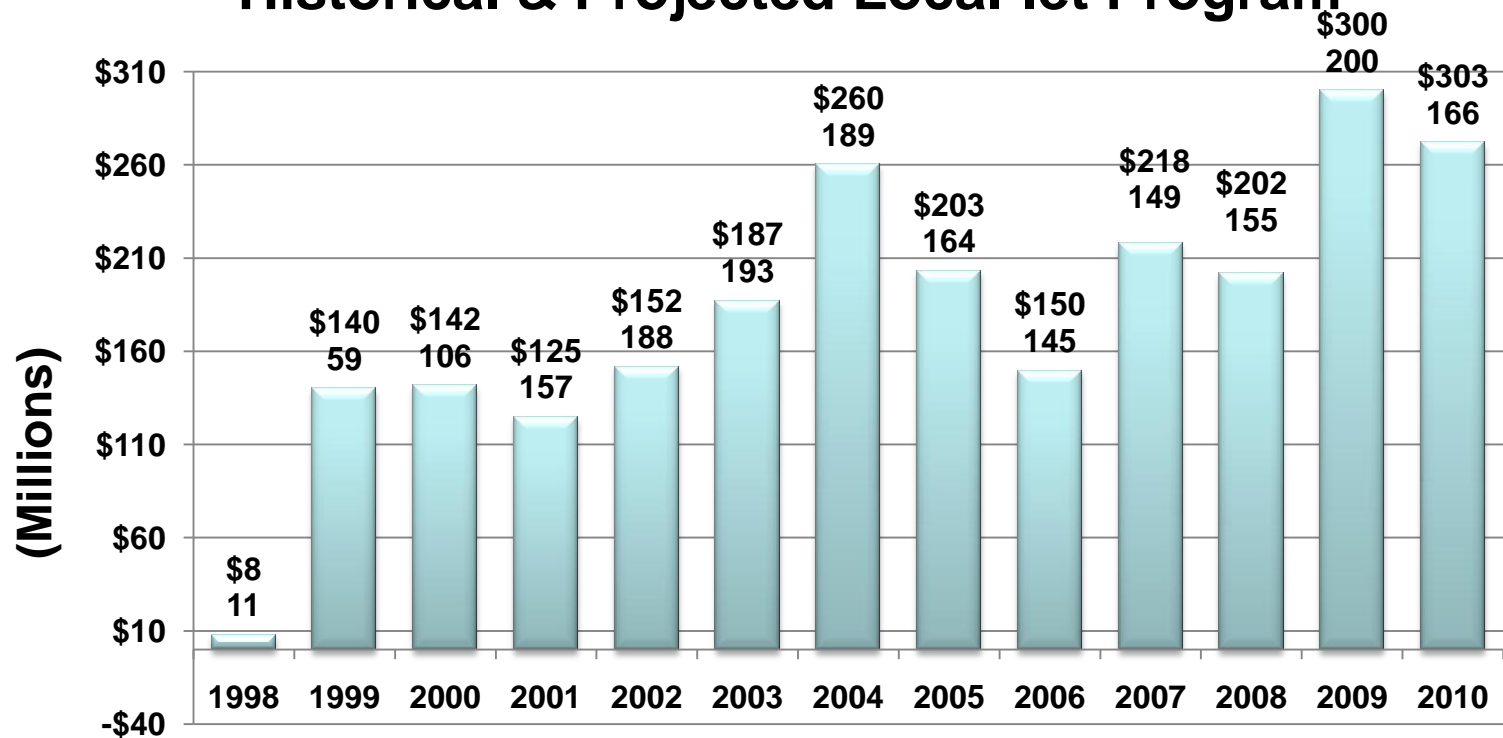


LOCALLY ADMINISTERED PROJECTS

Historical & Projected Local-let Program



ODOT / FHWA Stewardship and Oversight Agreement

- Title 23 U.S.C. does not recognize local entities as direct recipients of Federal-aid funds, ODOT is ultimately responsible and accountable for ensuring that Federal-aid requirements are met on all Local Public Agency (LPA) projects.
- Delegation of “Activities” not “Responsibilities”
- Extension of FHWA - ODOT will review and take actions necessary to assure local compliance with all requirements of State and Federal laws, regulations, and policies.



LPA Consultant Contract Management

ODOT may delegate all or some project activities to LPAs, whether or not Federal-aid is used for the activity:

- Environmental studies
- Procurement of consultant services
- Design
- Surveying
- Right of Way acquisition
- Work by railroads or utility companies
- Preparation of plans, specifications and estimate
- Preparation of bid proposal package
- Advertisement for letting
- Contract Administration
- Inspection

Common for LPAs to hire consultant services for these activities.



LPA Consultant Contract Management

- In accordance with Locally Administered Transportation projects Manual of Procedures and ODOT Consultant Contract Administration Manual.
- Applicable to those projects utilizing Federal funds to acquire consultant services for any phase of the project.



Consultant Services Oversight

- Revised Consultant Contract Administration Chapter for LATP Manual of Procedures February 2008
- Consultant Services oversight in all contracts over the \$25,000 small purchase threshold
 - Announcement of available contract on ODOT's website
 - Review LPA selection documentation (QBS)
 - Performance of pre-Award evaluation
 - Fee analysis, negotiation, and acceptance
 - Preparation of Consultant / LPA Agreement
 - Encumber funds
 - Authorize agreement



ODOT District Oversight

- Contracts not involving Federal funds must be selected in accordance with State law (ORC 153.65- 153.71)
- ODOT Prequalified Consultant



ODOT Policies

- Person in Responsible Charge in accordance with Participation Requirements – LATP Manual
- ODOT prequalified for services defined in ODOT's Consultant Prequalification Requirements and Procedures Manual
- ODOT Prequalification not required for services not defined however LPA still responsible to select based on QBS and applicable Federal requirements



ODOT Policies

- Separation of Interests – Consultant or sub consultant retained by an LPA may act as design engineer or perform construction contract administration / inspection but can not perform both.
- Design consultant may be retained to provide on-going construction phase services as an extension of design,
 - Assist in pre-bid questions
 - Attendance at pre-bid and construction progress meetings
 - Visit job site to monitor critical areas of work
 - Review shop drawings and evaluate change orders or claims.
- Waiver process available through ODOT Office of Local Projects in consultation with Consultant Services



ODOT Policies

- Federal Authorization to Proceed prior to the performance of any work for which Federal reimbursement is requested
- Separate Federal Authorization for Preliminary Development and Detailed Design. Environmental Clearance required prior to Detailed Design.
- Executing the Consultant / LPA Agreement prior to Federal Authorization will prohibit reimbursement



Laws and Regulations

Ohio Revised Code

Code of Federal Regulations

ODOT Internal Documents



ODOT Responsibilities

- 23CFR172 directs ODOT to require subrecipients of Federal funds (LPAs) to also comply with 23CFR172



ODOT Responsibilities

- 23 CFR 172 charges ODOT with oversight responsibilities for:
 - Selection Procedures
 - Negotiation of Fair and Reasonable Fee
 - Administration of Agreement



Federal Rules

- **23 CFR 172** - FHWA rules governing consultant selection and contract administration - invokes the Brooks Act; directs the contracting agency to give consideration to Disadvantaged Business Enterprises (DBEs) in the selection process
- **United States Code Title 40, Chapter 11** - Brooks Act - Requires qualifications based selection of consultants
- **48 CFR Part 31**, Contract Cost Principles and Procedures (Federal Acquisition Regulations)



Federal Rules – Questions and Answers

- **When must qualification based procedures (Brooks Act) be used for procuring design related services?**
- In general, when procuring design related services using Federal-aid highway funds and those services are directly related to a construction project. See Title 23 U.S.C. 112 for additional information.
- ODOT policy also requires that right-of-way acquisition and construction inspection/administration be treated as professional services subject to QBS rules.



Federal Rules – Questions and Answers

- **If there are no Federal-aid funds in the design services contract, are the federal qualifications based procurement procedures still applicable?**
- **No. If a State, county or city decides to fully fund the design contract; such entity may use its own procedures.**



Federal Rules – Questions and Answers

- **If a State, county or city does not use Federal-aid funds for the design contract and uses its own procurement procedures, is the related construction project(s) still eligible for Federal-aid funding?**
- **Yes. The rules for procuring engineering and architectural services are specific to the design contract that uses Federal-aid funds and not the total project.**



Federal Rules – Questions and Answers

- When Brooks Act procedures are required, what are the types of procurement procedures allowed?
- 23 C.F.R. Part 172 provides for four different procurement procedures: Competitive Negotiation; Small Purchase; Noncompetitive Negotiation and State Statutory Procedures.



Federal Rules – Questions and Answers

- Do engineering services contracts have to be advertised under competitive negotiation procedures?
- Yes. The contracting agency must, by public advertisement, assure that **in-state and out-of-state consultants** are given a fair opportunity to be considered for award of the contract. The advertisement must include the criteria that will be used to rate the firms for their competency and qualifications to perform the type of work requested. The advertisement should have a clear and precise statement of the work to be done and allow enough time for firms to submit a proposal.
- ODOT policy also requires that right-of-way acquisition and construction inspection/administration follow the same procedures.



Federal Rules – Questions and Answers

- **Can price be a selection criterion under the competitive negotiation procedures?**
- No. The cost cannot be a criterion during the evaluation phase of the selection process, unless specifically provided for in State statutes enacted and grandfathered into law prior to June 9, 1998.



Federal Rules – Questions and Answers

- Can price be used in the negotiation and final selection process?
- Yes.



Federal Rules – Questions and Answers

- **Can an in-state preference be used in the advertisement and selection phase?**
- No. The intent of the Brooks Act is to develop a wide pool of potential service providers to select from. Therefore, the use of in-state preference as a criterion cannot be used.
- Local preferences are also prohibited by this rule, including selection factors that refer to “past experience with the local government”.



Federal Rules – Questions and Answers

- **Can a locality preference be used during the selection phase?**
- Yes. Although a locality factor is not directly a qualification factor, a small locality preference criterion of 5, but no more than 10 percent, may be used. This criterion cannot be based on political boundaries and should be used on a project-by-project base for projects where a need has been established. Further, if a firm currently outside the locality criteria indicates as part of its proposal that it will satisfy that criteria in some manner, such as establishing a local project office, it should be considered to have met the locality criteria.



Federal Rules – Questions and Answers

- **Can a contract be modified to add work that was not included in the qualification based selection criteria used to evaluate proposals?**
- No. Any modification of the contract to add work beyond the scope of work the contractor was qualified for would in effect circumvent the Brooks Act qualification based evaluation and selection procedures
- Example: If a firm was selected for an environmental EIS and the selection criteria related to environmental work only, the contract could not be modified to include design tasks. However, if the selection criteria also included design elements for rating of the contract, then it would be permissible to modify the contract to include some design.



Federal Rules – Questions and Answers

Other Selection Procedures

- **What are small purchase procedures?**
- Small purchase procedures are simple procedures that may be used for the purchase of services that are below certain dollar limits. These procedures do not have to follow the Brooks Act.
- ODOT rules are based on a \$25,000 maximum fee per ORC 153.71



Federal Rules – Questions and Answers

- **What is the small purchase threshold amount?**
- The maximum contract amount allowed under small purchase procedures shall be the smaller of either the federal limit, which is currently set in 41 U.S.C. 403(11) at \$100,000, or the State's own small purchase limit.
- **ORC 153.71 Administrative rules.**
- Any public authority planning to contract for professional design services may adopt, amend, or rescind rules, in accordance with Chapter 119. of the Revised Code, to implement sections 153.66 to 153.70 of the Revised Code. Sections 153.66 to 153.70 do not apply to any of the following:
- (A) Any project with an estimated professional design fee of **less than twenty-five thousand dollars**;



Federal Rules – Questions and Answers

- **What happens if a contract modification causes a small purchase contract to exceed the federal threshold?**
- The full amount of any contract modification or amendment that would cause the total contract amount to exceed the federal small purchase threshold would be ineligible for Federal-aid. The FHWA reserves the right to withdraw all Federal-aid from a contract if it is modified or amended above the federal threshold.



Federal Rules – Questions and Answers

Compensation Methods

- **What compensation methods are allowed for Federal-aid contracts?**
- All payment methods that take into account the scope, complexity and estimated value of the professional services as required by the Brooks Act are allowed. The two listed exceptions in 23 CFR 172.5(c) are the cost plus a percentage of the cost and percentage of construction cost methods cannot be used.



Federal Rules – Questions and Answers

- Are lump sum and cost plus fixed fee payment methods still allowed?
- Yes.



ODOT LPA Procedures

- ODOT's Website Includes:
 - Sample RFPs – meet Federal requirements
 - Website posting of LPA RFPs
 - Policies for the Use of Consultants on Local Traditional Projects (When Federal Funds are Used in Consultant Contracts)



Selection Procedures

- Advertisement - Use ODOT's Website
- See "Policy" for RFP content
- Use ODOT sample RFP documents
- Document selection decision per "Policy"



Price Proposal

- Require that proposal be prepared in ODOT format
 - Ensures that fee calculations follow Federal guidelines



Price Proposal

- Specify the format/task list to be used in preparing the price proposal
 - Follow ODOT Project Development Process if applicable
 - Should match the agreement format
 - Consider contracting in stages for more complex projects



Fee Negotiation

- Negotiation must be “Fair and Reasonable”
- Contact ODOT to confirm indirect (overhead) and “Cost of Money” rates
- “Auction” techniques cannot be used
- Owner’s estimate must be based on sound methods: similar previous contract; internal cost of producing similar work



Consultant Contracts

- **Form of Agreement**

- Determining the most appropriate form of agreement at the outset of a project will contribute greatly to the overall success of the contract.
- **Lump sum** type agreements are most easily administered but are relatively inflexible in accommodating changes in the work.
- **Actual cost agreements** (costs plus a net fee) provide more flexibility but require relatively more administrative effort.



Consultant Contracts

- Lump Sum Contracts
 - Lump sum compensation is appropriate if the State establishes, with precision, the:
 - Scope
 - Character
 - Complexity
 - Duration of the work
 - Just compensation for the work can be evaluated in advance with reasonable accuracy.



Consultant Contracts

- **Actual cost agreements** (costs plus a net fee)
 - Appropriate if:
 - the extent of the work cannot be well defined
 - preferred for projects in the planning or environmental phases and other projects where the work is **indeterminate in nature**.



Consultant Contracts

- Sample Contract Language – Actual Cost plus net Fee
 - Actual costs plus a net fee of ** (\$*.00). However, the maximum prime compensation shall not exceed ** Dollars (\$*.00).
 - Consultant must have an accounting system that meets Federal standards



Consultant Contracts

- Sample Contract Language – Lump Sum
 - Lump sum compensation of ** Dollars (\$*.00).



Consultant Contracts

- Incorporate ODOT's "Specifications for Consulting Services"
 - Provides the legal background for agreements
 - Cost Accounting Requirements
 - Insurance
 - Responsibility for Errors and Omissions
 - Etc.



Contract Administration

- Follow ODOT's "Consultant Contract Administration Manual"
- Available on ODOT's Website
 - <http://www.dot.state.oh.us/CONTRACT/consultant.htm>



Contract Administration

- Assign a **Project Manager**
 - Single Point of Contact for Consultant
 - Owner of job
 - Expediter
 - Problems Solver
 - Watchdog



Contract Administration

- Project Manager's Responsibilities
 - Compliance with Scope of Services
 - Schedule
 - Cost
 - Quality
 - Record Keeping



Scope, Fee, Agreement & Invoice-Review Training

Office of Consultant Services
Division of Production Management



Scope



Defines the services to be provided:

The Department's standard scope of service documents are available on ODOT's website:

<http://www.dot.state.oh.us/Divisions/ProdMgt/Consultant/Pages/default.aspx>



A scope document should be written prior to advertising for Consultants.

Thru negotiation with the selected Consultant the scope may need to be “tweaked”. A **FINAL** Scope should be completed prior to entering into agreement for professional services.



Are LPAs required to use ODOT's Scopes?



NO!

(ODOT Scopes are tailored around the PDP process.
Not all LPA projects fit.)



ODOT's standard PDP Scope documents have a **Help** feature. Best practices can be gleaned from this PDP help feature:

- Identifying Env. Field Studies?
- How many alternatives?
- Level of effort?
-



Fee

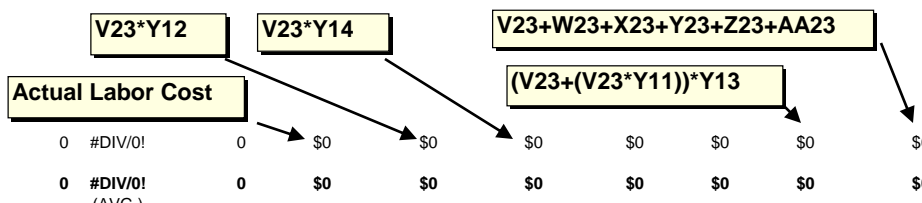


A fee is developed based on a scope of services using the FAR Part 31 Cost Principles.

These basic principles should be used no matter what the payment type i.e. lump sum, cost plus...

Example of fee development spreadsheet:

Q	R	S	T	U	V	W	X	Y	Z	AA	AB	
1	ENGINEERING AND TECHNICAL SERVICE COST PRICE PROPOSAL											
2	AND LABOR RATES FOR											
3	County Route and Section											
4	PID #####											
5	Minor PDP											
6	CONSULTANT:								Proposal Date:		x	
7									Revised Date:		x	
8	PROJECT DESCRIPTION:											
9												
10												
11												
12												
13												
14												
15												
16	IPS											
17	Activity	Task Description	No.	Hourly Rate	Total Hours	Labor Costs	Overhead Costs	Cost of Money	Direct Costs	Subcon Costs	Net Fee	Total Cost
18	Part 1											
19	Step 1- Develop Purpose and Need											
20												
21												
22												
23	1	Task 1.1 Initial Activities "Kick-off"										
24		1.1.1 Consultant to meet with ODOT	0	#DIV/0!	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25		Task 1.1 Initial Activities "Kick-off"	0	#DIV/0!	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26				(AVG.)								



How is a Fee Developed?



A Task list is available on ODOT's website located:

<http://www.dot.state.oh.us/Divisions/ProdMgt/Consultant/Pages/default.aspx>



Are LPA's required to use ODOT's Task List?



NO!

The Task list is provided as a baseline or starting point. Not all projects Fit.

Proposed Fees must indicate task, hourly rate, Overhead, Cost of Money, labor cost and direct costs. (sometimes easier to use ODOT's task list spreadsheet)



The Overhead Rate (OH) and Cost of Money (COM) used in fee development are estimates over the life of the agreement and are NOT necessarily the rates to be used in invoicing.



The Net Fee or Profit is negotiated within the development of the fee. One Hundred percent (100%) of the Net Fee is due the consultant at the completion of the Part when using a Cost Plus Type compensation.



What Net Fee or Profit should be assigned to a project?



Standard Net Fee Participation Percentages:

Major Design	12%
Median Design	11%
Minor Design	10%
Construction Inspection	9%

Definitions of the categories are identified in the 1998 Consultant contract Administration Manual



Agreement



CLAUSE III - PRIME COMPENSATION

The State agrees to compensate the Consultant for the performance of the authorized portions of the Work specified in this Agreement. If the State authorizes the performance of other portions of the Work said authorization is subject to the availability of funds in accordance with Section 126.07 of the Ohio Revised Code.

Minor Project Development Process.

- Part 1: Step 1.
Actual costs plus a net fee of Twenty-Four Thousand One Hundred Sixty Dollars (\$5,899.00). However, the maximum prime compensation shall not exceed Eighty Thousand Dollars (\$80,000.00).
- Part 2: Steps 2 thru 4.
Actual costs plus a net fee of Twenty-Four Thousand One Hundred Sixty Dollars (\$3,600.00). However, the maximum prime compensation shall not exceed Sixty Seven Thousand Two Hundred Fifty Dollars (\$67,250.00).
- Part 3: Steps 5 thru 9.
Actual costs plus a net fee of Twenty-Four Thousand One Hundred Sixty Dollars (\$2,874.00). However, the maximum prime compensation shall not exceed Fifty Nine Thousand Dollars (\$59,000.00).
- Part 4: Project Management
Lump sum compensation of One Hundred Fifty Thousand Dollars (\$150,000.00)
- Part 5: On-Going Services During Construction
Direct labor costs times 3.06789 plus non-salary direct costs plus subconsultant costs. The maximum prime compensation shall not exceed Five Thousand Dollars (\$5,000.00).
- Part 6: Phase II Cultural.
Actual costs; however, the maximum prime compensation shall not exceed Twenty Five Thousand Dollars (\$25,000.00).
- Part 7: Geotechnical Engineering.
Actual costs; however, the maximum prime compensation shall not exceed Sixty Thousand Two Hundred Thirty Dollars (\$60,230.00).
- Part 8: Subsurface Utility Engineering.
Actual costs; however, the maximum prime compensation shall not exceed Twenty One Thousand Dollars (\$21,000.00).

Most projects will use an Actual Cost Plus a Net Fee type compensation

The total maximum prime compensation of all Parts which may be authorized for the subject Agreement is Four Hundred Sixty Two Thousand Four Hundred Eighty Dollars (\$462,480.00).

Prime Compensations, only as agreed and by proper modification of this Agreement and authorized in writing by the State, may be added to or subtracted from under the authority of the Department of Transportation's "Specifications for Consulting Services" dated January 1998.

**Sample:
Consultant
Agreement**

The agreements may be written with several Parts. Generally Parts are established to separate “if authorized” tasks or to have a clear separation between Preliminary Engineering and Detail Design.



Invoice



What is an **IPS**?

Invoice and Project Schedule



What to look for in the Invoice?



Invoice No.: 9572-A1

Billing Period _April 1, 2008 to _May 15, 2008

Consultant Job No./ Invoice No.: Wow A128799999

Mr. Mat Mauger
ODOT Central Office
1980 West Broad Street
Columbus, Ohio 43223

Re: Invoice and Project Schedule
OSU-1-0.00
Encumbrance No.: 666666
Agreement No.: 12345
PID No.: 55555

The Best Eng., Inc.
876 Buckeye Way
Columbus, Ohio 40000
OAKS Vendor No. 000005678

LPA CERTIFICATION

This is to certify that the work as shown on the attached Invoice and Project Schedule (IPS) has been completed and in no way represents any degree of duplication of payments that have been or will be received and that all the work covered by this invoice has been performed in accordance with the referenced Agreement.

For: **LPA**

By: _____ Date: _____
(Officers Signature)

Total Amount Previously Paid \$ _____

Payment Due = Current Consultant Invoice Amount x Federal/State Participation (80%)

Payment Due this Invoice All Parts \$ _____

Summary of Payment(s) Due this Invoice

Encumbrance No.	PID No.	Total Work Completed	Prior Amount Invoiced	Amount Due this Invoice
_____	_____	\$ _____	- \$ _____	= \$ _____
666666	55555	\$ _____	- \$ _____	= \$ _____

Please indicate Final Invoice by Initialing: _____
Initial

STATE REVIEW

The District has reviewed this invoice in accordance with the Department's written procedures and recommends payment of the amounts shown above.

By: _____ Date: _____
Contract Manager

Certification by LPA



Consultant's First Invoice



Invoice No.: 9572-A1
 Consultant Job No./ Invoice No.: Wow A128799999

Billing Period _April 1, 2008 to _May 15, 2008

Mr. John Doe
 1980 West Broad Street
 Columbus, Ohio 43223

Re: Invoice and Project Schedule
OSU-1-0.00
 Encumbrance No.: 666666
 Agreement No.: 12345
 PID No.: 55555

The Best Eng., Inc.
 876 Buckeye Way
 Columbus, Ohio 40000
OAKS Vendor No. 000005678
 Tax ID No. 782354333

CONSULTANT CERTIFICATION

This is to certify that the work as shown on the attached Invoice and Project Schedule (IPS) has been completed and in no way represents any degree of duplication of payments that have been or will be received and that all the work covered by this invoice has been performed in accordance with the referenced Agreement.

For: The Best Eng., Inc.

By: _____ Date: _____
 (Officers Signature)

Summary of Payment(s) Due this Invoice

Encumbrance No.	PID No.	Total Work Completed	Prior Amount Invoiced	Amount Due This Invoice
666666	55555	\$ 80,000	\$ 2,000	\$ 78,000
	55555	\$ _____	\$ _____	\$ _____
(On-Going Services)				\$ 78,000
				TOTAL

Please Indicate Final Invoice by Initialing: _____
 Initial

STATE REVIEW

The District has reviewed this invoice in accordance with the Department's written procedures and recommends payment of the amounts shown above.

By: _____ Date: _____
 Contract Manager

SUMMARY OF SUBCONSULTANT INVOICES

Subconsultant	Agreement Amount	Amount Due This Invoice	Amount Previously Inv.	Total Invoiced	Percent Complete	EDGE	DBE
Second Best Eng.	\$95,000	\$0	\$0	\$0	0.00%	x	
Third Best Eng.	\$4,500	\$2,000	\$0	\$2,000	20.00%		x
ABC Geotech, Inc.	\$125,000	\$0	\$0	\$0	0.00%		
Sub Consultant Edge Subtotal	\$95,000	\$0	\$0	\$0	0.00%		
Sub Consultant DBE Subtotal	\$4,500	\$2,000	\$0	\$2,000	20.00%		
Sub Consultant Other Subtotal	\$125,000	\$0	\$0	\$0	0.00%		

1

8

2

3

4

9

7

10

5

6

Example
w/ errors

Consultant's
First Invoice



- 1 Invoice Numbers should be consecutive starting with 1
- 2 Oaks Numbers are required, remove ALL Tax ID's from correspondence
- 3 Missing signature
- 4 If this is the first invoice should be \$0 prior invoiced
- 5 Subconsultant invoices shall be included
- 6 % complete does not match invoiced
- 7 Be careful PIDs may change for On-Going services
- 8 Check billing period (back check with Summary of Agreement Parts)
- 9 Check Total Work Completed with Summary of Agreement Parts
- 10 Check Math!!!

Consultant's First Invoice



Invoice No.: 9572-A1
 Consultant Job No./ Invoice No.:

Wow A128799999

Date: May 1, 2008

Billing Period _April 1, 2008 to _May 15, 2008

Example w/ Errors

INVOICE & PROJECT SCHEDULE - SUMMARY OF AGREEMENT PARTS

OSU-1-0.00 for

The Best Eng., Inc.
 876 Buckeye Way
 Columbus, Ohio 40000

PID No.: 55555
 State Job No. for PE: 3498210
 Agreement No.: 12345
 Federal Project No.: E2021(3)
 Encumbrance No.: 666666
 OAKS Vendor No.: 00005678
 Current Overhead Rate: 143.56%
 Current C.O.M.: 2.50%

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
COSTS PLUS NET FEE															
			(1)	(1)	(5)				(2)	(9)	(8)	(9)	(7)	(6)	
					Total		Amount		% Comp.			Non-Salary			Total
	Date	Modified*	Max.	Net	Amount	Previous	Due this	Overall	this	Direct		Direct	Cost of		Actual
	Authorized	(Y or N)	Fee	Fee	Invocied	Invoice	Invoice	% Comp.	Invoice	Labor	Overhead	Costs	Money	Subcons.	Costs
Part 1-Minor PDP Step 1	4/15/2008	N	\$80,000	\$5,899	\$80,000	\$2,000	\$78,000	100%	100%	\$27,352	\$45,138	\$347	\$639	\$625	\$74,101
Part 2-Minor PDP Steps 2-4		N	\$67,250	\$3,600											
Part 3- Minor PDP Steps 5-9		N	\$59,000	\$2,874											
Part 7 - Phase II cultural		N	\$25,000												
Part 8-Geotechnical Eng.		N	\$60,230												
Part 10- Subsurface Utility Eng.		N	\$21,000												
LUMP SUM FEE															
			(1)		(3)		(4)		(2)						
	Date	Modified*	Lump		Total		Amount		% Comp.						
	Authorized	(Y or N)	Sum		Amount	Previous	Due this	Overall	this						
			Fee		Invocied	Invoice	Invoice	% Comp.	Invoice						
Part 4- Project Management		N	\$150,000												
DIRECT LABOR COSTS TIMES 3.43 PLUS NON-SALARY DIRECT COSTS PLUS SUBCONSULTANTS															
					Total		Amount		Direct	Multiplier		Non-Salary			Total
	Date	Modified*	Max.		Amount	Previous	Due this	Labor	Rate			Direct		Subcons.	Actual
	Authorized	(Y or N)	Fee		Invocied	Invoice	Invoice	Costs	3.43			Costs		Costs	Costs
Part 5-On-Going Services		N	\$5,000												
Total for All Parts			\$462,480	\$12,373	\$80,000	\$2,000	\$78,000								

* Y Indicates fee revised due to modification.

Refer to next page, page 3 of 7, for coded notes ().

Consultant's First Invoice



11

VERIFY THAT IPS MATCHES AGREEMENT PARTS AND FEE STRUCTURE!!!!!!!!!!!!!!

12

Verify FORMAL authorization date

13

Is % complete reasonable based on timeframe (Net Fee to be paid based on this %)

14

Verify % overhead used (MUST use the latest on file with the Department). Not sufficient to look at stated rate, as these are often not used in the formula

15

Check the Math

16

Check for overlap in billing period and overlap with authorization.

17

Check Labor (Consultant will provide separate detail with personnel and rates). Confirm \$ and Period

18

Check Direct Costs (Consultant will provide separate detail of direct expenses)

19

Verify subconsultant costs are carried forward correctly

Consultant's First Invoice



CLAUSE III - PRIME COMPENSATION

The State agrees to compensate the Consultant for the performance of the authorized portions of the Work specified in this Agreement. If the State authorizes the performance of other portions of the Work said authorization is subject to the availability of funds in accordance with Section 126.07 of the Ohio Revised Code.

Minor Project Development Process.

- 11 → Part 1: Step 1.
Actual costs plus a net fee of Twenty-Four Thousand One Hundred Sixty Dollars (\$5,899.00). However, the maximum prime compensation shall not exceed Eighty Thousand Dollars (\$80,000.00). ← 11
- Part 2: Steps 2 thru 4.
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Actual costs; however, the maximum prime compensation shall not exceed Sixty Thousand Two Hundred Thirty Dollars (\$60,230.00).
- Part 8: Subsurface Utility Engineering.
Actual costs; however, the maximum prime compensation shall not exceed Twenty One Thousand Dollars (\$21,000.00).

The total maximum prime compensation of all Parts which may be authorized for the subject Agreement is Four Hundred Sixty Two Thousand Four Hundred Eighty Dollars (\$462,480.00).

Prime Compensations, only as agreed and by proper modification of this Agreement and authorized in writing by the State, may be added to or subtracted from under the authority of the Department of Transportation's "Specifications for Consulting Services" dated January 1998.



Agreement can only be changed by Modification!

- Do NOT move monies from Part to Part.
- Do NOT exceed maximum fee per Part.



Invoice No.: 9572-A1

Date: May 1, 2008

Billing Period _April 1, 2008 to _May 15, 2008

Consultant Job No./ Invoice No.: Wow A128799999

INVOICE & PROJECT SCHEDULE - SUMMARY OF INVOICES

for
OSU-1-0.00

The Best Eng., Inc.
876 Buckeye Way
Columbus, Ohio 40000

PID No.: 55555
State Job No. for PE: 3498210
Agreement No.: 12345
Federal Project No.: E2021(3)
Encumbrance No.: 666666
OAKS Vendor No. 000005678

Summary of Invoiced Amounts (the total of) for Authorized Actual Cost Parts.

A	B		C	D	E	F	G	H	Actual Costs		J	K
	Billing Period								(1)	(2)		
Invoice #	From	To	Direct Labor	Overhead	Non-Salary Direct Costs	Cost of Money	Subcons.	Total Actual Costs			Net Fee Invoiced	Total Fee Invoiced
9572-A1	4/1/2008	5/15/2008	\$27,352	\$45,138	\$347	\$639	\$625	\$74,101	\$5,899	\$80,000		
Totals for Agreement			\$27,352	\$45,138	\$347	\$639	\$625	\$74,101	\$5,899	\$80,000		

20

Contract Summary of Actual Cost Parts Authorized and Corresponding Amounts Invoiced

	Net Fee	Total Max. Fee
Total Actual Cost Contract Amount Authorized	\$12,373	\$462,480
Amount Invoiced (4)	\$5,899	\$80,000

21

22

Notes

- (1) I = D+E+F+G+H
- (2) J=(D+(DxWeighted Average Overhead Rate)) times Net Fee Percentage
- (3) K=I+J
- (4) Totals from J+K above

**Example
w/ errors**



20

Check that Net Fee is consistent with % complete of the Part

21

This should be Net Fee total for AUTHORIZED Parts only not the entire contract

22

This should be Max Fee for AUTHORIZED Parts only not the entire contract

Consultant's First Invoice



Consultant's Second Invoice...



1

Invoice No.: 2
Consultant Job No./ Invoice No.: Wow A128800000

Billing Period _June 1, 2008 to _June 30, 2008

2

Mr. John Doe
1980 West Broad Street
Columbus, Ohio 43223

Re: Invoice and Project Schedule
OSU-1-0.00
Encumbrance No.: 666666
Agreement No.: 12345
PID No.: 55555

The Best Eng., Inc.
876 Buckeye Way
Columbus, Ohio 40000
OAKS Vendor No. 000005678

CONSULTANT CERTIFICATION

This is to certify that the work as shown on the attached Invoice and Project Schedule (IPS) has been completed and in no way represents any degree of duplication of payments that have been or will be received and that all the work covered by this invoice has been performed in accordance with the referenced Agreement.

For: The Best Eng., Inc.

By: _____ Date: 3-Jul-08
(Officers Signature)

Summary of Payment(s) Due this Invoice

Encumbrance No.	PID No.	Total Work Completed	Prior Amount Invoiced	Amount Due This Invoice
<u>666666</u>	<u>55555</u>	\$ 145,652	\$ 80,000	= \$ 65,652
	<u>55555</u>	\$ _____	\$ _____	= \$ _____
(On-Going Services)				\$ 65,652 TOTAL

Please Indicate Final Invoice by Initialing: _____
Initial

4

5

6

STATE REVIEW

The District has reviewed this invoice in accordance with the Department's written procedures and recommends payment of the amounts shown above.

By: _____ Date: _____
Contract Manager

3

SUMMARY OF SUBCONSULTANT INVOICES

Subconsultant	Agreement Amount	Amount Due This Invoice	Amount Previously Inv.	Total Invoiced	Percent Complete	EDGE	DBE
Second Best Eng.	\$95,000	\$0	\$0	\$0	0.00%	x	
Third Best Eng.	\$4,500	\$0	\$625	\$625	13.89%		x
ABC Geotech, Inc.	\$125,000	\$0	\$0	\$0	0.00%		
Sub Consultant Edge Subtotal	\$95,000	\$0	\$0	\$0	0.00%		
Sub Consultant DBE Subtotal	\$4,500	\$0	\$625	\$625	13.89%		
Sub Consultant Other Subtotal	\$125,000	\$0	\$0	\$0	0.00%		

Consultant's
Second... Invoice

Example
w/ errors



- 1 Check that invoices are numbered consecutively
- 2 Confirm that beginning of current period directly follows that of previous period
- 3 Does % complete of sub work, particularly EDGE/DBE look consistent with work proposed and completed (is prime moving work from sub to prime)?
- 4 Check Total Work Completed with Summary of Agreement Parts
- 5 Check prior Amount Invoiced against last invoice
- 6 Check Math!!!!

Consultant's Second... Invoice



12

Invoice No.: 2

Consultant Job No./ Invoice No.:

Wow A128799999

Date: July 3, 2008

Billing Period _June 1, 2008 to _June 30, 2008

**Example
w/ errors**

INVOICE & PROJECT SCHEDULE - SUMMARY OF AGREEMENT PARTS

OSU-1-0.00

13

The Best Eng., Inc.
876 Buckeye Way
Columbus, Ohio 40000

8

7

PID No.: 55555
State Job No. for PE: 3498210
Agreement No.: 12345
Federal Project No.: E2021(3)
Encumbrance No.: 66666
OAKS Vendor No.: 000005678
Current Overhead Rate: 143.56%
Current C.O.M.: 2.50%

7

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
COSTS PLUS NET FEE								Current Invoice Actual Costs							
			(1)	(1)	(5)			(2)		(9)	(8)	(9)		(7)	(6)
					Total		Amount		% Comp.			Non-Salary			Total
	Date	Modified*	Max.	Net	Amount	Previous	Due this	Overall	this	Direct	Overhead	Direct	Cost of		Actual
	Authorized	(Y or N)	Fee	Fee	Invoiced	Invoice	Invoice	% Comp.	Invoice	Labor		Costs	Money	Subcons.	Costs
Part 1-Minor PDP Step 1	4/15/2008	N	\$125,000	\$5,899	\$128,595	\$80,000	\$48,595	100%	100%	\$27,352	\$45,138	\$347	\$639	\$625	\$74,101
Part 2-Minor PDP Steps 2-4		N	\$67,250	\$3,600	\$58,245	\$0	\$58,245	87%	87%	\$45,230	\$64,932	\$30,759	\$1,131	\$0	\$142,052
Part 3- Minor PDP Steps 5-9		N	\$59,000	\$2,874											
Part 6 - Phase II cultural		N	\$25,000												
Part 7-Geotechnical Eng.		N	\$60,230												
Part 8- Subsurface Utility Eng.		N	\$21,000												
LUMP SUM FEE								Current Invoice Costs							
			(1)		(3)		(4)	(2)							
	Date	Modified*	Lump		Total		Amount		% Comp.						
	Authorized	(Y or N)	Sum		Amount	Previous	Due this	Overall	this						
			Fee		Invoiced	Invoice	Invoice	% Comp.	Invoice						
Part 4- Project Management		N	\$45,000		\$38,812	\$0	\$38,812	86%							
DIRECT LABOR COSTS TIMES 3.43 PLUS NON-SALARY DIRECT COSTS PLUS SUBCONSULTANTS								Current Invoice Costs							
	Date	Modified*	Max.		Total		Amount	Direct	Multiplier			Non-Salary			Total
	Authorized	(Y or N)	Fee		Amount	Previous	Due this	Labor	Rate			Direct		Subcons.	Actual
					Invoiced	Invoice	Invoice	Costs	3.43			Costs		Costs	Costs
Part 5-On-Going Services		N	\$5,000												
Total for All Parts			\$402,480	\$12,373	\$225,652	\$80,000	\$145,652								

* Y Indicates fee revised due to modification.

Refer to next page, page 3 of 7, for coded notes ().

Consultant Second... Invoice



- 7 Verify IPS matches Agreement including any modifications
- 8 Verify any additional authorization from previous invoice
- 9 Is % complete reasonable based on timeframe
- 10 Verify % OH and COM
- 11 Check Math
- 12 Check that the invoice number is consecutive
- 13 Check for overlap in billing period and authorization
- 14 Check Labor and Direct Costs, Verify subconsultants carried forward correctly

Consultant's Second... Invoice



Invoice No.: 2

Date: July 3, 2008

Billing Period _June 1, 2008 to _June 30, 2008

Consultant Job No./ Invoice No.: Wow A128799999

INVOICE & PROJECT SCHEDULE - SUMMARY OF INVOICES

for
OSU-1-0.00

The Best Eng., Inc.
876 Buckeye Way
Columbus, Ohio 40000

PID No.: 55555
State Job No. for PE: 3498210
Agreement No.: 12345
Federal Project No.: E2021(3)
Encumbrance No.: 666666
OAKS Vendor No. 000005678

Summary of Invoiced Amounts (the total of) for Authorized Actual Cost Parts.

A Invoice #	B Billing Period		Actual Costs							J Net Fee Invoiced	K Total Fee Invoiced		
	From	To	D Direct Labor	E Overhead	F Non-Salary Direct Costs	G Cost of Money	H Subcons.	I Total Actual Costs	(1)			(2)	(3)
1	4/1/2008	6/5/2008	\$27,352	\$45,138	\$347	\$639	\$625	\$74,101	\$5,899	\$80,000			
2	6/1/2008	6/30/2008	\$45,230	\$64,932	\$30,759	\$1,131	\$0	\$142,052	\$3,600	\$145,652			
Totals for Agreement			\$72,582	\$110,070	\$31,106	\$1,770	\$625	\$216,153	\$9,499	\$225,652			

16

15

Contract Summary of Actual Cost Parts Authorized and Corresponding Amounts Invoiced

	Net Fee	Total Max. Fee
Total Actual Cost Contract Amount Authorized	\$9,499	\$192,250
Amount Invoiced (4)	\$9,499	\$225,652

17

Notes

- (1) I = D+E+F+G+H
- (2) J=(D+(DxWeighted Average Overhead Rate)) times Net Fee Percentage
- (3) K=I+J
- (4) Totals from J+K above

Example
w/ errors



15

Check that Net Fee is consistent with % complete of part

16

Check that billing periods do not overlap

17

Verify Fees based on authorizations given.

Consultant Second... Invoice



Summary of All Labor Costs for invoice period:

These reports come in many different formats depending on the consultant's accounting and records system. Generally, this should include:

<i>Name</i>	<i>Hourly Rate</i>	<i>Time Expended</i>	<i>Labor Cost</i>
-------------	--------------------	----------------------	-------------------

Labor is broken out by Part and traced back thru the invoice.

Many Districts request a brief narrative on what has been done within the billing period and what is anticipated during the next month,

Misc. other sheets to Invoice



Summary of Direct Costs for invoice period:

These are only provided if the District requests (most do). Again this report may take many different forms depending on consultant accounting system. Must comply with OBM travel rules and reasonable costs.

Misc. other sheets to Invoice



What is needed to write the Agreements and IPS?



Documentation!!!!!!

- Advertisement
- QBS Process
- Scope
- Record of Negotiation
- Federal Authorization
- Ellis Funding Event
- LPA Agreement / LPA Letter Form Agreement
- Legislation
- Consultant Authorization



Questions



- 1) Are Consultants permitted to change overhead rates from invoice to invoice?
- 2) Where can I find a Consultant's current overhead rate? For older contracts, how can I confirm the rate specified in the agreement?
- 3) The max fee needs to be exceeded in a Part, but fee remains in other Parts. May I move monies from one Part to another Part?
- 4) The Prime Consultant is doing some of the proposed subconsultant's work. May the Prime increase its net fee to cover the extra work?
- 5) The Prime Consultant is contracting some of the Prime's proposed work to subconsultants. Is this acceptable?

Common Questions



- 6) The Consultant is charging more principal and/or senior hours than expected. What can be done?
- 7) The Consultant is charging multiple rates on a single invoice. Is this permissible?
- 8) Can subsequent Agreement **authorization to proceed** be communicated verbally, or through e-mail or meeting minutes?
- 9) The Consultant says it is doing work and not billing the Department because of its own “inefficiencies.” How can I confirm this?
- 10) Can a Consultant choose to bill at a lower rate?
- 11) How does this impact LPA Invoices?

Common Questions



ANSWERS



- 1) Are Consultants permitted to change overhead rates from invoice to invoice?
Answer: Yes. This should not happen more than once a year and will need to be supported for the OH change. Note, max. fee does not change.
- 2) Where can I find a Consultant's current overhead rate? For older contracts, how can I confirm the rate specified in the agreement?
Answer: Contact Scot Gormley, Office of Audits 614-644-0384
- 3) The max fee needs to be exceeded in a Part, but fee remains in other Parts. May I move monies from one Part to another Part?
Answer: ONLY thru modification to the Agreement.
- 4) The Prime Consultant is doing some of the proposed subconsultant's work. May the Prime increase its net fee to cover the extra work?
Answer: ONLY thru modification to the Agreement.
- 5) The Prime Consultant is contracting some of the Prime's proposed work to subconsultants. Is this acceptable?
Answer: NO and Yes. This can only be done if the Prime reduces Net Fee thru modification to the Agreement.

Common Questions



6) The Consultant is charging more principal and/or senior hours than expected. What can be done?

- Use the test of Allowability from FAR:

Allowable costs are actual costs incurred by the Consultant that are:

Reasonable – An amount that would have been incurred by a prudent person in a like situation.

Allocable – Costs that are necessary to comply with the requirements of the contract, or costs that are ordinary and necessary given the nature of the Consultant's A/E Business.

This can be subjective and sometimes not a comfortable inquiry to the Consultant.

Common Questions



- 7) The Consultant is charging multiple rates on a single invoice. Is this permissible?
Answer: No and Yes. The rate for the billing period should be the same. The exception would be if rate changes in the billing period. Preference would be to have Consultant separate invoice based on change of OH rate.
- 8) Can subsequent Agreement authorization to proceed be communicated verbally, or through e-mail or meeting minutes?
Answer: Verbally – NO; Meeting Minutes – NO; e-mail yes but document to file for future reference. If e-mail is used Consultant shall confirm receipt.
- 9) The Consultant says it is doing work and not billing the Department because of its own “inefficiencies.” How can I confirm this?
Answer: Ask for time records indicating how the time was pulled (coded) and not invoiced. Audit would be concerned this effort is not put toward OH.
- 10) Can a Consultant choose to bill at a lower rate?
Answer: YES. This has to be voluntary. Consultant shall document the voluntary reduction so as not to cause problems in a final closeout Audit.
- 11) How does this impact LPA Invoices?
Answer: If Federal / State Dollars in PE ALL Apply

Common Questions



Overhead-Rate Training

Office of Audits
Division of Finance and Forecasting



Objectives:

- Discuss the various types of contracts.
- Provide details on Actual Cost contracts.
- Discuss components of Total Cost.
- Show computations for overhead rate and cost of money.
- Discuss services provided by Office of Audits.
- Define common terms.
- Discuss Common Audit Findings.



- **Lump Sum**

- Fixed dollar amount as defined in the contract.
- Includes profit, and is guaranteed to the consultant upon completion, *regardless of costs incurred*.

- **Unit of Work**

- Sum-certain payment per unit (e.g., per test, per hour, or per meeting).



- **Actual Cost**
 - Actual costs only, with no provision for net fee (profit).
 - Costs not to exceed a stated maximum.
- **Actual Cost plus Net Fee (Cost Plus)**
 - The compensation to the consultant has two parts:
 1. Direct labor plus overhead, COM, and ODC.
 2. Net fee (profit) determined based on weighted average overhead rate and profit percentage.

Costs may not exceed the stated maximum



Most agreements are structured as Actual Costs plus Net Fee.

- Requires more tracking by the consultant. Federal law (FAR Part 31) requires:
 - Segregation between labor types (direct v. indirect).
 - Segregation between direct and indirect costs.
 - Disallowance of unallowable costs.
- More cost visibility, as full cost structure is disclosed.
- Requires more inspection/audit/review by ODOT.
- Any costs not properly supported may be disallowed at ODOT's discretion.



Total Contract Cost:

- Allocable direct labor
- +Allocable overhead
- +Allocable Cost of Money (“COM”)
- +Other Direct Costs (“ODC”)
- +Subconsultant costs
- **Credits** (e.g., rebates, allowances, and refunds received by the consultant that are related to cost items allocable to government contracts)

Note: Overhead and COM rates are applied to direct labor but are not applied to ODC or subconsultant costs.



Direct Labor

- Allowable labor costs that can be identified with, and traced to, particular *cost objectives* (projects).
- Overtime premium should be separately reported and should not have overhead or COM factors applied against it (see discussion below).

Other Direct Costs (ODC)

- Materials and supplies that can be identified with, and traced to, a particular cost objective.
- ODC cost examples: direct travel, laboratory tests, and drilling equipment.
- ODOT treats the “premium” portion of overtime as an ODC (no overhead or profit applied to overtime premium).



Overhead = Indirect Costs.

- Costs not directly associated with, or feasibly traceable to, a contract/project.
- Overhead includes:
 - General and Administrative (G&A) Labor. Includes salaries/wages of support staff.
 - Fringe benefits (e.g., insurance and paid leave).
 - Depreciation on allocable fixed assets.
 - Taxes. (But Federal income taxes are not allowable overhead charges for government contracts.)
 - Indirect costs are recovered through application of an **overhead rate**. Rate is expressed as a percentage of **direct labor cost**.



Overhead = Indirect Costs.

- As direct labor is worked, overhead is applied to the project. Overhead is applied based on ratio of allowable indirect costs to direct labor (***overhead rate * direct labor \$***).
- After direct costs have been determined and charged directly to specific contracts, indirect costs are those that remain and still need to be allocated to the work associated with one or more contracts.
- Indirect costs are accumulated in cost pools. The most common pools are:
 - General overhead.
 - Administrative (G&A) overhead.
- Indirect costs may be allocated per a separate base per pool, but, generally, A/E consultants allocate all overhead based on direct labor cost.



Overhead Rate =

Total of all allowable indirect costs

Total of allowable direct labor costs

Direct Labor cost is the “**base**,” or denominator; also referred to as the “**cost driver**.”



Facilities Capital Cost of Money (COM)

Description:

- Is a return on capital assets, to compensate company for the investment in fixed assets required to operate its A/E business.
- Permitted in lieu of interest expense. (All forms of interest are unallowable charges against Federal-aid contracts.)
- Recovered through a “COM Rate.”
- Expressed as a percentage of direct labor cost.
- Typically, is less than 1 percent.
- Should be reported separately from the overhead rate.
- Despite separate reporting, application is similar to an overhead rate. As direct labor is worked, COM is applied to the project.

- **Computation of COM rate:**

$$\frac{\text{(average NBV of fixed assets * average Federal Treasury Rate)}}{\text{total direct labor cost}}$$

NBV = net book value of assets = historical cost – accumulated depreciation



Q: How can we verify that a consultant is charging the correct overhead and COM rates?

- During the proposal process, the rates proposed by the consultant are reviewed by Consultant Services.
- Consultant Services will call Audits with questions or concerns regarding the rates or items of cost.
- Most likely, the rates will change over the life of the contract. The most current rate submitted by the consultant, and on file with ODOT, should be used for billings.
- Rates typically should be updated annually.
- Many firms do not prepare updated rates until well into the following year (March – August).
- If you need additional information or have a question on a specific rate, call or email:
 - Diane Wright at 614-387-7631
 - Scot Gormley at 614-644-0384



Type 1: Consultant Desk Inspection.

- Performed based on submitted prequalification packet. All prequalification packets are inspected as of CY2008.
- Involves no audit fieldwork—is conducted based on information submitted to ODOT.
- Generally involves one to five hours per inspection.
- A “tiered” approach is used (different levels of scrutiny/analysis), based on the amount of work a firm does with ODOT.
- Results in:
 - An inspected rate to be used until superseded or audited,
OR
 - Issuance of “limited prequalification” letter—consultant limited to lump-sum or unit-of-work contracts only



Type 2. Consultant Overhead Audits.

- Consultants selected based on a combination of risk factors—including size, growth, and ODOT encumbrance balances.
- Typically, field audits only performed on Ohio-based firms.
- Approximately 120 audit hours per overhead audit.
- Three or more days at client site. Follow-up visits frequently are required.
- Results in an audited overhead rate, to be used until superseded.
- May result in monetary recovery based on magnitude of findings.



Type 2. Consultant Overhead Audits: Standards and Guidance Applied.

- Primary Audit Guidance - FAR Part 31.
 - Title 48 of the Code of Federal Regulations.
 - Discusses elements of costs and allowability.
 - Places burden of proof on the consultant to demonstrate allowability of costs.
 - Incorporates requirements from various sources including:
 - Cost Accounting Standards (CAS),
 - GAAP,
 - Internal Revenue Code, and
 - Various other Federal laws and regulations.
- Audits are conducted following *Government Auditing Standards* – a.k.a., The “Yellow Book” or “GAGAS.”



Type 3: Consultant Project Audits and Special Audits.

- All projects are eligible for audit, regardless of firm's location.
- Audit or inspection could be **final**, **interim**, or **limited**.
- At a minimum, limited testing is typically performed as a normal course of an overhead field audit.
- Performed via desk inspection or at client site.
- Varying time commitments: May range from 20 to more than 300 audit hours.
- Any project audit may result in monetary recovery based on findings.



ALLOWABLE costs are **actual** costs incurred by the Consultant that are:

Allocable – Costs that are necessary to comply with the requirements of the contract, or costs that are ordinary and necessary given the nature of the Consultant's A/E business.

Reasonable – An amount that would have been incurred by a prudent person in a like situation. Costs must be ordinary and necessary for the specific type of business.



Controlling Legislation.

- Federal Procurement law (FAR Part 31) determines what costs are allowable—not the Internal Revenue Code (IRC).
- At a minimum, allowable costs must be *ordinary and necessary* business costs as defined by Section 162 of the IRC.
- However, not all Section 162 IRC costs are allowable charges against Federal contracts. E.g., of unallowables:
 - Interest expense.
 - Entertainment expense.
 - Advertising (except for help-wanted advertising).
- Many consultants, and the CPAs who audit them, confuse IRC Section 162 *allowability* with FAR *allowability*.



To be allowable, contracts costs must be permitted by all of the following:

- Part 31 of the Federal Acquisition Regulation,
- ODOT Contract Audit Circulars,
- Generally Accepted Accounting Principles (GAAP), and
- Contract terms.



Discussion.

- Consultants always bear the burden to prove that costs are actual, allowable, and reasonable. FAR 31.2051-2(d).
- When ODOT questions a claimed cost, it is the consultant's responsibility to prove that the cost is allowable.
- It is not ODOT's responsibility to justify audit adjustments based on unsupported costs, as any unsupported cost may be disallowed in its entirety, at ODOT's discretion.
- Generally, consultants are required to identify and disallow actual unallowable costs.
- Use of estimates generally does not satisfy the burden of proof. For example:

“One-half of the travel account was disallowed to estimate unallowable entertainment.”



Miscellaneous Issues.

- ODCs also included as overhead
 - Technology/CADD costs.
 - Most consultants charging as part of indirect costs.
 - Charging directly to projects would require an appropriate allocation methodology.
 - Unsupported ODCs.
 - Consultant bears the burden to prove that costs are actual, allowable, and reasonable.



Overhead Related.

- Excessive executive compensation.
- Entertainment costs. E.g.,
 - Sporting events,
 - outings,
 - office parties, or
 - any type of social diversions.
- Related-party rent (common control).
- Charitable contributions/donations.
- Unallowable advertising (only help-wanted ads are allowable).
- Travel costs in excess of the State Travel Regulations.



Projects.

- Moved or unsupported labor costs.
- Misapplication of overhead rate.
- Improper overhead rate used.
- Unsupported direct costs.
- Lack or failure of internal controls.

Note: These findings are NOT unique to small or unsophisticated firms.



- **Auditors** - Primarily only two auditors to perform all functions related to consultants.
- FY 2007, 921 PIDS had payments to 268 consultants in the amount of \$132 million.
- Resource priorities:
 1. Field Audits.
 2. Desk Reviews.
 3. Project and/or Special Audits.



Resources

- Office of Audits –
 - Jana Cassidy, Administrator.
 - Scot Gormley, Supervisor.

 - Marc Travis, Railroad/Utilities Auditor.
 - Diane Wright, LPA Auditor.
 - Michael Miller, MPO & Transit Auditor.
- Website
 - FAR Part 31
 - ODOT Contract Audit Circulars
 - Other guidance
 - <http://www.dot.state.oh.us/Divisions/Finance/Auditing/Pages/Consultants.aspx>



Resources

Consultant Services Local Government Website

<http://www.dot.state.oh.us/Divisions/ProdMgt/Consultant/Pages/default.aspx>

- **Local Government Website Procedures**
- **Local Government Postings**
- **Policies for Use of Consultants on Local Traditional Projects**
- **Consultant Selection and Contract Administration**
Q&A - Federal Highway Administration Guidance Concerning Consultant Selection and Contract Administration



Resources

Office of Local Projects Website

<http://www.dot.state.oh.us/Divisions/Local/Projects/Pages/default.aspx>

- **Local Let Procedures and Guidance**
 - Bid Document Preparation
 - Agreements and Forms
- **Locally Administered Transportation Projects Manual of Procedures**
- **Bid Notices**
- **ODOT Contacts and Related Links**



Questions?

