

## Documents Required Prior to Cost Negotiation Meeting

### A. Indirect Cost Rate:

The following order of precedence has been established for consideration of available and acceptable indirect cost rate(s) data for Prime consultant and each subconsultant: Indirect cost rate schedules must be compliant with 48 Code of Federal Regulations (CFR), Chapter 1, Part 31 (including but not limited to, prepared on the ACCRUAL BASIS, unallowable amounts must be identified in a separate column, and a related reference to the appropriate CFR citation to support why unallowable) and consistent with the format as shown in AASHTO's Uniform Audit and Accounting Guide.

#### 1. Provide the following documentation for each consultant's most recently completed Financial Fiscal Year (12-month accounting period).

- a. For contracts whose total value equals or exceeds \$3,500,000, the following two documents will be acceptable from the Prime consultant. CPA audited ICR documents shall not be older than one year at the time cost negotiations begin.
  - i. State DOT Cognizant Letter of Concurrence of the indirect cost rate(s),  
OR
  - ii. Independent Certified Public Accountant (CPA) audited Indirect Cost Rate Audit Report.
- b. For subconsultants on contracts whose total contract equals or exceeds \$3,500,000, or for Prime and subconsultants on contracts whose total contract value is less than \$3,500,000, the following documents may be acceptable. ICR documents shall not be older than six months before the most recently completed fiscal year.
  - Independent CPA audited Indirect Cost Rate Audit Report, if available,  
OR
  - State DOT Cognizant Letter of Concurrence of the indirect cost rate(s),  
OR
  - Indirect Cost Rate(s) evaluated on a prior Caltrans or Local Agency contract, OR
  - Internally generated Indirect Cost Rate(s) schedule developed in accordance with the CFRs, and prepared by staff knowledgeable about the CFRs.

Examples related to 12-month accounting period:

- Fiscal year ends December 31, 2012. By June 30, 2013, CPA audited or internally generated rate, whichever applies, for 2012 must be available.
  - Fiscal year ends March 31, 2012. By September 30, 2012, CPA audited or internally generated rate, whichever applies, for fiscal year ending March 31, 2012 must be available.
- c. For consulting firms (both prime and subconsultants) who have not developed indirect cost rates in accordance with the Federal Cost Principles,

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the Federal Highway Administration (FHWA) has developed a national indirect cost rate, the "Safe Harbor" indirect cost rate (SHR) of 110%, for use by eligible consulting firms. The use of the SHR is voluntary for all eligible firms. Firms electing to use the SHR are required to submit the following:

- Consultant Certification of Eligibility; and Contract Costs and Financial Management System for Federal-Aid Highway Projects
- Questionnaire for Evaluating Consultant's Financial Management System For Federal-Aid Highway Projects

These forms and additional information regarding the SHR are available on the [A&E Contract Information](#) website.

### 2. Other documentation from both Prime and subconsultants, regardless of total contract value:

Completed Internal Control Questionnaire (ICQ), Appendix B of AASHTO Uniform Audit & Accounting Guide. (Appendix B has been updated. Use updated form provided on the [California Inspector General](#) website.

Note: The information contained in the ICQ and the accounting period should be consistent with the accounting period associated with each consultant's indirect cost rate(s).

### 3. Questions to be addressed at the negotiation meeting regarding the Prime and each sub-consultant's Indirect Cost Rate(s):

- a. Does your cost proposal show the overhead rate from your last completed Financial Fiscal Year? If not, why?
- b. Has your firm offered or accepted any other overhead rate(s) that are different from the overhead rate(s) proposed for Contract xxAxxxx within the past year?
- c. If Caltrans is providing office space and/or equipment, and the scope of work requires a Field Office rate, was an applicable rate used in your cost proposal? If not, please prepare a rate in accordance with the Federal Acquisition Regulation (FAR) and guidance provided by the AASHTO Guide. The contract will not be executed unless you develop a Project Specific rate.\

## B. Payroll Records and Accounting Practices:

1. Certified payroll information showing the salary breakdown, including fringe benefit statements for prevailing wage employees, as of **xx/xx/xxxx** (the date RFQ xxAxxxx was advertised). This information will be used to verify the hourly rates for all personnel shown in the cost proposal.
2. If payroll record is not available for newly hired employees, please provide copies of offer letters and available pay stubs.
3. Copy of each firm's exempt/non-exempt policy.
4. Copy of each firm's overtime policy and how it applies to exempt and non-exempt employees; detail application of policy in ICQ.

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### **C. Discussion Item to be addressed at the negotiation meeting regarding the Prime and each subconsultant's Payroll Records and Accounting Practices:**

1. Prepare to discuss the use of "Part-Time" employees, as well as "Temporary/Seasonal/On-call" employees. These are separate categories.
2. Prepare to identify any named individuals on the Labor Cost Proposal whom are temporary/seasonal/part-time employees. Similarly, prepare to identify any classifications on the Labor Cost Proposal that you intend to fill with temporary/seasonal/on-call employees.

### **D. Other Direct Cost (ODC) Charges:**

1. ODCs, which are costs other than direct labor that can be identified specifically with a project or final cost objective (48 CFR, Chapter 1, Part 31.202 and 31.203).
  - a. Provide tabulated backup documentation to justify the unit cost for any Other Direct Cost item not listed as an actual cost. All costs should be based on actual historical costs and used for all cost objectives.
  - b. Provide a schedule listing costs billed to all clients listed as an ODC; include schedule in ICQ.
2. Discussion item to be addressed at the negotiation meeting regarding the Prime and each subconsultant's ODC items:
  - a. If ODC's are included in the cost proposal for in-house items/services at in-house rates, e.g., printing, company/leased car mileage, GPS/Survey Equipment, Mobile Scanners, Lab testing, etc., be prepared to discuss how like charges are excluded from the indirect cost pool for this contract/project.
  - b. In-house items/services at in-house rates should be supported with actual historical cost data and used for all cost objectives.

### **E. Resumes and Duty Statements:**

1. Provide duty statements for all classifications shown in the cost proposal.
2. Provide resumes for all individuals named in the cost proposal that were not included in the Statement of Qualifications (SOQ).

### **F. Miscellaneous Items:**

Provide a description of any information (excluding information shown in the actual salary column) contained in this cost proposal that is different from any other cost proposal your firm has submitted since January 1, xxxx.

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### G. Provide Documents:

Provide each item to DPAC A&E Coordinator, (fill in) \_\_\_\_\_,  
for review as soon as you receive it from your team members. If you have any  
questions, please contact your DPAC A&E Coordinator at (fill in first\_last name)  
\_\_\_\_\_@dot.ca.gov.