
COMMUNICATION TO ALL RIDOT CONSULTANTS

UPDATES TO TAC 0305 AS OF December 28, 2022

Introduction

One of the responsibilities of the Office of Internal Audit (OIA) is reviewing Indirect Cost Rate (ICR) approvals for RIDOT consultants who design or oversee various road and bridge projects throughout the State. The reviews we perform for RIDOT consultants are governed by requirements of the Institute of Internal Auditors (IIA), Code of Federal Regulations (CFR), Federal Acquisition Regulations (FAR), American Association of State Highway and Transportation Officials (AASHTO), State procurement and purchasing laws, and RIDOT contract terms.

Policy Statement

The Office of Internal Audit has adopted guidance contained in the AASHTO Uniform Audit & Accounting Guide for reimbursement of RIDOT consultant contracts (professional/technical services), which reflects the requirements set forth in the U.S. Code of Federal Regulations at 48 CFR, Chapter 1, Subpart 31.2, Contracts with Commercial Organizations.

Submission of Indirect Cost Rate

Your statement of indirect costs and corresponding indirect cost rate for the fiscal year submitted must be duly certified and prepared in accordance with the Federal Acquisition Regulations (FAR). We will not approve an indirect cost rate for any submission that is not prepared in accordance with the FAR. For further guidance on preparing a FAR compliant indirect cost rate refer to 48 CFR Part 31- Contract Cost Principles and Procedures (<http://www.acquisition.gov/browse/index/far>) and the AASHTO Uniform Audit & Accounting Guide (<https://audit.transportation.org>).

In accordance with 23 CFR 172.11 (b) (1) an annual update of your Indirect Cost Rate (ICR) is required. Contracts with RIDOT for architectural or engineering services require the consultant to submit their indirect cost rate schedule no later than 120 days after the close of the audit year. For example, a company with a fiscal year end

of December 31st must submit their ICR on or before April 30th. Refer to Frequently Asked Questions No. 1 below for the documents required for a complete submission.

Extension Request for Submission of ICR Information

You may request either a 30-day or 60-day extension *prior to your deadline* via email to DOT.ICR@dot.ri.gov. Only this email address will be acceptable for ICR submissions or extension requests. Do not send ICR submission emails directly to staff. An extension beyond 60 days of the required submission date may be considered for approval upon request on a case-by-case basis only.

Cognizant Approved Rates

Consultants who anticipate the receipt of a cognizant letter after their ICR Submission deadline must notify the department via the DOT ICR mailbox and submit a request for an extension. If the consultant knows the cognizant letter will not be received before the extension deadline, the consultant must notify the department via email of when they expect to receive the cognizant letter and provide an estimation for the submission of their ICR presentation.

Annual Indirect Cost Rate Adjustments

All ICR invoice adjustments must be received by RIDOT Financial Management within 90 days from the date of your approved rate. Please contact RIDOT Financial Management for further information about their requirements for adjustment invoices.

Questions

Should you have any questions regarding this communication, please contact Mike Sprague, Chief, Office of Internal Audits, at Mike.Sprague@audits.ri.gov.

Frequently Asked Questions

1. What documents are required for a complete ICR submission?

Consultants must submit the following required documents corresponding to the Indirect Cost year end in **electronic format** to DOT.ICR@dot.ri.gov.

- Indirect Cost Rate Schedule prepared in compliance with Part 31 of the FAR (48 CFR Part 31) with required notes to the schedule. If the Indirect Cost Rate Schedule is audited by a CPA firm, the Independent Auditor's Report with accompanying Independent Auditor's Report on Internal Controls. *Examples of acceptable ICR Presentations are contained in the 2016 AASHTO Audit Guide in Chapter 5 available at <https://audit.transportation.org>*
- Indirect Cost Rate Schedule in an **Excel format**.
- Cognizant Concurrence or Audit Letter issued by home state, if available.
- Annual financial statements including footnotes. If the financial statements are audited, also submit the Independent Auditor's Report on the financial statements and accompanying management letter.
- Post-closing trial balance.
- Supplemental Reconciliation of the ICR Schedule to the financial statements and/or the trial balance.
- Current chart of accounts that ties to the financial statements and indirect cost rate schedule.
- [Management Certification of Accounting System](#) on firm letterhead and signed by the appropriate individual.
- [Management Certification of Indirect Costs](#) on firm letterhead, signed by the appropriate individuals and with the proposed indirect cost rate(s) entered on the appropriate field(s).
- AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers. *Located at <https://audit.transportation.org>. See Appendix B of the AASHTO Audit Guide.*
- Sample timesheet.
- Vacation, sick leave, and paid time off policies.
- Bonus policy, if available.
- Accounting and Information Technology (IT) policies requested within the ICQ, if available.
- Analysis of executive compensation for reasonableness.
- List of all current RIDOT contracts as of the date of ICR submission including the corresponding RIDOT contract numbers, the current total authorized dollar amounts and identification of each as either a prime consultant or

subconsultant contract.

- Additional requirement for new RIDOT consultants only: Indirect Cost Rate Schedules from the past two fiscal years and the ICR acceptance letters from the Consultants home state, if available.

2. *What happens if my submission is missing required documents?*

Submissions will not be reviewed unless they are complete. Consultants will be notified if additional information is required to complete the review process. Consultants have 14 calendar days from the date of request to provide any additional information required or else the submission will be considered late.

3. *What happens if my submission is late or if I do not send my submission?*

Any submissions received after the contractual deadline or beyond the approved extension date(s) will be given a low priority when assigned for review. Additionally, RIDOT and the RI Division of Purchases will be informed of consultants that did not submit an ICR presentation or submitted it late.

4. *What happens if an error or a FAR non-compliant cost is found in my submission or if my submission is determined to be at a high risk of being FAR non-compliant?*

If the ICR submission is found to include an error or potentially FAR non-compliant costs or is assessed as a high risk for FAR noncompliance, the assigned OIA staff member will communicate the issues and ask for further information or supporting documentation if deemed necessary.

- a. If the conclusion is reached that the submission includes an error or FAR non-compliant cost, an adjustment to the presented rate will be calculated. An approval will be issued for the adjusted rate.
- b. If the conclusion is reached that the submission is at a high risk of being FAR non-compliant, the ICR submission will be rejected. A letter will be sent stating that the presented rate cannot be approved. RIDOT and the RI Division of Purchases will be informed of consultants that received an adjusted rate or whose submissions were rejected.

5. *What if I am a new consultant without a RIDOT accepted ICR?*

New consultants must submit their presented ICR as part of the contract process. The Office of Internal Audit will review the submitted ICR and issue an accepted rate following the same procedures for existing consultants. If the submission is determined to be at a high risk of being FAR non-compliant, the proposed ICR will not be approved until a FAR compliant submission is received. ICR submissions are reviewed on a first-in basis.