

**Safe Harbor Rate
Questionnaire for Evaluating Consultant's Financial Management System
For Federal-Aid Highway Projects**

Consultant Name: _____

Headquarter Address: _____

Location of Accounting Records: _____

Company Contact for Accounting System Questions :

Name: _____

Title: _____

Phone Number: _____

Email Address: _____

Mailing Address: _____

Purpose:

This questionnaire is a tool for the Department of Transportation (Caltrans) to evaluate the adequacy of the Consultant's financial management system to accumulate and track direct labor and other direct costs by contract, segregate indirect costs, and remove unallowable costs.

Instructions:

1. This questionnaire should be completed by personnel (e.g. accounting staff) with working knowledge of the Consultant (Company)'s financial management system.
2. Answer all questions and provide an explanation and additional supporting documentation where requested.
3. For "No" responses, provide an explanation.
4. If additional space is required, please attach a separate sheet and refer to items being answered by number.

IT IS IMPORTANT TO BE AWARE THAT MANY REQUESTS FOR THE USE OF THE SAFE HARBOR INDIRECT COST RATE ARE DENIED DUE TO FAILURE TO PROPERLY COMPLETE THIS DOCUMENT.

References:

- Title 48 Code of Federal Regulations (CFR) Part 31 -Federal cost principles (48 CFR Part 31)*
- Title 48 CFR Chapter 99, Subchapter B - Procurement Practices and Cost Accounting Standards*
- Title 23 United States Code (U.S.C.), Chapter 1, Section 112 - Letting of Contracts*
- Title 23 CFR, Chapter 1, Part 172 - Procurement, Management, and Administration of Engineering and Design Related Services*
- American Association of State Highway and Transportation Officials (AASHTO) Uniform Audit & Accounting Guide (2012 Edition)*

Definition of Terms:

Cost objective is an agreement/contract, function or organizational subdivision, or other work unit for which the costs of processes, products, jobs, or projects are accumulated and measured. An "intermediate cost objective" is a cost objective used to accumulate costs that are subsequently allocated to one or more indirect cost pools and/or final cost objectives.

Direct cost is any cost that is identified specifically with a particular cost objective. Direct costs are not limited to items that are incorporated in the end products as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified with other final cost objectives of the contractor are direct costs of those objectives. (48 CFR Part 31.202)

Indirect or overhead cost is any cost that is not directly identified with a single final cost objective, but is identified with two or more final cost objectives or with at least one intermediate cost objective. (48 CFR Part 31.203)

Indirect cost pools are groupings of incurred costs identified with two or more cost objectives but not identified specifically with any final cost objectives. (48 CFR Part 31.001)

1. What form of business entity is the Company?

- Sole Proprietorship Partnership C Corporation S Corporation
 Other _____

2. What types of services will the Company provide for this contract? (e.g., architectural and engineering services, program management, construction management, feasibility studies, preliminary engineering, design engineering, surveying, mapping or architectural related services with respect to a highway construction project)

3. Does the Company have prior government contracting experience? Yes No

If yes:

a. Was the contract with a local agency, state agency, federal agency? Yes No

If "Yes", please provide the performance period of the most recent contract.

Beginning _____ Ending _____

b. Was the contract(s) funded in whole or in part with Federal-aid highway funds? Yes No

c. Did the company account for and bill costs in accordance with 48 CFR Part 31? Yes No

If "No", please explain why not?

4. What is the company's fiscal reporting period? (Start Date _____ End Date _____)

Has the company used the same fiscal reporting period for the past two years? Yes No

5. What kind of accounting software does the Company use?

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

6. What basis of accounting does the Company use to prepare general purpose financial statements?

- Cash Accrual Hybrid Please explain "Hybrid" _____

If response above is not "Accrual", are year end accrual adjustments made for compliance with generally accepted accounting principles? Yes No

If yes, please provide a listing of the accrual adjustments made.

7. Does the general ledger contain separate direct and indirect accounts for the following?

Note: Billable means labor, materials costs and other reimbursable costs and items that are stipulated in the contract and are in compliance with the Federal regulations.

- a. Accounts for billable direct Labor costs Yes No
b. Accounts for non-billable direct Labors costs Yes No
c. Accounts for billable other direct costs (ODCs) Yes No
d. Accounts for non-billable ODCs Yes No
e. Accounts for allowable indirect costs Yes No
f. Accounts for unallowable costs per 48 CFR Part 31 Yes No

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

Note: This will support that all direct costs are accounted for and traceable from the job cost ledger to the general ledger.

If any responses are "Yes" to items "a" through "f", please provide a copy of the Company's chart of accounts (account listings) and identify account numbers/names (i.e. account series/grouping, categories) for the cost items listed below.

- a. Accounts for billable direct Labor costs _____
- b. Accounts for non-billable direct Labors costs _____
- c. Accounts for billable other direct costs (ODCs) _____
- d. Accounts for non-billable ODCs _____
- e. Accounts for allowable indirect costs _____
- f. Accounts for unallowable costs per 48 CFR Part 31 _____

8. Do you have written policies on the following cost categories?

- a. Billable direct labor costs Yes No
- b. Non-billable direct labors costs Yes No
- c. Billable other direct costs (ODCs). Yes No
- d. Non-billable ODCs. Yes No
- e. Allowable indirect costs. Yes No
- f. Unallowable costs per 48 CFR Part 31. Yes No

If "No", please explain: _____

9. Knowledge of requirements for an adequate financial management system.

- a. Are appropriate personnel within the Company familiar with 48 CFR Part 31 -Federal Cost Principles?

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

- c. When does the review for allowability of costs occur? Is it at the time the transaction is recorded or later?

10. Is indirect and direct labor separated by contract/project/cost objectives on employee timesheets? Yes No

If "Yes", please provide a copy of an approved timesheet that shows indirect and direct labor separated by contract/project/cost objectives.

11. Are contracts/projects assigned a unique identification/project number in your accounting system? Yes No

If "Yes", please provide a complete list of current active contracts/projects with their respective identification number.

12. Do the Company's timesheets include reporting codes for both direct and indirect hours? Yes No

If "Yes", do all employees, including managers and principles, record all worked hours for both direct and indirect on their timesheets? Yes No

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

13. 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/projects?

Please see AASHTO Audit Guide Chapter 5.4.F.2 for reference.

- 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 employee who are exempt from the Fair Labor Standards Act?
 - Effective Rate Method. Please explain: _____
 - Salary Variance Method (Effective or Standard Wage Rates). Please explain. (e.g., What was the total dollar amount of the salary/payroll variance for the year?): \$ _____
 - Other. Please explain: _____

14. How does the Company segregate costs incurred (work performed) under the original agreement/contract and costs incurred under contract changes/modifications/amendments?

15. Besides labor, what other costs does the Company normally bill/invoice as direct contract/project costs?

Does your response include a complete list of all items you intend to bill/invoice for? Yes No

If "No", please provide a listing of all those ODC items to be charged to the contract/project.

16. Based on your answers above to questions 7-15, is your financial management system **capable of accumulating, allocating and summarizing costs including direct and indirect (including labor), unallowable**, and ODCs by contract/project in accordance with the Federal cost principles? Yes No

If "Yes", please provide a sample report from a currently active contract/project showing the accumulation, allocation and summarization of direct labor and ODCs by contract/project, **if applicable**.

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

- N/A (no job-cost ledger used)
- No. Please explain. _____
- Yes. If "Yes", how often? (Check all that applies.) Monthly Quarterly Semiannually Annually

18. As an attachment please describe (narrative or flow chart) your process for approving, recording, and invoicing contract costs to ensure compliance with applicable federal and State laws and regulations.

I certify that to the best of my knowledge and belief the responses to this questionnaire are accurate.

Print Name

Signature

Title

Date Completed