



## Minnesota Department of Transportation

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### Office of Audit

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To Responders

Dated: July 21, 2004

In reply refer to:  
Pre-award Audit Information Request Response

Dear Responder:

When responding to a Mn/DOT Request for Proposal or to a request for Pre-Award Information after selection, you are required to provide the information requested in the attachments to this correspondence.

Items attached are:

1. A listing of twelve items with brief descriptions that must be provided in their most current form for the purposes of the pre-award audit.
2. A check list to be used as a cover sheet to the pre-award response package. The form shall be signed by the preparer.
3. A work sheet for development of the overhead rate. This worksheet is a simplified format and is not intended to be all inclusive. It only provides a procedural guide.
4. A listing of disallowed costs for overhead calculations. These are either explanations of the interpretation of FAR regulations or Mn/DOT policy related modifications.
5. A certification of overhead rate development.

**Items 3-5 not required for Contracts using fixed hourly rates, unit prices or a fee schedule.**

The pre-award requirements are incumbent upon all subconsultants in your proposal. It is the prime consultant's responsibility to coordinate their submittals. All submittals shall be submitted through the Mn/DOT designated proposal receiver identified in the RFP.

Sincerely,

Bruce Kalland, CPA, CGFM  
External Audit Manager

## PRE-AWARD AUDIT INFORMATION

**The minimum amount of information that the Audit Section must have for pre-award audit evaluations of a Consultant is as follows:**

1. Business address of the firm with name and phone number of appropriate contact person(s) for accounting and auditing related issues.
2. Description of company's accounting system. Submit a brief summary of company's accounting system (i.e., cash vs. accrual, manual vs. computerized, etc.).
3. Explanation of how direct expenses identifiable to a specific project are handled (e.g. purchased services, travel, etc.). Are they:
  - a. Included in overhead accounts?
  - b. Segregated into direct expense accounts and not included in overhead.
4. A list of the firm's general ledger accounts (Chart of Accounts).
5. Examples of the company's completed timesheet(s) and expense report(s).
6. Current actual hourly labor rate ranges for the various employee classifications. If fixed hourly rates are used, list the billing rates that are inclusive of labor, overhead and profit. In addition, documentation justifying/supporting the fixed hourly rates.
7. A copy of the audited financial statements shall be submitted or tax return for a sole proprietorship. If not available, submit financial statements prepared by or for the company.
8. A list of the firm's shareholders and the percentage of stock owned by each shareholder.
9. State the company's fiscal year.

**The following information is necessary for the establishment of a Mn/DOT Overhead Rate. Overhead rate developments must be in accordance with the Code of Federal Regulations, Title 48, Subpart 1-31, Contract Cost Principles and Procedures.**

10. All overhead rate developments must include dollar amounts for each line item. Calculate a percentage of total indirect expenses to direct labor. Use the company's most current fiscal year figures.
11. Accounts and amounts listed for the development should conform to the general ledger accounts and tie into the financial statements. If the general ledger does not agree with the financial statements, company worksheets reconciling the amounts must be submitted.
12. The consultant shall indicate if an audited overhead rate has been established by another state, federal agency, or CPA firm. If so, the consultant should indicate the audited rate, the period the audit covered, the entity which did the audit, a contact person at the entity, and authorize access to the report and working papers. A copy of the audit report shall be furnished with the financial proposal.

If you have any questions about the audit information required, please contact Bruce Kalland, External Audit Manager, at (651)366-4130.

**NOTE:**

Companies using fixed hourly rates, unit prices or a fee schedule need only provide responses to items 1-9.

When proposing fixed hourly rates, list the fixed hourly rates for each employee classification included in item 6.

In addition, documentation (schedules, overhead rate and other financial information) justifying/supporting fixed hourly rates or unit prices must be included.

Educational institutions and entities using negotiated indirect cost rates approved by a federal agency can omit items 7, 8, 10 and 11.

PRE-AWARD AUDIT INFORMATION CHECKLIST

	<u>Date Last Submitted</u>	<u>Is Info. Current Yes/No *</u>
1. Contact Person		
2. Accounting System Description		
3. Direct Expenses		
4. Chart of Accounts		
5. Timesheet & Expense Report		

\* - If no, submit current information.

	<u>Date Last Submitted</u>	<u>Is This Info. For Your Most Current Fiscal Year Ended Yes/No **</u>
6. Hourly Rate Ranges		
7. Financial Statements		
8. Shareholder List		
9. Fiscal Year		
10. Overhead Rate Development		
11. Gen.Ledger/Fin.Stmts. Reconciliation		
12. Copy of Overhead Rate Report		

\*\* - Not valid if more than 2 fiscal years old.

\_\_\_\_\_  
Preparer's Signature & Date

Company: \_\_\_\_\_

COMPANY NAME \_\_\_\_\_

OVERHEAD RATE FOR THE YEAR ENDED \_\_\_\_\_

	<u>Dollar Amount</u>
Indirect Labor (2)	\$
Payroll Taxes	
Incentive Plans/Bonuses	
Rent	
Utilities	
Insurance	
Telephone	
Legal & Accounting	
Dues & Subscriptions	
Office Supplies	
Travel	
Depreciation	
Postage	
Miscellaneous	
Total Indirect Costs	\$ =====
Direct Labor Base (1)	\$ =====
Overhead Rate as a Percent of Direct Labor	=====

(1)  $\frac{\text{Annual Salary}}{2,080 \text{ hours}} = \text{Hourly rate}$

Hourly rate x Hours directly identifiable to Projects = Direct Labor for employee

Direct labor for all employees = Direct Labor Base

(2) Total Company Payroll - Direct Labor Base = Indirect Labor

**THIS IS AN EXAMPLE ONLY. The breakdown should correspond to the company's general ledger accounts.**

## UNALLOWABLE COSTS PER THE FEDERAL ACQUISITION REGULATIONS

The following items are not allowable as indirect costs per the Federal Acquisition Regulations.  
This list is not all inclusive.

FAR REFERENCE	UNALLOWABLE COSTS
31.205-1(f)(7)	Advertising and Public Relations Costs and Costs of Memberships in civic and community organizations
31.205-3	Bad Debts and Related Costs
31.205-6(b)(2)(i)	Bonuses to those with a financial interest in the company.
31.205-6(m)(2)	Personal Use of Company furnished Automobiles
31.205-8	Contributions or Donations
31.205-12(c)	Research and Development and Engineering costs designed to lead to new products for sale to the general public.
31.205-14	Entertainment Costs and Costs of Memberships in social, dining, or country clubs, or other organizations having the same purpose.
31.205-15	Fines and Penalties
31.205-16	Gain or Loss on Sale of Assets
31.205-17	Idle Facilities
31.205-19(a)(2)(vi)	Insurance on the lives of officers, partners, or proprietors where the company is the beneficiary.
31.205-20	Interest and Other Financial Costs
31.205-23	Losses on Other Contracts
31.205-27	Organization Costs
31.205-33(d)	Professional and consultant service costs and directly associated costs incurred in connection with organization and reorganization, defense against Government claims or appeals, or the prosecution of claims or appeals against the Government.
31.205-41(b)(1)	Federal Income and Excess Profits Taxes
31.205-49	Goodwill
31.205-51	Alcoholic Beverages

Also refer to official Mn/DOT policies on the following:

- (1) Documentation of Eligible Costs when Commingled with Ineligible Costs
- (2) Compensation for Personal Services
- (3) Bonuses
- (4) Public Relations and Advertising Costs
- (5) Direct Selling and Marketing Costs

Copies of the Federal Acquisition Regulations and the official Mn/DOT policies are available upon request.

**CERTIFICATION OF OVERHEAD RATE DEVELOPMENT**

I certify that to the best of my knowledge the attached overhead rate development is prepared in accordance with Title 48, Subpart 1-31 of the Code of Federal Regulations and is based on the company's books of accounts for the fiscal year ended \_\_\_\_\_.

Firm: \_\_\_\_\_

Name of Corporate Official: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_