

Current Desk Review Issues

Our goal is to provide an Indirect Cost Rate letter for a firm as soon as possible after we receive a request. This is a service that we provide to assist WSDOT CSO in the negotiation process for agreement payment terms.

We are currently relying on a risk assessment process to determine the level of review for each firm.

We have also implemented site visits for some desk reviews, and we are receiving positive feedback regarding this change in process.

We are currently seeing some issues that are delaying the process or causing us to conclude our process without issuing a rate for a firm. We are sharing these challenges to help to raise awareness, **and we need your help!** If you are a prime consultant, these issues might apply to some of the small to medium firms that you are requesting for sub-consultant work. Please ensure that your sub-consultants are ready for a desk review when you propose them. This will favorably impact the review process. Below are some of the frequent challenges that can delay or halt a desk review:

- 1) Firms that do not have a timekeeping system in place that meets the requirements in Chapter 5 & 6 of the AASHTO Audit Guide. These timekeeping requirements apply to all firms – regardless of the size of the firm. We are unable to issue a rate for a firm that does not have the appropriate Internal Controls in place in regard to their timekeeping system. Reference 48 CFR 31.201-2 (d), FAR 31.002, and Defense Contract Audit Manual (DCAM) 5-910.2.
- 2) Firms are not able to reconcile their labor between the Indirect Cost Rate (ICR), Labor Distribution Report (LDR), payroll and general ledger. Labor is the largest, and therefore the single most important expense in the Indirect Cost Rate. Labor dollars & hours on a firms' labor distribution report (LDR) should be taken directly from employees timesheets, and should tie to the general ledger, financial statement, payroll register, and Indirect Cost Rate Schedule. This detail must be reconciled to the level of the individual employee. We are unable to issue a rate for a firm that is unable to reconcile their labor. Reference 48 CFR 31.201-2 (d), and AASHTO Chapter 54-4, and Chapter 6.4.
- 3) During our site visits we have found multiple firms located within the same building and owned by the principal/owner. This raises concerns related to and/or including common control. In several instances the issue was not disclosed to us previously. These firms should be tracking labor & expenses separately, but we are finding that some are not doing so. If actual cost is not tracked and some allocation method is used, then shared costs must be appropriately allocated between the companies. The allocation method must accompany the ICR documents. We are unable to issue a rate for a firm which has multiple firms co-mingled and if labor & expenses are not segregated properly. Reference 48 CFR 31.205-36 (b) (3), and AASHTO Chapter 5.4,7.9, and 8.23-B. Also 48 CFR 31.201-3.