

## What New Consultants Need to Know

Professional Consultants seeking to provide services to the Florida Department of Transportation must be certified as “qualified” annually in accordance with Chapter 14-75 of the Florida Administrative Code. Regardless of whether the “Request for Qualification Package for Professional Consultants” is the initial submission or an annual renewal, the package must include evidence the Consultant maintains an accounting system adequate to separate and accumulate direct and indirect costs and to support billings to the Department and other clients. The capability to identify and separately report direct and indirect costs is the first and primary Departmental requirement for consultant accounting systems. When the Consultant has the expectation of billing for direct labor by the hour, a job cost accounting system is required in order to “support billings to the Department.”

Most Consultants provide the required accounting system assurances by submitting an audit prepared by an independent Certified Public Accountant which contains certain specific and general schedules and assurances. Consultants who have been in business for less than one complete year, or who have not previously needed an audit, may submit estimates or unaudited reports of their costs and request an Accounting System Review in lieu of an audit report.

When the “Request for Qualification Package” includes a request for an Accounting System Review, the Procurement Office will perform the review. When this Office has been requested to perform an Accounting System Review of a particular Consultant, the initial contact will normally be by e-mail.

In order to demonstrate that the accounting system functions as required, the Consultant is required to submit a number of reports from the system. If the firm, and its accounting system, have not been in operation long enough to have meaningful accounting data, a difficult task is to enter enough “dummy” data in payroll registers and timesheets to produce representative reports. When entering “dummy” data the Consultant is asked to envision or project their expected operations in the next year and to:

- produce timesheets for each individual envisioned to be “on board” for at least one full pay period.
- Charge time to at least three (3) separate jobs and to indirect “projects”.
- Post these timesheets to the system and
- Submit these timesheets along with a Payroll Register and a Payroll Summary Report.

After the “dummy” data is in the system, the system must prepare and print:

- A Labor Distribution Report,
- Labor Distribution Summary,
- Job Cost Report, and
- A Job Cost Summary Report

The report names shown above are consistent with the “model” accounting system illustrated in the “Primer,” accessible at this website. If the Consultant is utilizing a commercial accounting package, such as QuickBooks or Peachtree, these reports may have different names and titles than those show above or in the “Primer.” It is, therefore, important the Consultant review the “Primer” and understand the information to be shown in each report in order to recognize the closest standard report. It is not necessary to rename the accounting software reports. It is very important that both hours and dollars appear together on some reports; this will often require modification of the standard report formats. The final full pay period represented on the timesheets submitted should appear as the current pay period in the reports.

Finally, the submission to the Procurement Office must include some general information reflecting the accounting system “set up.” This “set-up” information includes a complete printout or listing of the Chart of Accounts, including account number designations, if any. Along with the Chart of Accounts, the Consultant must prepare a printout or copy of the General Ledger; the General Ledger should show a level of detail adequate to allow tracing to the required reports. In addition, the Consultant must complete, sign, and return the Internal Control Questionnaire, available on this website.

The Procurement Office commences review of the submitted materials upon receipt. The need for returns, corrections, and required resubmission is far more common than acceptance on initial submission. Within reason this Office displays significant patience with professional services providers who are attempting the initial establishment of a business accounting system. It is, however, unusual, but in no way unprecedented, that professional engineers or professional architects will successfully establish and implement an acceptable accounting system without the assistance and advice of an accounting professional. Consultants considering how they will meet the accounting system requirements, as well as other qualification requirements, should at least understand the accounting system requirements discussed in Section 1, Part II, of the *Reimbursement Rate Audit Guidelines, 2005*, accessible on this website, before undertaking the establishment of an accounting system without professional advice.

When the Procurement Office determines the Consultant’s accounting system is adequate, they next assign interim overhead and direct expense rates for use in contracting with the Department prior to submission and review of the Consultant’s first audit by a Certified Public Accountant. Interim overhead and direct expense rates are based on the unaudited reports or projections of costs submitted with the “Request for Qualification Package.” These projections should include both direct and indirect labor estimates, fringe benefit estimates, and all other anticipated indirect or direct operating costs.

Interim reimbursement rates are subject to “caps” established by the Department’s Procurement Office. Reimbursement rates based on the audit of an independent CPA, such as will be due after the initial period of operation using interim rates, are not subject to Departmental caps.

There is a great deal of information available elsewhere on this website. The “Primer” illustrates the required elements and some of the capabilities of an acceptable accounting system. The newly established system need not produce reports identical to the examples; the Primer describes the important elements illustrated and the capabilities we will expect to find in an acceptable system. The overall information flow through an acceptable accounting system can be observed in the “Flowchart for Operating Costs.”

This site also features links to the *Reimbursement Rate Audit Guidelines, 2005* and the *AASHTO Uniform Audit & Accounting Guide*. In particular, new Consultants should review Section 1, Parts II and III, of the Florida *Guidelines*, and additional qualification requirements, especially technical qualification standards for particular Work Groups, can be determined by accessing Florida Administrative Code, Chapter 14-75 on the Procurement Office website.