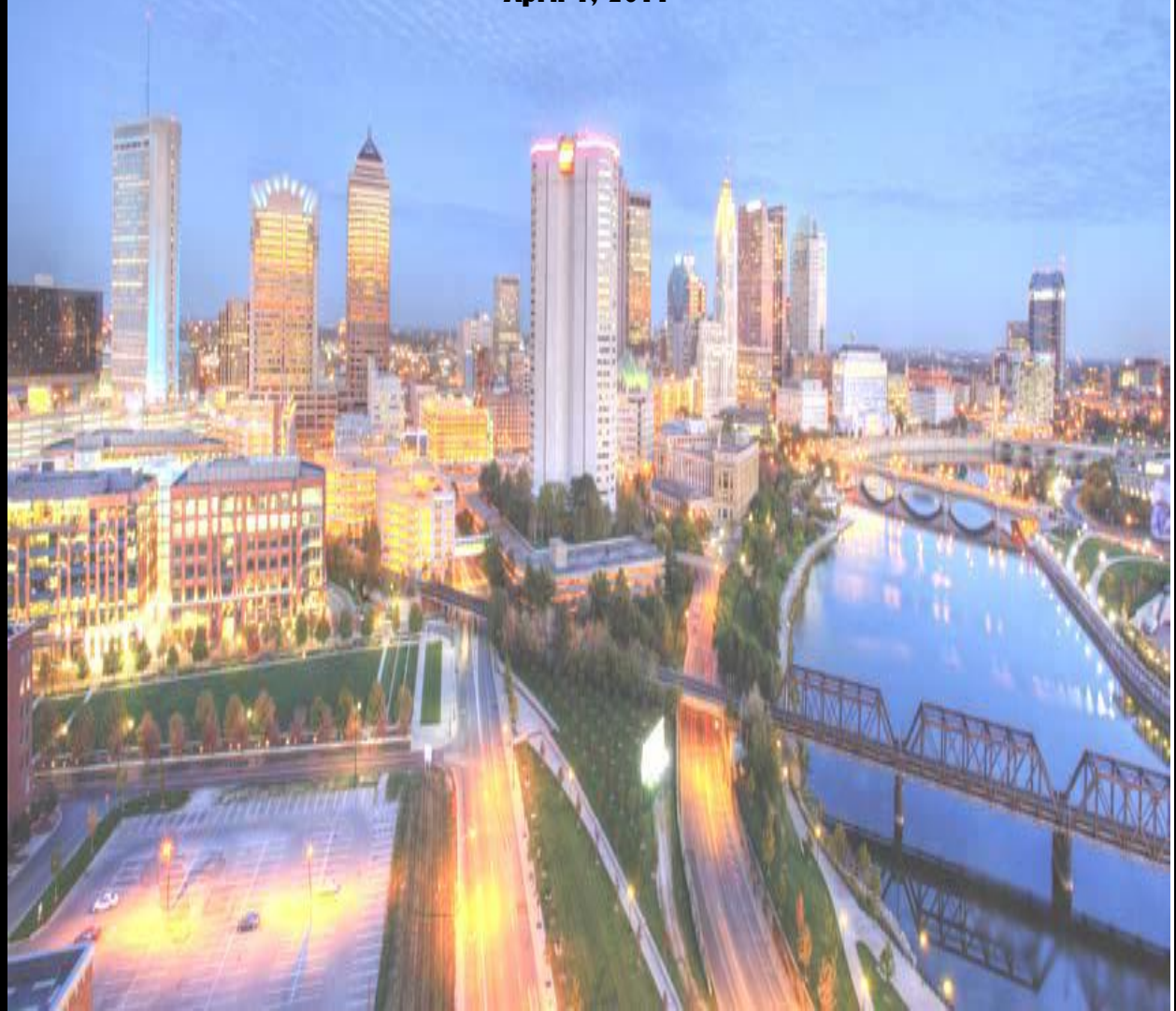


# **Columbus Regional Airport Authority**

**Audit Guide for Consulting Services Cost Rates**

**April 1, 2011**





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## **1. History**

- a. The Columbus Regional Airport Authority “CRAA or the Authority” views its responsibility to the Airlines, our Board of Directors and the public we serve very seriously. One of our goals is to provide premier service at the lowest possible cost.
- b. We consider it is our fiscal responsibility to ensure the fees we pay for consulting services are reasonable.
- c. Considering that the CRAA’s current enplanement levels are at levels seen in the late 1990’s, our challenge is to maintain costs at reasonable levels. As part of Best Practices, we are continuously evaluating all of our procurement practices in order to be as efficient as possible in managing expenses.
- d. Our desire is to provide a low cost airport for our airline partners to encourage them, not only to maintain their current business, but to increase services.

## **2. Purpose and Objectives**

- a. The primary purpose of the Audit Guide is to clearly communicate to our partners why CRAA reviews Consultant’s cost rates and to establish standards for the work that our Audit group performs.
- b. CRAA’s Audit group conducts cost and compliance audits for management to ensure that funds paid to outside organizations are eligible for reimbursement and that the firms comply with federal and state rules & regulations and the terms of the contract or agreement.
- c. Our auditors expect to identify the items of cost by finding supporting documentation to substantiate each item of cost included in a firm’s billing rates. This audit trail should lead the auditor from the costs billed to CRAA to the original supporting documentation such as time sheets, payroll records, invoices, work sheets, etc. used in developing labor and overhead rates.



### 3. Audit and Consultant Process

- a. In order for Consultants and Contractors to understand CRAA's audit process, here is an example of our process:
  - i. CRAA identifies a need for a project and a project charter is developed to document the project description, justification, estimated costs, etc.
  - ii. An internal team of individuals reviews the project charter and approves the project for inclusion in the Capital Budget.
  - iii. The Capital Budget for the budget year is approved by CRAA's Board of Directors in November.
  - iv. CRAA advertises a Request for Qualifications "RFQ." (Included in the RFQ is a section that communicates CRAA's Wage Rate Determination process.)
  - v. Firms respond with statements of qualifications and experience.
  - vi. Consultant selection interviews take place. (Included in the process is a confirmation of the Wage Rate Determination process.)
  - vii. Based on the interview process, a firm is selected.
  - viii. CRAA creates a Negotiation Team that includes Authority members from Procurement, Legal and Audit in addition to our Project Manager. This team has the authority to negotiate the terms and conditions for the agreement and includes labor, overhead and profit components for the contract.
  - ix. Upon notice of our intent to negotiate, the consulting firm will be required to provide a list of individuals on their negotiating team. This team shall include at a minimum: the planned Project Manager and a representative from your firm's Accounting group. This team must have authority to make financial commitments on behalf of the consulting firm.
  - x. The Negotiation Team (Authority and Consultant) will meet within five (5) business days of the notice of intent to negotiate. The required documentation will be discussed during this meeting.
  - xi. Requested records will be provided by the consultant within seven (7) business days from the initial meeting date. Failure to provide such information may result in a decision by CRAA to discontinue negotiations with the highest ranked firm and start negotiations with the next highest ranked firm.
  - xii. WRD negotiations are to be completed within three (3) weeks from receipt of the records from the consultant.
  - xiii. As work progresses, the consultant will submit monthly billings for work performed based on task orders.
  - xiv. The Audit group has up to three (3) years from the completion of the contract to conduct a final audit of the consultant and the sub-consultants' records. This time limit is usually established in the agreement between CRAA and the consultant.



#### 4. Audit Standards

- a. The CRAA's Audit group will review the Capital Budget approved by the Board of Directors at the end of each calendar year. This review will target any capital project that has component costs that include professional fees for research, design, construction management, environmental or other studies.
- b. All Consultants will be required to submit within seven (7) days of the initial meeting (see item 3.a.x above) at a minimum their Federal Acquisition Regulation "FAR" audits for the last three (3) years, financial statements, payroll registers, a listing of other direct costs, and the completed electronic version of the Wage Rate Determination "WRD" Form (See Sections 5 and 6 of this Audit Guide for Instructions and Worksheet) for the prime consultant and sub-consultants. If a FAR audit is not available, an in depth analysis will be required to determine justification of the firm's billing rates.
- c. Based on the results of reviewing the Capital Budget, the Audit group will review professional services following the guidelines established below:
  - i. Projects under CRAA's target \$300,000 may be subject to additional verification and will require Firm certifications as follows:
    1. Written certification that the overhead rates include no bonus payments for past performance on other projects.
    2. Written certification that the advertising and marketing expenses include allowable costs as specified in the FAR provisions (see 31.205-1 & 31.205-38.)
    3. Written certification that the productivity (defined as direct salaries divided by total salaries) used in the overhead rate is no less than CRAA's stated rate. Currently, CRAA's stated rate is 60%.
  - ii. Projects that are over CRAA's target threshold (\$300,000), but have an overhead rate equal to or less than 140% will be selected for review of backup documentation in two (2) main areas:
    - a. A review of the overhead rate will be completed to verify that there are no bonus payments for past performance on other projects included in the calculation of the overhead rate.
    - b. The productivity rate (defined as direct salaries divided by total salaries) will be reviewed to verify that direct salaries are no less than CRAA's stated rate. Currently, CRAA's stated rate is 60%.



- iii. Projects that are over CRAA's target threshold (\$300,000) and also have an overhead rate in excess of 140% will be selected for a more extensive review of the supporting financial information and WRD analysis.

## 5. Wage Rate Determination Instructions

- a. The Authority requires specific documentation of proposed cost and pricing data from the highest ranked Consultant and each sub-consultant. The following instructions will assist in the accurate completion of the Consultant Hourly WRD Worksheets.
- b. The highest ranked Consultant and related sub-consultants shall provide the following information to the Authority within seven (7) business days after the Notice of Intent to Negotiate has been received. Failure to provide such information in a timely manner may result in a decision by CRAA to discontinue negotiations with the highest-ranked consultant and to begin negotiations with the next highest-ranked consultant.
- c. It is the prime consultant's responsibility to supply the Worksheet and Instructions to each sub-consultant. The sub-consultant will return these completed items to the prime consultant, in the electronic format, specified by the Authority. Sub-consultants' documents are required within the same seven (7) business day timeframe noted in this paragraph.
- d. All documents shall be provided in an electronic format to the CRAA Project Manager assigned to the project. Any information considered confidential should be marked or transmitted as such.
- e. All consultants and sub-consultants are required to submit, at a minimum, the following documents:
  - I. Wage Rate Determination
    - A. WRD – Based on an Hourly rate
      1. Completed WRD worksheet in Excel format
      2. Payroll reports (detailed) for two (2) recent pay periods
      3. For adjustments
        - a. To add employees to the WRD, complete:
          1. Name
          2. Position
          3. Hourly rate requested
          4. Are they paid hourly or salary
          5. Two recent detailed payroll registers
        - b. To request a Wage Rate Increase:
          1. Only after 12 months on contract and lesser of:
            - i). The actual increase/decrease, or
            - ii). The average CPI-U rate change.



c. To submit a Wage Rate Decrease:

1. Submit new WRD within thirty (30) calendar days of decrease.

B. WRD – Overhead Rate

1. State Requested Overhead Rate:

- a. If actual is less than 140%, use actual
- b. If actual is greater than 140%, use:
  1. The Actual, or
  2. Elect to use 140%

2. Financial statements (detailed), audited if available (if not audited, then highest independently reviewed level available):

- a. Most recent annual financial statements
- b. Include a detailed general ledger (electronic) of your most recent full fiscal year

3. FAR Audit or additional information:

- a. If you have a FAR Audit, provide the FAR Audit report with all supplemental schedules
- b. If you do not have a FAR audit, provide a schedule showing calculation of the overhead rate

4. Provide a written explanation on how the Overhead Rate is reviewed and calculated

C. WRD - Profit Rate

1. State requested Profit Rate

2. The Authority considers both Federal DOT and FAR guidelines in establishing fair and reasonable profit. All firms must provide justification if requesting profit rates are in excess of eight (8.0%) percent. The final profit rate will remain in effect for the term of the contract.

II. Other Direct Costs (ODC)

A. Provide a schedule identifying and showing the calculation of ODC

B. Note: No markup on ODC is allowed

III. Sub-consultant Costs

A. Note: No markup on Sub-consultant Costs is allowed

IV. Miscellaneous Information

Do not protect any Excel electronic forms submitted other than, possibly, a password to open. If a password is required to open the document, please remember to advise the Authority of the password.



## 6. Wage Rate Determination Worksheet

### Columbus Regional Airport Authority Consultant Hourly Wage Rate Determination (WRD) Worksheet

Once CRAA has issued a Notice of Intent to Negotiate this worksheet shall be completed, in Excel format, in its entirety in order to begin fee negotiations. To ensure accurate completion of this Worksheet, refer to the WRD Instructions provided with this form. Current, detailed payroll registers for 2 recent pay periods must always accompany the Hourly Wage Rate Determination Worksheet (WRD).

Project Name: \_\_\_\_\_  
 Term of Contract (enter dates): \_\_\_\_\_  
 Firm's Name: \_\_\_\_\_

	Employee Name (1)	Job Title	H/S	(Column A) Actual Hourly Rate	(Column B) Overhead (2)	(Column C) Profit (3)	(Column D) Loaded Hourly Rate (A+B+C)
	<b>Last Name, First Name</b>				<u>140.0%</u>	<u>8.0%</u>	
	Doe, Jane (at 140% OH and 8% Profit)	Project Assistant	H	\$15.00	\$ 21.00	\$ 2.88	\$ 38.88
				\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -
				\$ -	\$ -	\$ -	\$ -

**Notes:**

- List all staff (employees only) that may work on the project and their actual base hourly compensation earned at the time this form is submitted. After completion of fee negotiations and execution of a contract between CRAA and the highest-ranked consultant, this form shall be updated within thirty (30) days for any personnel changes and resubmitted along with two (2) recent payroll registers to the Project Manager for approval. Actual rate may not exceed \$100.00/hour.
- Use the WRD Instructions as a guide to determining the overhead rate. This calculation is Column A times the overhead percentage.
- If the profit percentage exceeds 8.0%, provide documentation necessary to justify the unique circumstances that would warrant a higher percentage. This calculation is Column A plus Column B times the profit percentage stated in Column C.
- Do not list employees whose wages are included in overhead. Examples: Estimating, Safety, Economic Inclusion.

H/S - Indicate whether the employee is hourly or salaried.

Effective  
03/17/2010

The WRD worksheet shall be completed using the supplied Microsoft Excel spreadsheet (do not make any entries or changes on the 2<sup>nd</sup> tab of the worksheet labeled 'for CRAA use only.' The form shall be submitted electronically to the Authority's Project Manager. Non-Excel versions will not be accepted.



## 7. Frequently Asked Questions

- a. **Does CRAA have a cap on the overhead rates?**
  - i. Yes, 200%. CRAA will complete an in depth review of overhead rate calculations that are over 140%. However, if rates over that guideline can be substantiated, CRAA may allow a higher overhead rate not to exceed the cap.
  
- b. **How is the productivity rate calculated?**
  - i. Productivity is calculated by dividing direct salaries by total salaries. If direct salaries are \$600,000 and total salaries are \$1,000,000, the productivity rate is 60%.
  
- c. **What are CRAA's guidelines on productivity rates?**
  - i. CRAA's current stated productivity rate is 60%. If direct salaries are \$500,000 and indirect salaries are \$500,000, CRAA will reclassify \$100,000 from indirect to direct salaries for the overhead rate calculation in order to meet the published productivity percentage rate. The stated rate may be adjusted from time to time. (See FAQ 7.d. below.)
  
- d. **Is the 60% productivity percentage that CRAA utilizes as an estimate subject to changes?**
  - i. Currently, CRAA doesn't plan to change this percentage for 2011. However, this percentage may be adjusted in future years due to changes in the economy. CRAA may use various sources to arrive at the percentages, including but not limited to, Annual Financial Performance Surveys published by the American Council of Engineering Companies of Ohio (ACEC); the Professional Services Management Journal (PSMJ); and Zweig White, as well as other relevant published guidelines that may be available on an historical basis.
  
- e. **Why are bonuses excluded in the overhead calculations?**
  - i. Bonus payments are expenses that are paid based on past profits. They essentially reflect a distribution of company profits from previous year's profits and earnings. As such, CRAA will not pay for bonuses in the current overhead rates that are the results of profits from other projects.
  
- f. **What are allowable advertising & public relations costs?**
  - i. Generally, CRAA follows the guidelines of allowable advertising and public relations costs that are defined in FAR sections 31.205-1 (d) and 31.205-1 (e). However, if allowable and non-allowable advertising, marketing and public relations costs are not shown separately, backup documentation may be reviewed in sufficient detail to determine the appropriateness of allowable costs.



## 8. Helpful Website Links

- a. Ohio Department of Transportation includes helpful information regarding the Federal Acquisition Regulation 'FAR' Part 31 and the American Association of State Highway and Transportation Officials 'AASHTO' Uniform Audit & Accounting Guide at the following link: <http://www.dot.state.oh.us/Divisions/Finance/Auditing/Pages/Consultants.aspx>
- b. This CRAA's Consultants' Audit Guide can be found on the Columbus Regional Airport Authority's website at the following link: <http://columbusairports.com/doing-business/resources/>