FLORIDA DEPARTMENT OF TRANSPORTATION
REIMBURSEMENT RATE AUDIT GUIDELINES

PROCUREMENT OFFICE

2017 Version

FLORIDA DEPARTMENT OF TRANSPORTATION
REIMBURSEMENT RATE AUDIT GUIDELINES

OVERVIEW

FDOT POLICIES AND REQUIREMENTS
Explains what is required of administratively qualified consultants and new consultants seeking qualification. This section gives details on the contents of CPA prepared Reimbursement Rate Audit Reports and the Department's accounting and auditing requirements.

Reference SECTION, 112.061, FLORIDA STATUTE (F.S.)
http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0100-0199/0112/Sections/0112.061.html

Per diem and travel expenses of public officers, employees, and authorized persons, are limited by the provisions of Section 112.061, F.S. The statute applies to direct expense travel costs.

Reference UNIFORM AUDIT & ACCOUNTING GUIDE, 2012 Edition
http://audit.transportation.org/Documents/UAAG-3%20FINAL.pdf
2016 Edition:
https://bookstore.transportation.org/item_details.aspx?ID=2625

The American Association of State Highway and Transportation Officials (AASHTO) Audit Subcommittee developed this guide with assistance from the American Council of Engineering Companies (ACEC) Transportation Committee and the Federal Highway Administration (FHWA). The purpose of the guide is to provide a tool that can be used by individual state auditors, consulting firms and public accounting firms that perform audits of consulting firms. The primary focus of the guide is auditing and reporting on the indirect costs and resultant overhead rates of consultants who perform engineering and other professional services for state highway agencies.

Due to constant revision of the Federal Acquisition Regulations (FAR), Subpart 31- Contract Cost Principles and Procedures is not included with the guidelines. The FARs may be obtained from the Internet at: https://www.acquisition.gov/far/.

The US Treasury Prompt Payment Act Interest Rates for the calculations of the facilities capital cost of money rate are also available on the Internet at: https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/rates.htm

These *Guidelines* and other references and policies may be accessed from the Procurement Office home page: http://www.fdot.gov/procurement

Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

JIM BOXOLD
SECRETARY

Foreword

Rule Chapter 14-75, Florida Administrative Code, requires professional consultants to have an adequate job cost accounting system and to submit an annual rate audit as a prerequisite to qualify to perform work for the Florida Department of Transportation. The information contained in the following pages was developed to provide guidance to consultants and to the auditors who will be conducting the audits. The Department's Office of Inspector General and Procurement Office prepared these guidelines.

Questions related to these guidelines should be directed to Jeffrey Owens at (850) 414-4539 or Jon Cook at (850) 414-4369. The guidelines are available on the Internet at http://www.fdot.gov/procurement/prequalification.shtm

Carla M. Perry

Carla Perry, P.E., Procurement Office Manager

January 2017

FDOT POLICIES and REQUIREMENTS

Part I – Introduction and Authority 1 – 4
Reimbursement Rates 3 – 4

Part II – Accounting Systems and Procedures 4 – 7
A. Job Cost Accounting Systems 4 – 5
B. Fee-for-Service Systems 5 – 6
C. Other Accounting Systems 6 – 7

Part III – New Consultants / Interim Rates 7 – 9
A. New Consultants 7
B. Accounting System Review Procedures 7 – 8
C. Interim Rates/ Consultant Reorganization 8 – 9

Part IV – Reimbursement Rate Audit Reports 9 – 24
A. Reports Prepared by the Independent Auditor 9 – 10
1. The Independent Auditor's Report 9 – 10
2. Auditor's Reports on Compliance and Internal Controls 10
B. Statement of Direct Labor, Fringe Benefits and General Overhead 10 – 11
C. Assurances and Disclosures (Notes) 11 – 21
1. Basis of Accounting 12
2. Description of Accounting System 12 – 13
a. Job Cost Accounting System 12
b. Fee-for-Service Accounting System 13
c. Excluded Cost Reports 13
3. Estimates for Pricing Purposes 13 – 14
4. Accounting Treatment of Overtime 14 – 15
a. Uncompensated Overtime 14
b. Reporting Overtime Premium Costs 14 – 15

5. Field Offices and Field Office Allocation 15
6. Direct Expense Rate 16 – 21
   a. Background and Introduction 16 – 17
   b. Accounting / Auditing Requirements 17 – 19
   c. Reporting Direct Expenses and Rates 19 – 20
7. Facilities Capital Cost of Money 20 – 21

Part V – Minor Projects / Self-Certifications 21 – 24
"Self-Certification of Accounting System and Reimbursement Rate" 23 – 24

FDOT Policies and Requirements

Part I – Introduction and Authority

The procurement or acquisition of professional architectural, engineering, landscape architectural, surveying, and other professional services by agencies of Florida state government must be carried out in accordance with the "Consultant's Competitive Negotiation Act," codified as Section 287.055, F.S.. This broad statute, and several more specific, but consistent, statutes, establish the requirement that prospective providers of professional services must be "certified" as "qualified" prior to entry into a contract to provide services. Section 287.055 (3) (b) and (c), F.S. state and require:

> "(b)Each agency shall encourage firms engaged in the lawful practice of their professions that desire to provide professional services to the agency to submit annually statements of qualifications and performance data.
>
> (c) Any firm or individual desiring to provide professional services to the agency must first be certified by the agency as qualified pursuant to law and the regulations of the agency. The agency must find that the firm or individual to be employed is fully qualified to render the required service. Among the factors to be considered in making this finding are the capabilities, adequacy of personnel, past record, and experience of the firm or individual."

The implementing regulation promulgated by the Florida Department of Transportation is set forth in Rule Chapter 14-75, Florida Administrative Code, as amended. Rule 14-75.0022, Consultant Qualification Process, requires annual submittal of a "Request for Qualification Package for Professional Consultants," and provides:

> The Request for Qualification Package for Professional Consultants will include the following items:
>
> 1. An audit report prepared by an independent Certified Public Accountant or governmental agency. The audit report must be received by the Department within six months of the end of the fiscal year it addresses and will include the following:
>
> a. A statement indicating the existence of an adequate job cost accounting system that meets the Department's audit requirements, as evidenced by a certification by an independent Certified Public Accountant or governmental agency. The system must be adequate to support all billings made to the Department and other clients.
>
> b. A statement of reimbursement rates for indirect costs (overhead), direct expenses, and Facilities Capital Cost of Money (FCCM), including the direct labor costs, for the most recently completed fiscal year.

c. A statement that the consultant's method of estimating costs for proposals is consistent with the accounting system.

d. A statement that the audit was performed in accordance with generally accepted auditing standards and the *Government Auditing Standards,* published by the U.S. Government Accountability Office, which are hereby incorporated by reference.

The application must also include proof of professional liability insurance and a description of the firm's capabilities and staff, together with a request for pre-qualification to perform work in specific workgroups. The Rule also provides exceptions from the "audit report" requirement for newly organized, or newly reorganized, consultants and for consultant's seeking prequalification to prepare or review business damage estimates under Work Group 22, and those seeking prequalification for minor projects, with fees under $500,000.

These *Guidelines* are intended to provide guidance in preparing audit reports for submission to the Florida Department of Transportation. The *Guidelines* take their authority from having been incorporated into the Department's administrative regulation. Nonetheless, the *Florida Reimbursement Rate Audit Guidelines, 2017*, are guidelines, not laws or rules. When the *Guidelines* are intended to help consultants and CPAs comply with requirements which are based in laws or rules, we have attempted to indicate the source of the requirement.

In addition to certification of the adequacy of the accounting system, the purpose for the audit report requirement in the Request for Qualification Package is to facilitate the establishment and acceptance of reimbursement rates to be applied in contracting with the consultant in the upcoming year. The Department accepts three separate reimbursement rates; an overhead rate for the reimbursement of indirect costs, a direct expenses rate for reimbursement of non-labor direct costs, and a facilities capital cost of money rate (FCCM) to reimburse the consultant for "opportunity costs" lost when investing in plant and facilities. There is no "cap" on audited reimbursement rates. The Department's adoption of the "direct expense rate" in particular, and to a lesser extent the acceptance of a separate FCCM rate, makes the audit reporting requirements for the Florida Department of Transportation, unique. These *Guidelines* are intended to increase awareness and understanding of both national standards and the Department's unique requirements.

Reimbursement Rates

All of the Department's reimbursement rates are based on the consultant's reported direct labor base for the audit year. It is the policy of the Florida Department of Transportation that there must exist a consistent direct labor base for calculation of overhead rates, direct expense rates, and FCCM rates. It is expected the direct labor base stated for the "Home Office" and, if applicable, the "Field Office" in the Statement of Direct Labor, Fringe Benefits, and General Overhead, or the Schedule of Indirect Costs, will be used as the base for calculating the direct expense rate and FCCM rate. Some audit reports propose reimbursement rates based on an allocation basis different from direct labor. The Department typically does not accept any rates using an alternative allocation base; the costs included within the supporting allocation pool are accepted, but these costs are generally allocated using the direct labor base. In an individual contract negotiation the reimbursement rates will be applied in relation to an amount of negotiated direct labor based on staff-hours of effort and the average wage rate of the job classes.

The Department reimburses a consultant's indirect costs of contract operations using an **overhead rate**, often referred to as a **combined overhead rate**. The "combined" rate is the total of the "Fringe Benefit" costs and the "General Overhead" costs in relation to the direct labor base. Fringe benefits are non-salary or wage costs associated with employees and employment taxes and are always treated as indirect costs by the Department. Reports which are prepared in accord with Cost Accounting Standards often report certain Fringe Benefit costs as direct expenses. The Department will accept direct and indirect reimbursement rates consistent with the Consultant's reporting. General overhead includes all other indirect costs, including Indirect Labor. For any of these sources the overhead rate envisions a measure for the reimbursement of indirect costs. Within any particular contract the Department makes no effort to reimburse the "actual" indirect costs; the historical rate from the most recent audit year is used to estimate the indirect costs to be incurred in the current year. Although some multi-year contracts do provide for in-term adjustment of the overhead rate to be applied, costs and reimbursements for indirect costs are not subject to subsequent adjustment based on the audit determination of the amount of "actual" indirect costs for the past period. There is an implicit assumption that the overhead rate will remain within an acceptable range from year to year.

All professional services contracts negotiated since October 1, 2003 have included reimbursement of direct expenses by application of a **direct expense rate** based on the audit listing of direct costs in relation to the direct labor base. The direct costs incurred under a contract with the Department will generally be reimbursed as one of three component parts of total direct costs: negotiated direct labor, including employees and non-employees fulfilling the contractor's man-hour commitments; subcontracts and extraordinary items reimbursed on the basis of invoiced actual costs; or on the basis of the pre-established direct expense rate, paid as a consequence of the invoicing of direct labor as part of the contract multiplier. See the additional discussion of the direct expense rate disclosure in Part IV C. 6. of these *Guidelines*.

The Federal Acquisition Regulations, 48 CFR 31.205-10, provides that the "cost of money" is allowable where "the estimated facilities capital cost of money is specifically identified and proposed in cost proposals relating to the contract under which the cost is to be claimed." (emphasis added). The Department has established a Facilities Capital Cost of Money (FCCM) reimbursement rate which requires no demonstration that the particular facilities will be used on any specific Department contract. The FCCM rate reimburses the cost of maintaining the facilities necessary to perform professional services for the Department, instead of investing the capital in other opportunities. There is a single FCCM rate for the firm as a whole, based on total direct labor (Home + Field). FCCM is determined from the "average net book value" of the consultant's capital assets and rates covering six month periods established and published by the U.S. Office of Management and Budget. FCCM rates are applied in Department contracts in the same manner as overhead and direct expense rates, based on negotiated, and invoiced, "direct labor" for the contract.

Part II – Accounting Systems and Procedures

To meet FDOT standards, an accounting system must separate and accumulate direct and indirect costs, and must be adequate to support billings to the Department and other clients (F.A.C. 14-75.0022 (3)(c)1.a.). The accounting system should include a suitable set of records (journals, ledgers), a reporting system, and the written policies and procedures used to process and record business transactions. Again, the capability to identify and separately report direct and indirect costs is the first and primary Departmental requirement for consultant accounting systems. A direct cost is typically any cost that can be identified to a single cost objective (job, contract, project), regardless of whether it is allowable or billable. Any cost not directly identified to the production of a specific product or service, but an essential cost of doing business, is classified as an indirect cost.

The decision on whether certain costs should be recorded as direct or indirect depends largely on the consultant's normal and customary practices. Once this determination is made and documented in the written policies, the consultant's accounting procedures must be consistently followed in classifying, accumulating, and reporting costs.

Accounting system and basis of accounting disclosures and assurances are required in Reimbursement Rate Audit Reports submitted to FDOT. Please see the discussion of the required elements of these disclosures and assurances in Part IV C.1. and 2. of these *Guidelines*.

A. Job Cost Accounting Systems

In the vast majority of professional services contracts negotiated and awarded by the Department, the consultant is basically providing direct labor by the hour. When the consultant has the expectation of billing direct labor by the hour, the consultant **must**

maintain and utilize a **job cost accounting system** to identify costs to specific contracts. The identification and accumulation of costs to specific contracts is necessary in order to "support all billings made to the Department and other clients" as required in F.A.C. Chapter 14-75.

An acceptable job cost accounting system must meet the following minimum requirements:

1. A general ledger in which direct and indirect costs are separated and accumulated.
2. A payroll system supported by time sheets that clearly identify project and account numbers charged (direct and indirect cost accounts).
3. Agreement between employee time sheets, hours recorded on labor distribution reports, and the hours and dollars summarized in the payroll records.
4. A job cost ledger or job cost report in which costs directly related to specific jobs or projects are recorded, with current period and project-to-date totals for labor hours and job costs.
5. A job cost ledger or job cost report which supports and agrees with the direct costs contained in the general ledger. Periodic reconciliation of job cost ledgers and the cost reports with the general ledger must be conducted.

B. Fee-for-Service Accounting System

Some consultants provide well defined services for a set price rather than billing hourly labor charges. For consultants who bill exclusively on a fee-for-service basis and maintain a published fee schedule, a formal job cost accounting system is not required. These consultants must still maintain an accounting system which segregates direct and indirect costs and can trace and support services provided to individual contracts, but they need not have the capability of reporting their costs to a particular contract. Fee-for-service consultants must demonstrate that they charge the Department the same unit rates per their fee schedule as they charge other clients for the same services.

Attempts to establish a "loaded labor rate," even if the rate is specifically associated with a particular specialty, is not the same as establishing a fee for a "service." "Services" are final products or completed processes which can be measured as deliverable units. Loaded labor rates are hourly labor rates which commonly include mark-ups for overhead and profit which replace and substitute for the audit-based overhead, direct expense, FCCM rates, and the operating margin negotiated by the Department. Loaded labor rates are billed as labor by the hour and a job cost accounting system is required.

Consultants maintaining a published fee schedule and billing on the basis of fees for deliverable services are required to maintain an accounting system with the following essential elements:

1. Costs in the general ledger must be separated between direct and indirect costs.
2. Ability to track deliverable services by job in a subsidiary ledger on a unit rate (fee schedule) basis.
3. Use of time sheets and other documents supporting direct and indirect costs.
4. Records substantiating invoicing of deliverable units on a unit rate (fee schedule) basis.

C. Other (Mixed) Accounting Systems

Some consultants provide services which do not fit easily into either the "labor hour" or "fee-for-service" models. Certain consultants provide services for which the largest component of cost is equipment rather than labor and have proposed cost-based hourly rates for these services. When the costs associated with the services are so great that inclusion of the costs in the direct expense rate calculation would unreasonably skew the direct expense rate for contracts not utilizing the service, the Procurement Office will approve use of a cost-based rate for the service. Other consultants may conduct the majority of their business using a published fee schedule on a fee-for-service basis but, nonetheless provide certain other services on a labor hour basis. **Consultants billing the Department for labor by the hour must maintain and operate a job cost accounting system.** However, the consultant's accounting system, and the annual Reimbursement Rate Audit Report, must isolate and exclude from the reimbursement rate calculations the costs associated with fee schedule services or specialized services billed at the cost-based rates.

The costs of specialized services and fee schedule services contracted by and billed to the Department are paid as part of the rate or fee; these costs may not be included in the costs, particularly the direct costs, to be reimbursed to the same consultant for services provided on a labor by the hour basis. The indirect costs associated with an hour of direct labor is relatively the same whether the hour is devoted to a Department contract billed by the hour or devoted to subsurface utility exploration, a specialized service which may be paid under a cost-based rate. However, direct costs, including both direct labor and the direct costs includable in direct expenses listings, will vary widely by function or service performed. For example, the Department may contract for a series of aerial images on a fee schedule basis and a separate interpretation report to be billed by the hour. The costs of the airplane, pilot, photographer, and other costs incurred to produce the deliverable images are paid as part of the fee and should not be included in the direct expense pool or the reimbursement rate applied to the hours invoiced for the consultant's photo interpreter.

These and similar circumstances have required acceptance of an exception to the Department's policy requiring a consistent direct labor base for use in calculating all reimbursement rates. Where a consultant reports cost-based rates for certain operations, or does not bill exclusively from a published fee schedule, the accounting

system, and the annual report, must segregate and separately accumulate the direct costs of providing the cost-based or fee schedule operations. In calculating the audit-based direct expense rate, the direct labor attributable to these operations must be subtracted from the overall direct labor base and all direct costs attributable to the operations must be excluded from the qualified direct expenses for the cost center (Home or Field). The resultant rate will more accurately reflect the direct costs normally incurred in providing a contracted hour of direct labor. See Part IV C. 2. c. and Part IV C. 6. of these *Guidelines* for a further discussion of the necessary disclosures and assurances and the reporting of direct expenses.

Part III – New Consultants / Interim Rates

A. New Consultants

Consultants who have been in business for less than one complete year may submit their Request for Qualification Package for Professional Consultants with a projected overhead, direct expense, and FCCM rate, and a request for an Accounting System Review, in lieu of an independent audit report. The projected rates must be supported by an estimate of direct labor, fringe benefits, general overhead, and direct expense costs for the first, upcoming fiscal year of operation. The Department's Procurement Office will initiate an Accounting System Review to determine the capability of the consultant's accounting system to meet the Department's audit requirements and to support potential billings made to the Department and other clients. Based on a determination of accounting system adequacy, the Procurement Office will review the cost estimates, make appropriate disallowances if necessary, and establish interim reimbursement rates for use in the consultant's first year of operation (See discussion of Interim Rates in Part III C., below). After the completion of the first fiscal year of operation, the consultant is required to submit a Reimbursement Rate Audit Report prepared by an independent Certified Public Accountant as part of the annual renewal Request for Qualification Package.

B. Accounting System Review Procedures

The following procedures are generally used by the Department's Procurement Office to review the accounting system and projected reimbursement rates of a newly organized consultant when an independent audit report is not available. Accounting System Reviews are intended to verify that the consultant's accounting system meets the system requirements and Department expectations listed and discussed in Part II A. of these *Guidelines*. Additional information concerning the standards, process, and performance of Accounting System Reviews is available on the Procurement Office website: http://www.fdot.gov/procurement/prequalification.shtm.

1. Telephone/E-mail Interview:

a. The Consultant is contacted by telephone/E-mail to obtain a preliminary understanding of the firm's accounting system.

b. Inquiries are made about the consultant's timekeeping, payroll procedures and job cost accounting system.

c. If the system appears to be adequate, a submission of documents is requested.

2. Documents Needed for Submittal

a. Time Sheets

b. Payroll Records

c. Labor Distribution Reports

d. Job Cost Ledger or Job Cost Report

e. Summary of Job Cost Reports

f. Chart of Accounts

g. General Ledger

3. Approval of Accounting System

The Procurement Office will review all documentation submitted or presented and may initiate such tests and system trials as may be deemed appropriate or necessary. The Procurement Office will issue a memorandum to the consultant providing the overall results and determinations of the review. If the system is approved, the memorandum will include a statement that the system is approved and will include the interim reimbursement rates accepted for use in the first fiscal year of operation. If the system is disapproved the memorandum will include an explanation of what needs to be done for the system to be approved.

C. Interim Rates / Consultant Reorganization

In addition to interim rates accepted upon completion of an Accounting System Review, when a consultant undergoes reorganization and determines that the reimbursement rates supported by the pre-reorganization audit do not reasonably reflect the costs anticipated for the operating costs of the "new" organization, the consultant will establish interim rates for use during the remainder of the fiscal year preceding the scheduled audit of the new organization. The request for interim rates must include a declaration of the fiscal year end for which an independent auditor's report will be prepared. The request for interim rates must be supported by the most current financial information and forecasts available to the consultant. The Department's Procurement Office will review the available financial information and establish appropriate interim reimbursement rates for use in contracting with the consultant prior to receipt of the next annual Reimbursement Rate Audit Report.

Interim rates established pursuant to the consultant's request, whether established following an Accounting System Review or reorganization, may be applied for a period not to exceed eighteen months and are subject to maximum cap limitations set by the Department's Procurement Office. Audit based reimbursement rates are not capped.

Part IV – Reimbursement Rate Audit Reports

The audit which forms the basis for Reimbursement Rate Audit Reports submitted to the Department in support of a consultant's application for prequalification shall be performed by an independent Certified Public Accountant, an agency of the Federal government, another state transportation agency or similar independent audit organization. Reimbursement Rate Audit Reports consist of five component parts. The independent Certified Public Accountant is responsible for three components, two of which are often combined: The Independent Auditor's Report, sometimes referred to as the Opinion letter, and the Auditor's Reports on Compliance and Internal Controls, often combined into a single document. The Auditor's Report must state the auditor's Opinion on the parts of the Reimbursement Rate Audit Report that are the responsibility of management: a Statement of Direct Labor, Fringe Benefits and General Overhead, or similar schedule of indirect costs, and the accompanying Notes to the financial statement.

The Reimbursement Rate Audit Report must have as its subject organization the same legal entity seeking to be prequalified to contract with the Department. The report must provide information on the costs and operations of the contracting entity in order to establish reimbursement rates appropriate for the prospective contractor/consultant and because of privity of contract issues. Financial information for a parent corporation is not suitable to establish reimbursement rates for a subsidiary corporation. The audit information must apply to the corporate entity applying for prequalification.

A. Reports Prepared by the Independent Auditor

1. The Independent Auditor's Report

The Independent Auditor's Report is an almost "boilerplate" letter with minor variations from one audit firm to the next. However, the "clean Opinion" report is near boilerplate because the standard language contains a number of statements and assurances which are required for compliance with the current *Government Auditing Standards*. An Independent Auditor's Report and an auditor's Report on Compliance and Internal Controls which meet the applicable requirements are referenced in Chapter 11 of the AASHTO Uniform Audit & Accounting Guide. The Independent Auditor's Report need not mirror the example reports but it must contain each of the following elements found in the example reports:

a. Identifies the issuing agency or firm (letterhead);

b. Audit or examination performed as basis for Opinion;

c. Audit or examination performed in accord with *Government Auditing Standards;*

d. Fiscal Year end within 18 months of application date;

e. Basis of accounting practices statement cites FARs and may cite "other federal and state regulations;"

f. An Opinion paragraph.

g. Reference to the Reports of Compliance and Internal Controls.

2. Auditor's Reports on Compliance and Internal Controls

The Report on Compliance and the Report on Internal Control and Financial Reporting together with the Description of Accounting System Note (See Part IV C. 2., below) provide the auditor's evaluation of the adequacy of the consultant's accounting system. Although many CPA firms prefer to issue these reports separately, the combined reports referenced in Chapter 11 of the AASHTO Uniform Audit & Accounting Guide, are acceptable to the Department. When the Reports of Compliance and Internal Controls contain findings of reportable conditions, whether material or not, the Department prefers that the Management Response letter, stating management's position with regard to the finding, be included with the Reimbursement Rate Audit Report. If reportable conditions are found and the Management Response letter is not included, the Department may request submission of management's statement of concurrence or objection before completing review of the Reimbursement Rate Audit Report.

B. Statement of Direct Labor, Fringe Benefits and General Overhead

The Department prefers the designation "Statement of Direct Labor, Fringe Benefits and General Overhead" due to the increased emphasis on the requirement to specifically state the direct labor base for the audit period. The required contents and preferred format of the "Statement" are exactly the same as shown in Chapter 5 of the AASHTO Uniform Audit & Accounting Guide. Clearly, the name given to the listing of indirect costs is not a significant matter; however, when the example is not followed, the most common deviation is the omission of a clear declaration of the direct labor base.

The direct labor base is critically important to the Department in establishing reimbursement rates. The Department "accepts" the costs shown and listed in the statement, and in the Note on direct expenses, as the consultant's costs of doing business. Costs that are not accepted as the reasonable cost of doing business are not

included in rate calculations. The reimbursement rates are established based on the accepted costs, not on the consultant's rate proposal. Because the Department accepts direct or indirect costs, as opposed to rate proposals, audit reports proposing rates based on a distribution base other than direct labor can be accommodated and the cost pools can be considered in calculating rates. The base for calculating each rate is the direct labor base stated in whole dollars.

The Statement of Direct Labor, Fringe Benefits and General Overhead must include columns to show amounts determined to be unallowable costs and a reference to the associated FAR provision or Florida statute. The references should be expanded in footnotes or an attachment with more complete explanations of the reasons for disallowances. Discussions of the allowability of specific items of cost under Part 31 of the Federal Acquisition Regulations are set forth in Chapter 8 of the AASHTO Uniform Audit & Accounting Guide.

In the event the consultant is proposing rates for both the Home Office and a Field Office, the allocation of costs between the offices must be shown in detail. Again, the Department expects an allocation of costs, not a declaration of a rate. A detailed listing of Fringe Benefit costs is required, including the amount of each cost allocated between the Home and Field Offices. The Department prefers the allocation method described in Chapter 5 of the AASHTO Uniform Audit & Accounting Guide. Whether the consultant utilizes this methodology or not, the allocation outcome must be shown in whole dollars and the methodology utilized must be described in a Note to the financial statement. See Part IV C. 5. for a further discussion of this disclosure.

Since the introduction of the Department's direct expense rate, several consultants have submitted expanded Statements of Direct Labor, Direct Expenses, Fringe Benefits and General Overhead. Such reports presumably allow for the listing of all cost accounts and reconciliation to the consultant's Income Statement as well as removing the need for the Note on direct expenses. Such reports are acceptable so long as the division of direct costs between the Home and Field Offices is based on reports of the cost center actually incurring the costs rather than an allocation of company-wide costs. See the further discussion of the reporting of direct expenses in Part IV C. 6. of these *Guidelines*.

C. Assurances and Disclosures (Notes)

Although some of the following discussions reference specific Note numbers, there is no established or required sequence for the presentation of Notes to the financial statement. The required disclosures and assurances may be provided in any order deemed convenient or logical. In addition, the following listing and discussions is not intended to limit the range of Notes and disclosures management and the auditors may consider necessary or appropriate. See Chapter 11 of the AASHTO Audit & Accounting Guide for additional information.

1. Basis of Accounting

Statements and schedules which have been adjusted for disallowances required by the FAR have not been prepared in accordance with generally accepted accounting principles. The Notes to the financial statement must include an acknowledgement of this fact. The Basis of Accounting Note must be consistent with the basis of accounting assurance made in the Independent Auditor's Report. The following text, or other text incorporating the same essential elements, is normally included as part of Note 2 – Basis of Accounting and Description of Accounting Systems:

> **The Company's policy is to prepare its overhead schedules, which support the Statement of Direct Labor, Fringe Benefits, and General Overhead, on the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations (FAR). Accordingly, the above-mentioned Statement is not intended to present the results of operations of the Company in conformity with generally accepted accounting principles.**

Citation of the accounting practices prescribed by Section 112.061, F.S. is relevant and appreciated for audit reports which include the reporting of direct expenses, required by the Department. FAR compliant audits of indirect costs will be accepted, but no Consultant will be prequalified until the direct expense information has been provided or a direct expense rate of 0.0 percent will be assigned.

2. Description of Accounting System

The Notes must contain an accurate description of the type of accounting system maintained by the consultant. Consultants that bill their services measured in labor hours must maintain a job cost accounting system and should provide an assurance similar to the suggestion contained in subsection a., below.

a. Job Cost Accounting System

Florida Administrative Code 14-75.0022 (c) 1. a. requires the consultant's accounting system be adequate to support all billings made to the Department and other clients. If the consultant bills clients on the basis of labor hours, a job cost accounting system is required. The Basis of Accounting and Description of Accounting System Note to the financial statement, commonly designated Note 2, **must** contain the following text, or text containing the same essential elements, if the consultant bills for labor hours:

> **The Company maintains a job-order cost accounting system for the recording and accumulating of costs incurred under its contracts. Each project is assigned a job number so that costs may be segregated and accumulated in the Company's job-order cost accounting system.**

b. Fee-for-Service Accounting System

If the consultant bills exclusively on a fee-for-service, unit-rate basis and maintains a published fee schedule, a formal job-cost accounting system is not required. In these circumstances the assurance provided in the Note is that the consultant charges the Department the same scheduled rate for services as they charge to other clients for the same service. When the consultant bills from a published fee schedule, the Basis of Accounting and Description of Accounting System Note should contain the following text, or text containing the same essential elements:

> **The Company bills exclusively on a fee-for-service, unit rate basis and maintains a published fee schedule. The Company charges FDOT the same unit rates per the fee schedule as they charge other clients for the same services.**

c. Excluded Cost Reports

Consultants who, by agreement with the Department's Procurement Office and the Office of the Inspector General, have established cost-based rates for defined functions, or consultants who maintain a published fee schedule but do not bill exclusively from the schedule, must maintain a job cost accounting system for their hourly services. However, the direct costs of services billed on cost-based rates or scheduled fees, should be excluded from the calculation of direct expense rates. The accounting system description should include assurance of the segregation of the costs to deliver fee or rate based services from the costs associated with hourly services. The Basis of Accounting and Description of Accounting System Note should contain the following text, or text containing the same essential elements:

> **The Company maintains a job-order cost accounting system for the recording and accumulation of costs incurred under its contracts. Direct costs incurred in providing services billed to clients at unit rates or on the basis of a published fee schedule are charged by functional accounts and accumulated as a single project or grouping to allow segregation of such costs from other direct costs. The costs associated with the fee schedule services are not included in the indirect cost rate or direct expense rate. Each project is assigned a job number so that costs may be segregated and accumulated in the Company's job-order cost accounting system.**

3. Estimates for Pricing Purposes

Florida Administrative Code 14-75.0022 (c) 1.d. requires a statement that the consultant's method of estimating costs for proposals is consistent with the accounting system. This statement can be included as a separate Note or, more commonly, included in the Basis of Accounting and Description of Accounting System Note. If a Consultant's FAR compliant audit does not include this assurance, the Consultant will be required to provide the assurance separately. The text must be consistent with the Description of Accounting System text discussed in Part IV C. 2., above. The following text is suggested for use with a job cost accounting system:

> **The Company's method of estimating costs for pricing purposes during the proposal process is consistent with the accumulation and reporting of costs under its job-order cost accounting system.**

Proposal costs shown as direct costs in estimates provided to the Department must be recorded and accumulated as direct costs when incurred. Similarly, proposed direct labor man-hours accepted in contract negotiations must be invoiced and recorded as direct labor when incurred irrespective of whether performed by employees or non-employees.

4. Accounting Treatment of Overtime

There are two disclosures which are required in relation to the accounting treatment of overtime: the consultant's policy on the treatment of uncompensated overtime and the actual reporting in the Reimbursement Rate Audit Report of incurred overtime premium costs.

a. Uncompensated Overtime

Consultants are required to describe in the Reimbursement Rate Audit Report their policy addressing uncompensated overtime. Uncompensated overtime represents hours worked by salaried employees without additional compensation or compensatory time. See additional discussion in Chapter 5.4 F.2. and 3. of the AASHTO Audit & Accounting Guide.

b. Reporting Overtime Premium Costs

Overtime Premium costs must be separately accumulated in accounting records. The Department has taken the position that overtime premium costs are reimbursable costs of operation and may be included in direct expense and/or overhead cost listings in Reimbursement Rate Audit Reports. We anticipate that overtime hours are most commonly incurred in the performance of direct labor; therefore the costs of overtime premium will most often be reported as direct expense. If included in direct expense listings, these costs are included in the direct expense rate calculation and reimbursed based on each direct labor hour billed in future contracts.

However, the inclusion of overtime premium costs in the direct expense rate, or in overhead, made the advance negotiation and approval of overtime as an element of direct labor to be separately invoiced inappropriate as such approval would result in duplicative payment. In response to consultant objections to the preclusion of negotiated overtime, the Department has adopted a policy which allows consultants to choose the manner by which overtime premium costs will be reimbursed by the Department. Implementation of this policy requires that each consultant include in the Reimbursement Rate Audit Report a specific Note declaring their reimbursement preference, whether or not premium overtime costs have been incurred during the audit year.

The Note must declare that overtime premium costs have been, or would have been, included in the listing of direct expenses or overhead costs, <u>or</u> that these costs have been excluded from both listings and are therefore not reimbursed under either the direct expense rate or the overhead rate. This treatment should be consistent from year to year. Only upon the Noted assurance that overtime premium costs are not reimbursed by either of the Department's reimbursement rates do consultants become eligible for the advance negotiation of overtime as an invoicable element of direct labor.

5. Field Offices and Field Office Allocation

Consultants are not always able to perform contracted services from their established home or branch offices. Certain contracts may require establishment of offices in field locations or the consultant may be required to locate personnel in space provided by an FDOT District Office or other contracting authority. A Note is required stating whether the consultant maintained a Field Office during the audit period and, if so, describing the methodology utilized in the allocation of indirect costs to the Field Office.

The example and method for allocating indirect costs to a Field Office shown in Chapter 5 of the AASHTO Uniform Audit & Accounting Guide, is the Department's preferred methodology. However, the guideline methodology is not a required methodology. It is required that consultant allocations must have resulted from a reasonable and determinable allocation plan, consistently applied.

For example, specifically identified indirect expenses which directly benefit Field Offices may be allocated entirely to the Field Office overhead pool. Costs which are determined to be of no benefit to the Field Office may be, similarly, allocated entirely to the Home Office. Indirect costs benefiting the organization as a whole would be allocated between the offices using an identified, objective basis. The Departmental requirement is that the Note describe the allocation methodology used in sufficient detail that the

logic and order of the "reasonable and determinable allocation plan" can be understood.

6. Direct Expense Rate

a. Background and Introduction

Reimbursement Rate Audit Reports must include an audited listing of actual direct costs recorded in job cost reports and the general ledger for the audit period. All professional services contracts negotiated since October 1, 2003 have included reimbursement of direct expenses by application of a direct expenses rate based on the audit listing of direct costs in relation to the direct labor base. If the Consultant submits a FAR compliant audit report which does not include the required listing of direct expenses, the Consultant will be required to submit a supplemental schedule of these costs or a zero percent will be determined until the necessary direct expense related information is received and approved.

The direct costs incurred under a contract with the Department will generally be reimbursed as one of three component parts of total direct costs: negotiated direct labor, including employees and non-employees fulfilling the contractor's man-hour commitments; subcontracts and extraordinary items reimbursed as pass through costs on the basis of specific invoices; or on the basis of the pre-established direct expense rate, paid as a consequence of the invoicing of direct labor. With the exception of direct labor, extraordinary costs, and the costs of subcontracted work, the Department does not reimburse direct costs of professional services contracts based on invoiced actual costs. Nor does the Department commonly negotiate and contract to pay lump sum estimates of direct costs to be incurred under contracts.

Separate direct expense listings, and separate reimbursement rates, are required for Home and Field Offices. Field Office direct expenses may represent direct costs incurred in Field Offices on a corporate wide basis or costs incurred within a smaller cost center encompassing, at a minimum, all contracts and operations within the State of Florida. The cost center, or cost centers, representing the Field Office must be the same for determination and reporting of Field Office direct labor, overhead expenses, and Field Office direct costs. Field Office direct costs are to be accumulated and reported from job cost records for projects associated with Field Office operations or from separately maintained general ledger accounts for Field Office cost centers and are to represent the direct costs actually incurred by the Field Office. Allocation between the cost centers of general ledger balances common to both the Home and Field Offices is <u>not</u> acceptable as such

allocation will not reflect the direct charges actually incurred by either cost center. The Department recommends maintenance of separate general ledger accounts for the various Home Office and Field Office direct expenses. Direct expense listings are to be tested for allowability in accordance with the Federal Acquisition Regulations and are to exclude costs in excess of the per diem and travel expenses specified in Section 112.061, F.S. (See discussion in Section 2 of these *Guidelines*).

In April 2007, the Department accepted and implemented a recommendation from the FDOT/FICE Liaison Committee to reimburse the costs of rent and utilities for field offices established by the consultant as a direct project costs rather than through the field office direct expense percentage. This requires excluding all field office set up, mobilization, rent and utilities costs from the calculated field office direct expense percentage. Utilities costs are limited to electricity, gas, water, sewer and trash pick-up.

In November 2013, the Department implemented a policy modifying the treatment and reimbursement of permits for professional services consultant contracts. The cost of permits will be reimbursed as a separate direct project cost rather than through the direct expense percentage. This requires excluding all permit costs from the calculated direct expense percentage.

b. <u>Accounting / Auditing Requirements</u>

1. The direct expenses recorded in the general ledger must agree with the amounts posted in the job cost ledgers. Maintenance of separate general ledger accounts for Home Office and Field Office direct expenses is advised. Periodic reconciliation of job cost ledgers and the general ledger should be performed.
2. Actual costs must be posted to the job cost records despite the fact that the Florida Department of Transportation will reimburse direct expenses based on the pre-established direct expense rate determined from historical costs in the previous audit period. The incurrence, payment, and recording of costs is not to be effected by the current revenue stream.
3. Accounting for CADD, computer costs, and other costs formerly billed at established rates, must be consistent with the company's policies and procedures. If formerly billed as a direct project expense, these costs should be included in the direct expense listings and reimbursed as part of the direct expense rate but may be included, without duplication, as indirect costs

and reimbursed in the overhead rate. These expenses will not be reimbursed as a separate, invoiced cost.

4. Unusual and infrequently occurring items of direct expense which represent a significant percentage of a particular contract's total direct expenses may be negotiated as extraordinary expenses and reimbursed as pass through costs on the basis of invoiced actual cost. The minimum threshold for significant cost in considering requests for extraordinary expense treatment is currently $10,000. When such extraordinary expenses are reimbursed separately, these costs must be excluded from the direct expense pool reported for use in establishing future audit-based direct expense rates.
5. Direct expenses reported in Reimbursement Rate Audit Reports must be tested for the allowability of the costs in accordance with the Federal Acquisition Regulations (Part 31) and exclude costs in excess of the per diem and travel expenses allowed in Section 112.061, F.S.
6. For consultants maintaining Field Offices, a separate direct expense rate, and a separate listing of direct expenses, will be required for Home Office direct expenses and Field Office direct expenses. Direct expenses must be reported for the office actually incurring the costs and allocation between the Home and Field Offices of direct expenses accumulated in common general ledger accounts is not acceptable.
7. Subcontract costs and contract labor or consultants performing direct labor functions are considered as pass through direct expenses paid based on invoiced actual costs and are to be excluded from direct expense listings used in the calculation of direct expense rates.
8. The CPA's audit testing program should test the identification and proper recording of both direct costs and indirect costs.
9. When reporting direct costs incurred in an accounting system in which the consultant bills clients for cost-based rates or bills partially on a fee-for-service basis using a published fee schedule for some services, the costs incurred in providing the cost-based or fee schedule service must be segregated and reported separately in the Reimbursement Rate Audit Report. In the Note listing direct expenses and proposing a direct expense rate, the direct labor cost of providing services billed on a cost-based rate or scheduled fee basis must be subtracted from the consultant's direct labor base. The non-labor costs associated with providing services billed on a cost-based rate or scheduled fee basis may not be included in the direct expenses

listing for purposes of establishing a direct expense rate for the audit period.

10. For consultants maintaining a Field Office, the costs of rent and utilities are reimbursed as pass through costs on the basis of invoiced actual costs. Therefore, the costs of rent and utilities should be excluded from the calculated field office direct expense percentage.

11. Starting with the reporting period ended December 2013, the costs of permits should be excluded from the calculated direct expense percentage. Upon approval of the reimbursement rates, the costs of permits will be reimbursed as pass through costs on the basis of invoiced actual costs.

c. Reporting Direct Expenses / Direct Expense Rate

The Note to the financial statement containing the direct expenses disclosure, or the Supplemental Schedule of Direct Costs required if the audit report does not include the Note, must include a listing of the direct expenses, a statement of the costs disallowed, a total of allowable direct expenses, the direct labor base, and the proposed direct expense rate for the audit period. Depending on the format utilized, explanatory text may be needed to identify and report extraordinary items, or subcontract costs which were excluded, the basis for determinations of unallowability, and other matters aiding understanding of the report. The two-column example Note provided is the simplest acceptable format, both for the Note and for the supplemental schedule. Multiple-column formats are also acceptable, and preferred. If it is necessary to present both a Home Office and a Field Office direct expense listing, multiple column formats are recommended although successive presentation of the example format is acceptable. Multiple column formats may also have an advantage in indicating the accounts found to contain unallowable costs. An indication of the amount of unallowable costs is very important, regardless of the format used. A report of zero ($0.00) unallowable costs provides a clear indication the review was performed. If the zero is not shown, a narrative statement that a review was performed is needed. An example of an acceptable disclosure of direct expenses is shown at the top of page 21.

Note 7 – Direct Expense Rate

The company's home office direct expense rate was based on the direct costs accumulated in the job cost records and recorded in the following accounts in the general ledger.

Home Direct Expenses	Amount
Travel	$ 4,000
Telephone	$ 1,200
Copying & Printing	$ 1,500
Postage & Delivery	$ 1,000
Equipment	$ 4,500
Vehicle Rental	$ 4,200
Employee Mileage	$ 1,500
Other Charges – Misc.	$ 2,000
Total Direct Costs	$19,900
Unallowable Costs *	$ 1,200
Allowable Expenses	$18,700
Direct Labor	$145,000
Direct Expense Rate	12.89%

The Company had extraordinary items such as barge rental cost of $75,000 and SUE operation costs of $56,357 that is not included in the direct expenses listing.

* The unallowable costs that were removed from the direct expenses were costs in excess of the per diem and travel expenses allowed in Florida Statute 112.061. *(Or please specify the appropriate FAR provision)*

7. Facilities Capital Cost of Money

The Department reimburses the facilities capital cost of money with no requirement to demonstrate that any particular facility will be utilized in carrying out a specific contract with the Department. Therefore, the required Note need only state the average net book value of capital assets during the audit year. Only the net book value (cost – accumulated depreciation) of capitalized assets may be used. The FCCM rate is in addition to depreciation expense, normally taken as an overhead cost; the computed cost of money supports the FCCM rate only and may not be included in the overhead pool.

There is a single FCCM rate for each consultant as a whole. The average net book value of capitalized assets is multiplied by the average Prompt Payment Act Interest Rate for the twelve months of the audit period to produce the computed facilities capital cost of money for the period. The facilities capital cost of money is then divided by the total direct labor base (Home + Field) for the consultant to yield the FCCM rate, expressed in thousandths of a percent (5 decimal places). The example disclosure Note shown below differs very slightly from the example provided in Chapter 11 (11.2, H.) of the AASHTO Audit & Accounting Guide. Communication of the required information is the only requirement. Many CPA firms simply declare the FCCM rate they have computed. This practice will continue to be acceptable, but the Department prefers a statement of the average net book value of capitalized assets so that the monthly interest rates utilized can be checked.

Note 8 – Facilities Capital Cost of Money (FCCM)

The Facilities Capital Cost of Money Rate has been calculated in accordance with FAR Section 31.205-10, using average net book values of equipment and facilities multiplied by the average Treasury rates for the applicable period, as shown:

Beginning net capital assets	$40,000
Net capital assets, 12/31/__	$50,000
Total	$90,000
	/2
Average Net Capital Assets	$45,000
Average Treasury Rate	1.563%
Facilities Capital Cost of Money	$ 703
Direct Labor Base	$145,000
FCCM Rate (2,363/145,000)	**0.485%**

Part V – Minor Projects / Self-Certifications

Consultants requesting qualification for minor projects only, with contract fees under $500,000, or consultants qualifying solely to prepare or review business damage estimates under Work Group 22, are not required to submit an audit report or to request an accounting system review. Consultants prequalified only for minor projects are said to have “limited” contracting authority and need not have pre-established reimbursement rates at the time they enter contract negotiations with the Department. Each contracting authority within the Department may negotiate reimbursement rates appropriate for the specific contract being negotiated with a consultant having limited contracting authority.

Consultants with limited contracting authority but nonetheless desiring to pre-establish reimbursement rates for presentation to the Department during contract negotiations must submit a self-certified reimbursement rate request to the Department's Procurement Office. This request must contain the same cost information presented in a Reimbursement Rate Audit Report, but must be certified by a principal of the firm rather than a Certified Public Accountant. Overhead, Direct Expense and FCCM rates established following review of a self-certified reimbursement rate request are subject to the currently established maximum cap rates based on the Department's review of average audited reimbursement rates. Current maximum caps for the Department's reimbursement rates are found on the Procurement Office website at http://www.fdot.gov/procurement/news.shtm. Self-certified reimbursement rate requests should be reviewed by the Procurement Office.

If the consultant with limited contracting authority has not acted to pre-establish reimbursement rates prior to entering contract negotiations with a Department contracting authority, the contracting authority may require the consultant to complete and submit a self-certified reimbursement rate request. The Procurement Office will prepare a report of the reimbursement rates, subject to Department caps, supported by the financial information included with the self-certified reimbursement rate request. The report will be distributed to the consultant and the requesting Department authority. Reimbursement rates established in a review will be posted and made available for use by all Department contracting authorities.

Self-Certification of Accounting System and Reimbursement Rates

Self-certified reimbursement rate requests are to be prepared in the format entitled "Self-Certification of Accounting System and Reimbursement Rates" shown on pages 24 and 25, following. Page 1 of the format is a questionnaire concerning the consultant's accounting system and related information. Page 2 provides spaces to enter the reimbursement rates proposed by the consultant, including: a declaration of a period ended date within 16 months of the certification date; the direct labor base for that period; the consultant's proposed fringe benefit rate, general overhead rate, and combined overhead rate; the proposed direct expense rate; and the average net book value of capitalized assets. Page 2 also includes space for the signed certification of the information submitted by a principal of the firm. ***Additional sheets must be attached listing the indirect and direct expenses supporting the consultant's rate calculations. See Section 3 of Chapter 5 for examples of an Overhead Rate Schedule.***

SELF-CERTIFICATION OF ACCOUNTING SYSTEM AND REIMBURSEMENT RATES

Consultants Name: _____ Federal ID Number: _____

Contact Person: _____ Phone Number: _____

_____ E-Mail: _____

Qualifying For: Minor Projects (Under $500,000) ☐

Or: Work Group 22 ☐

Accounting Questionnaire

1. General:

What Fiscal Year is used by firm? _____

Statements on cash or accrual basis? _____

Do you use a Published Fee Schedule? (for all Customers) If so, please provide. _____

	Yes or No Response
2. Labor Costs (Time Sheets)	
Do all employees keep time sheets?	_____
Do time sheets indicate project and overhead accounts?	_____
Do employees sign time sheets?	_____
Are time sheets reviewed and signed by supervisors?	_____
Are payroll expenditures distributed to appropriate accounts based on time sheets?	_____
Is a payroll register prepared for every pay period?	_____
3. Reading Material	
Have you read Section 1, Part II of the FL Reimbursement Rate Audit Guidelines?	_____
4. Expenditures	
Are all expenditures identified and recorded in the General Ledger as overhead or direct costs?	_____
Are direct costs identified as direct charges to projects regardless of eligibility for reimbursement?	_____
Are costs associated with the fee schedule excluded from the indirect and the direct cost pools?	_____
5. Accounting for Costs and Expenses	
Does the General Ledger separate direct cost from indirect (overhead)?	_____
Is a job cost ledger or cost report maintained for every project?	_____
Is the amount of premium overtime included in the direct or indirect expense rates?	_____
6. Estimating Costs for Price Proposals	
Is the method of estimating costs for pricing purposes consistent with the accumulation and reporting of costs under your job cost system?	_____

SELF-CERTIFICATION OF ACCOUNTING SYSTEM AND REIMBURSEMENT RATES

RATE SUMMARY FOR YEAR ENDING: _____

Reimbursement rates are calculated by dividing total allowable costs by total direct labor costs. For these calculations, certain direct or indirect expenses, such as travel, mileage, interest, certain advertising costs, etc., must be limited or excluded in accordance with Florida Statute 112.061 or Federal Acquisition Regulations, sub Part 31.2. These regulations may be viewed on the Internet at www.arnet.gov/far/. If a field office is needed, a separate determination should be performed.

Description	Home Office	Field Office
Direct Labor Base	$ _____	$ _____
Fringe Benefit Rate	_____ %	_____ %
General Overhead Rate	_____ %	_____ %
Combined Overhead Rate	_____ %	_____ %
Direct Expense Rate	_____ %	_____ %

A listing of the fringe benefits and general overhead costs utilized in calculating the overhead rates shown above and a listing of the direct expenses utilized in calculating the direct expense rate shown above must be attached to this certification with any excluded items identified.

COMPUTATION OF FACILITIES CAPITAL COST OF MONEY (FCCM)

	Balance Start of FY	Balance End of FY
Net Capital Assets	$ _____	$ _____
Average Net Book Value (required)	$ _____	
Average US Treasury Rate	_____ %	
Facilities capital Cost		
(Average x Rate)	$ _____	
Direct Labor Base for Fiscal Year	$ _____	
FCCM Rate (Cost/Direct Labor)	_____ %	

CERTIFICATION

It is hereby certified that I have reviewed the information used to establish final indirect cost rates for the fiscal period as indicated in this form and to the best of my knowledge and belief:

1) All costs used to establish final indirect costs rates are allowable in accordance with the applicable costs principles of the Federal Acquisition Regulations (FAR) of Title 48, Code of Federal Regulations (CFR), part 31.
2) This submitted information (inclusive of indirect costs) does not include any costs which are expressly unallowable under the costs principles of the FAR of 48 CFR 31.

Additionally, I certify that all known material transactions or events that have occurred affecting the firm's ownership, organization, and indirect costs have been disclosed.

Also, it is hereby certified that the accounting system for this firm meets the minimum requirements set forth in Department Guidelines and that all information contained hereon, including attachments, is true and correct.

_____ (Signature)

_____ (Date)

_____ (Name and Title)

_____ (Company Name)

SECTION 2

FLORIDA STATUTE

112.061

Per Diem and Travel Expenses

FDOT Reimbursement of Per Diem and Travel Expenses

Florida Statute 112.061 sets the maximum reimbursement limits for Per Diem and Travel Expenses for public employees and "Authorized persons", including Consultants and Contractors working under professional services contracts with the Florida Department of Transportation. Although travel expenses are no longer reimbursed based on submission of travel vouchers as costs are incurred, the maximum reimbursement limits continue to apply. In establishing the direct expense reimbursement rates, the Department now relies on appropriate adjustment of the recorded costs of travel in the preparation of the CPA issued Reimbursement Rate Audit Reports.

The reimbursement limitations contained in F.S. 112.061 have been a prescribed "basis of accounting practice" for preparation of Rate Audit reports and are, generally, more restrictive than similar limitations referenced in the FAR, Section 31.205-46. Reports of direct expenses require adjustment of expenses to the limits provided in the statute. The Independent Auditor's Report commonly, almost uniformly, contains the following or similar assurance:

> "The accompanying statement was prepared on the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations and certain other federal and state regulations, as discussed in Note ?, and is not intended to be a presentation in conformity with generally accepted accounting principles." (*emphasis added*).

The "Basis of Accounting" discussion in the Notes, however designated, must be consistent. See further discussion in Section 1, Part IV C. 1. of these *Guidelines*.

It is the Department's position that the presence of the required assurance and reference is a declaration that amounts reported for per diem, travel expenses, mileage and other travel related costs appearing in the direct cost listings in the Rate Audit report have been appropriately adjusted to the amounts which would have been reimbursed if subject to the statute's limitations. The Certified Public Accountant issuing such a report must maintain workpapers demonstrating their consideration of the limits of F.S. 112.061 in relation to recorded costs in preparing the report.

F.S. 112.061(6) sets maximum reimbursement limits for per diem and subsistence. A traveler may be reimbursed either: 1. eighty dollars per diem; OR 2. the actual expenses for single-occupancy lodging plus thirty-six dollars for meals. As a practical matter per diem is only claimed for the final day of a travel period, when no lodging costs are incurred. F.S. 112.061(7)(d) limits mileage reimbursements to 44.5 cents per mile. With the exception of firms which predominantly contract with Florida government agencies or local governments and use the statutory limits in their regular business operations, the Department normally expects travel costs, especially direct travel costs, shown in Rate Audit reports will have been adjusted down from the costs actually paid.