documents (*see Appendix A for descriptions of these documents*)

Appendix A

AASHTO Internal Control Questionnaire (*AASHTO ICQ*)

Appendix G - Employee Listing (*as a signed pdf*)

Invoices (*at least three, current within six months, from different non-CDOT projects, identifying the hourly rates charged*)

Payroll Registers

If you believe your firm may qualify for this exception, contact CDOT Audit at dot_audit@state.co.us for consideration.

CDOT Audit Division Review Process

CDOT Audit will perform risk-based testing to provide assurance to CDOT Contracts that the rates to be included in the MPA are fair and reasonable and in compliance with 48 CFR Part 31 and 23 CFR Part 172. Depending on the option chosen to obtain an MPA (described in the previous sections), this testing may include:

Verification of Technical Qualification

A firm cannot obtain or renew their MPA unless their technical qualification with CDOT is current. CDOT Contracts oversees this process; **CDOT Audit is not involved with technical prequalifications**. For additional information, see Section I: Background.

Fair and Reasonableness Testing of DSR

CDOT Audit will compare the DSR to salaries for comparable positions using a CDOT Audit-created salary database. This database includes rates compiled from up to three independent, nationally published, regionalized compensation surveys. Additional procedures may also be performed.

Payroll Testing of DSR

CDOT Audit will compare the DSR to payroll registers provided by a firm to ensure the DSR proposed are the actual rates being paid to the employees.

ICR Testing

CDOT Audit will review the ICR calculation to ensure compliance with 48 CFR Part 31 focusing on, but not limited to, review of direct vs indirect and allowable vs unallowable costs. This will also include a reconciliation of indirect costs to the firm's financials (Trial Balance) and a review of executive compensation. For this testing, CDOT Audit relies heavily on the AASHTO Uniform Audit and Accounting Guide.

CDOT Audit will be in contact with the Consultant throughout the review process. Any questions or changes to rates will be discussed and agreed upon by both parties prior to the MPA being established/renewed.

Establishment of the MPA

When CDOT Audit completes its review of the financial qualification package:

1. CDOT Audit documents the results in a report to CDOT Contracts.
2. CDOT Contracts establishes the MPA document and obtains the required signatures.
3. Once all the required signatures are obtained, CDOT Contracts provides the firm with the executed MPA document. As of the effective date on that document, the firm may begin using the rates listed within the MPA.

III. Preparing the Financial Qualification Package

Consultants must email all required financial qualification documentation to dot_audit@state.co.us; no hard copies will be accepted.

All documents should be compiled and emailed at one time; review of a firm's financial package will not commence until all documents have been received.

Firms are responsible for ensuring all documents are completed in their entirety, are free of errors, and are signed; incomplete or incorrect documents will delay the review process. Particular attention should be given to the questions in the AASHTO ICQ; discrepancies between the answers given and the information contained in the backup documentation will be questioned and cause unnecessary delays.

Audited ICR Requirements

If a firm has received revenue from CDOT projects (as a prime and sub consultant) of \$500,000 or more in their previous calendar year, the firm must obtain an audited ICR. This means a CPA must audit the firm's ICR and prepare an audit report offering an opinion on the ICR's compliance with 48 CFR Part 31. It is the firm's responsibility to understand their contract and revenue situation, and anticipate and plan for the possibility of an audited ICR being required if the \$500,000 threshold is exceeded.

Field Rate Requirements

If a firm calculates a Field ICR in addition to a Home Office ICR, both rates must be included in the MPA even if the firm does not expect to utilize the Field ICR on CDOT projects. Depending on the nature of the work the firm does for CDOT, CDOT Contracts may require the use of a Field ICR. Any questions regarding whether a Field ICR is required should be directed to CDOT Contracts.

IV. Resources

2016 AASHTO Uniform Audit & Accounting Guide

This booklet contains detailed, generally accepted interpretations of 48 CFR Part 31 and the requirements within. It has information on standards, accounting system requirements, cognizant reviews, allowability of costs, how to prepare an ICR, and other essential information. Many of CDOT Audit's review procedures are based on information in this guide. This is also where firms will find the AASHTO ICQ. *Note: The 2016 Guide has a small cost (less than \$20). The 2012 Guide is free, and while sections within the Guide were updated in 2016, the ICQ is the same in both the 2012 and 2016 editions.* As of November 2017, both the 2012 and 2016 versions can be found by doing a web search of the name of the guide.

<http://www.ecfr.gov/cgi-bin/ECFR?page=browse>

This website contains the Electronic Code of Federal Regulations. Here you will find the actual regulations in their entirety. The relevant sections are Title 48 Part 31 and Title 23 Part 172.

<https://www.codot.gov/business/Consultants>

This CDOT website contains links to information regarding MPAs, technical qualification, the supplier self-service portal, and the most current documents and information for these programs. Please visit this website prior to preparing your financial package to ensure you are following the most current guidance and using the most current version of all documents. **Following outdated procedures and/or using old versions of documents will cause a delay in your review.**

APPENDIX A

Section I - Required Documents for Financial Qualification Review

Complete the appropriate list below based on the type of review you are requesting. Sign and date at the bottom.
 Email all documents to: dot_audit@state.co.us

Full MPA Reviews

ICR Firms* - No Cog**

- Appendix A
- AASHTO Internal Control Questionnaire (AASHTO ICQ)
- Appendix F - Certification of Indirect Cost Rate
- Appendix G - Employee Listing (one in Excel, one as a signed pdf)
- Payroll Registers
- Current FYE FAR ICR Audit Report or Compilation
- Executive Compensation Analysis
- Post-Closing Trial Balance
- Financial Statements
- Sample Timesheet
- Bonus Policy
- Normal Cost of Ownership Schedule (if applicable)

ICR Firms* - With Cog**

- Appendix A
- AASHTO Internal Control Questionnaire (AASHTO ICQ)
- Appendix F - Certification of Indirect Cost Rate
- Appendix G - Employee Listing (one in Excel, one as a signed pdf)
- Payroll Registers
- Current FYE Cognizant Review Letter
- Current FYE FAR ICR Audit Report

Fee Schedule Firms***

- Appendix A
- AASHTO Internal Control Questionnaire (AASHTO ICQ)
- Appendix G - Employee Listing (as a signed pdf)
- Invoices (at least 3 current non-CDOT projects)
- Payroll Registers

* ICR Firms are firms that have either a compiled or CPA-audited indirect cost rate (the majority of firms working with CDOT)
 ** A "Cog" is a cognizant review letter
 *** Fee Schedule status must be approved by CDOT

Decoupled Reviews

DSR Only Reviews

- Appendix A
- AASHTO Internal Control Questionnaire (AASHTO ICQ)
- Appendix G - Employee Listing (one in Excel, one as a signed pdf)
- Pay Raise Certification (if applicable)
- Payroll Registers
- Executive Compensation Analysis

ICR Only Reviews

- Appendix A
- AASHTO Internal Control Questionnaire (AASHTO ICQ)
- Appendix F - Certification of Indirect Cost Rate
- Appendix G - Employee Listing (as a signed pdf)
- Current FYE Cognizant Review Letter (if applicable)
- Current FYE FAR ICR Audit Report or Compilation
- Executive Compensation Analysis
- Post-Closing Trial Balance
- Financial Statements
- Sample Timesheet
- Bonus Policy
- Normal Cost of Ownership Schedule (if applicable)

Section II - Nature of Revenue

Revenue from CDOT Projects (as prime and sub, less pass-thru funds)	\$
Revenue from other customers (as prime and sub, less pass-thru funds)	\$
Total Company Revenue	\$
Percentage of Revenue Earned From:	
DOT-Related Projects	%
Non-DOT Governmental Projects	%
Private/Commercial Projects	%

Section III - Certification

I certify that I have provided all the required documents indicated above and have completed this form in its entirety. To the best of my knowledge, the information provided is complete and accurate.

Printed Name _____ Title _____
 Signature _____ Date _____

APPENDIX A DOCUMENT DESCRIPTIONS

Appendix A - The checklist used to ensure all required documents are included. It also describes the nature of the Consultant's revenue, and serves as a signed certification by the Consultant that all submitted documents are accurate.

AASHTO Internal Control Questionnaire (ICQ) - Serves as a report on the Consultant's internal controls, payroll/job costing/accounting system, and certain policies/procedures. It is found in the AASHTO Uniform Audit & Accounting Guide, Appendix B.

Appendix F Certification of Indirect Cost Rate - The Consultant certifies that the ICR was calculated in accordance with 48 CFR 31.

Appendix G Employee Listing - Lists all employee names, classifications, and rates (including the ICR) that the Consultant is requesting to be in the MPA. Once approved, a signed copy is attached to the MPA.

Appendix G Employee Listing (Fee Schedule) - Lists all employee names, classifications, and billing rates that the Consultant is requesting to be in the MPA. Once approved, a signed copy is attached to the MPA. This version is for approved Fee Schedule Consultants only.

Payroll Registers - Must be directly from the Consultant's payroll system, and should be within a month of when the MPA documents are submitted.

Cognizant Letter (Cog) - Typically issued by the home state DOT, this letter states that a review was conducted of either the CPA work papers or the Consultant's calculation of the ICR, and that the ICR was found to materially conform to 48 CFR 31. The Cog must be based on the most current fiscal year end; if it is more than 1 year old, a new Cog must be obtained.

FAR ICR Audit Report or Compilation (ICR Schedule) - Shows the calculation of the ICR, including all accounts, adjustments, and unallowable costs. It is typically accompanied by notes explaining the methods used by the Consultant to accumulate costs and make adjustments. The ICR must be based on the most current fiscal year end; if it is more than 1 year old, a new ICR Statement must be obtained. See the tables at the end of Chapter 5 of the AASHTO Uniform Audit & Accounting Guide for examples of how this schedule should look.

Executive Compensation Analysis - Lists the total compensation of the top executives at the firm. A separate analysis of these individual's compensation is required per 48 CFR Part 31.205-6. Typically, the Consultant will compare the compensation to either compensation studies or the National Compensation Matrix (NCM). See Chapter 7.5 of the AASHTO Uniform Audit & Accounting Guide for details regarding how to conduct this analysis.

Post-Closing Trial Balance - Lists all primary accounts from the Consultant's general ledger and their year-end balances (after adjustments). Must be the same FYE as the ICR Schedule.

Financial Statements - Typically include the Balance Sheet, Income Statement, and Statement of Cash Flows. Must be the same FYE as the Trial Balance and ICR Schedule.

Sample Timesheet - A blank timesheet showing all available fields of entry.

Bonus Policy - If the firm has a written policy, please provide it. If not, please provide a brief explanation of how bonuses are determined, or if the firm does not pay bonuses, state that.

Normal Cost of Ownership Schedule - Schedule detailing the adjustment that is required if the Consultant pays rent to a related-party. See Chapter 8.23.B of the AASHTO Uniform Audit & Accounting Guide and 48 CFR 31.205-36(b)(3) for details regarding the costs that are allowable.

Invoices (Fee Schedule Consultants only) - The Consultant must supply at least three current (within six months) invoices from at least three different, non-CDOT clients.

Appendices B-E have been removed.

**APPENDIX F
CERTIFICATION OF INDIRECT COST RATE**

This certification is to provide assurance that the Indirect Cost Rate was calculated in accordance with the applicable cost principles contained in the Federal Acquisition Regulations (FAR) of Title 48, Code of Federal Regulations (CFR) Part 31.

CONSULTANT INFORMATION			
Legal Business Name:		Federal ID Number:	
Company Address:		City:	State: Zip Code:
Email Address:		Telephone Number:	
DECLARATION OF CERTIFICATION			
Indirect Cost Rate (ICR):		Office:	Field:
Date of ICR Determination: (mm/dd/yyyy)			
Fiscal Period Covered: (mm/dd/yyyy to mm/dd/yyyy)			
<p>I, the undersigned, certify that I have reviewed the ICR calculation for the fiscal period as specified above and to the best of my knowledge and belief:</p> <ol style="list-style-type: none"> 1) All costs included to establish the above ICR are allowable in accordance with the cost principles of the FAR of Title 48, CRF, Part 31. 2) This ICR does not include any costs that are expressly unallowable under the cost principles of 48 CFR, Part 31. 3) All known material transactions or events that have occurred affecting the firm's ownership, organization, and ICR's have been disclosed. 			
CERTIFYING OFFICIAL			
<p>EXECUTIVE TITLE: President Vice President/Equivalent Chief Financial Officer</p> <p> Other Executive Title:</p>			
Name (Print):		Signature:	Date:

**APPENDIX G
EMPLOYEE LISTING**

< Company Name >

INDIRECT COST RATES & FCCM			
Office: XXX.XX%		Field: XXX.XX%	
Office FCCM: X.XX%		Field FCCM: X.XX%	

DIRECT LABOR RATES							
A. Employee Name (Last, First - alphabetical)	B. Consultant's Employee Classification	C. Conversion to CDOT Classification	D. Current Hourly Rate	E. Indirect Cost Rate		F. Billing Labor Rate	
				Office	Field	Office	Field
						\$0.00	\$0.00
						\$0.00	\$0.00
						\$0.00	\$0.00
						\$0.00	\$0.00
						\$0.00	\$0.00
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						\$0.00	\$0.00

CERTIFYING OFFICIAL			
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I certify that to the best of my knowledge and belief this Employee Listing is a complete and accurate representation of this company's payroll.

Name (print):	Signature:	Title:	Date:
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This is an example only. Please see the CDOT Consultant website here:
<https://www.codot.gov/business/Consultants/forms> for the most current, fillable version of this form.