

ITB 946-20-14-050, Audit Consultant Pool

The NDDOT Contract Manager:

Daryl Splichal, NDDOT Director of Audit Services (or designee)
North Dakota Department of Transportation
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The following five businesses have been selected for inclusion in the 2014-2015 Audit Consultant Pool

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WORK ORDER REQUEST PROCESS AND PROTOCOL

- 1) The State will provide the Vendor with a written Work Order Request that includes a Statement of Work (SOW) describing the required services. (See Example Next 4 Pages)
 - a) The Work Order Request will describe the work to be done and deliverable due dates where applicable.
 - b) The Work Order Request will specify a proposal due date for the Vendor to respond to the request. This time frame will be no less than two weeks. The Vendor must either affirm or deny their ability to provide the personnel in the required project time frame. During this response period, if necessary, the Vendor may seek clarifications of the work involved.
 - c) If the Vendor is unable to provide the personnel requested, it must state the reason in the appropriate section on the Work Order Request form, sign and return the form to NDDOT by the proposal due date.
 - d) In the event NDDOT requests the vendors to propose on an individual audit engagement and if the Vendor is capable of fulfilling the work order, vendor will complete and attach a "Project Proposal" to the Work Order Request form, sign and return the form to NDDOT by the proposal due date. The Proposal is to include the information as requested on the Work Order Request.
- 2) NDDOT may award projects by direct assignment or competitively within the Audit Consultant Pool.
 - a) Direct Assignment – NDDOT may issue a Work Order Request directly to any of the awarded vendors.
 - b) Competitive – NDDOT may elect to conduct a competitive process by requesting project proposals from two or more vendors in the pool. NDDOT will select the vendor's proposal that best meets the SOW requirements based upon the selection criteria stated in the work order request.
- 3) A change order process will be used to manage issues and changes during the life of a work order project. A change request must be in writing to document the potential change. The change will be reviewed and, if acceptable to NDDOT, the Vendor will submit an estimate of the charges and the anticipated changes in the delivery schedule that will result from the proposed change in the scope of work. A change order must be approved and signed by both parties prior to implementation of the change. (See Attachment 3.)
- 4) The Work Order Request form becomes effective as of the date it has been signed by both parties. NDDOT may terminate the Work Orders at any time upon notice to contractor. If not so terminated then the Work Order will terminate upon satisfactory completion of the work. Upon termination, contractor will return all of NDDOT's property in its possession that is related to the Work Order Request, including confidential information and work products whether finished or not.
- 5) Regardless of how the individual engagements are assigned/awarded, the selected vendor would be expected to work with NDDOT Contract Manager to schedule the onsite fieldwork, secure staff and make necessary travel/lodging arrangements. All travel requires pre-authorization by the NDDOT Contract Manager.
- 6) Prior to finalizing a Work Order Request, the selected vendor must disclose any instances where the firm or any individuals working on the contract has a possible independence problem or conflict of interest, and if so, the nature of that conflict (e.g. nonaudit services performed for the Client). The NDDOT Contract Manager reserves the right to cancel the award if any interest disclosed from any source could either give the appearance of a conflict or cause speculation as to the objectivity of the auditor or auditor independence. The NDDOT Contract Manager's determination regarding any questions of independence or conflict of interest is final.

**North Dakota Department of Transportation - Audit Consultant Pool
Work Order Request (WOR)**

Contractor	Contract Number	WOR Number	Issue Date
Contact Name	E-Mail Address	Telephone Number	Fax Number
Address	City	State	Zip Code

NDDOT Contact for this Audit	E-Mail Address	Telephone Number	Fax Number
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Reference: In accordance with the terms and conditions of ITB 946-20-14-050, Audit Consultant Pool, this Work Order Request authorizes completion of the deliverables described in accordance with the description and terms specified below.

1. Description of Services/Scope of Work

Name of Audit
Objectives
Desired Audit Timeframe

2. Deliverables (to be completed subsequent to assignment)

Deliverable	Completion Date
Contractor to return proposed staffing plan and fieldwork schedule to NDDOT	
NDDOT completes review and approval of staffing plan and schedule	
Contractor plans audit and provides proposed audit objectives, scope and audit program tailored to NDDOT for review and approval (no later than 6 weeks prior to commencement of onsite fieldwork)	
NDDOT reviews and approves audit objective, scope and audit program (to be completed one week after receipt)	
Preliminary request list due four weeks prior to commencement of onsite fieldwork	
NDDOT completes review and approves proposed audit objectives, scope and audit program	
Contractor completes on-site audit services	

Deliverable	Completion Date
Contractor completes draft audit report and work papers and provides to NDDOT for review and approval (typically required no later than 30 days after completion of onsite fieldwork)	
NDDOT completes review of audit report and supporting work papers and provides review comments	
Contractor will satisfactorily address NDDOT work paper/draft report review comments	
NDDOT completes an evaluation of services provided	
Contractor participates in final reporting (as applicable)	

3. Contractor Staffing

Name	Position

4. Price and Payment for Staff assigned to this Work Request

NDDOT will pay for the services provided by CONTRACTOR under this Work Order based on the rates established by contract, not including actual travel, lodging or per diem costs, to be paid upon completion of deliverables. Actual receipts for travel (airfare or mileage) and lodging will need to be provided prior to reimbursement.

Staff Name	Number of Hours	Hourly Rate	Total
		\$	\$
		\$	\$
		\$	\$
		\$	\$
Total		\$	

CONTRACTOR's estimated cost of the following:	
Travel costs	\$
Lodging	\$
Per diem	\$
Total	\$

5. Type of Proposal

- ☐ Direct Assignment
☐ Competitive

Contractor Proposal (For Competitive Work Orders)

Contractor shall attach its proposal to this Work Order Request when responding. The Contractor's proposal will include, at a minimum, the following items. If the company has previously been requested to submit the following information, then it is only necessary to respond to the items which are specific to this Work Order Request.

1. A clear and concise statement demonstrating the Bidder's overall understanding of the services required and a description of the strategy for accomplishing the work
2. Background information regarding the CPA firm, including but not limited to contact information, number of employees, brief history of firm, and office locations.
3. Detailed explanation that speaks specifically to each discipline being proposed, describing how the Bidder is qualified to provide services indicated in the solicitation, including the following:
 - a. Demonstrate how the Bidder meets the independence standards of the current United States Government Accountability Office (GAO) "Government Auditing Standards".
 - b. Describe the capability of the firm to audit internal controls and related computerized systems.
 - c. Identify the role, responsibility and level of participation of personnel that would be involved in contracted audits with the NDDOT.
 - i. Provide resumes for these key personnel showing technical education and training. Include certifications, licenses and memberships in professional associations, and relevant experience. Resumes should specifically define the experience and knowledge regarding the FAR, cost accounting, and work for other government entities in performing similar audits as described in this solicitation.
 - ii. Specify personnel experience and knowledge working with statistical sampling techniques as it relates to use in auditing and other auditing techniques used by key personnel.
4. Proof of the company's qualifications as affirmed above. Including a copy of the firm's most recent peer review report.
5. Detail a timeline for completion of the work order request.
6. References submitted with the Invitation to Bid will apply.

Evaluation Criteria (For Competitive Work Orders) The criteria below will be used to select the most advantageous proposal.	Points (100 total)
Project proposal solution	30
Qualifications and availability of staff	40
Cost	30

If Vendor is unable to bid this work order, please return the work order to requesting agency and provide the reason:

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This Audit Consultant Work Order becomes effective as of the date it has been signed by both parties.

CONTRACTOR:

Company Name

Officer's Name (Type or Print)

Signature

Title

Date

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION:

Division Director (Type or Print)

Division Director Signature

Date

**AUDIT CONTRACTOR POOL
CONTRACT CHANGE ORDER**

Audit Project Name	Date of Request
Work Order Number	Change Order Number
Requested By	

Request Description

Reasons/Goals for Change

Recommendations <i>(Include recommendations by the party that is bringing the change request forward. There is a potential for multiple recommendations for solutions based on analysis.)</i>

Impacts on Cost, Scope, Schedule, Quality <i>(For each recommendation, a narrative of the impacts to CSSQ should be included.)</i>
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Solution <i>(Define the most appropriate solution to attain the desired objective. This is determined by the approving authority.)</i>
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Approval Signature(s) and Date(s).

Signature – ND Director of Audit Services	Date
Signature - Contractor	Date

INDIRECT COST RATE AUDIT PROGRAM

FIRM: _____

YEAR TO BE REVIEWED: YE December 31, 20_____

SCOPE OF REVIEW

The program shall be conducted in accordance with Government Auditing Standards, and shall include such tests of the accounting records and such other procedures as necessary in the circumstances to verify the accuracy of indirect cost rate, proposed by the firm.

REVIEW CRITERIA

Cost principles contained in the Code of Federal Regulations (CFR), Title 48, Chapter 1, Part 31, Federal Acquisition Regulations (FAR's), will be used as criteria in the determination of allowable costs along with the AASHTO Uniform Accounting and Audit Guide.

PRELIMINARY CONSIDERATIONS		W/P REF	INITIAL
1.	Review two previous indirect cost rate reviews for this firm and note any problem areas. Identify all previous DOT review adjustments and indicate if adjustment is applicable for current review.		
2.	Review proposed indirect cost rate development and note any questionable accounts. Compare prior year's proposed costs to current proposal and note any significant changes greater than 10%.		
3.	Discuss prior indirect rate reviews with NDDOT staff and obtain information regarding their concerns. Obtain information about direct costs charged to projects and direct labor rates from NDDOT staff. Engineering consultant may provide certified list of direct costs for the current year.		

FIELDWORK PLANNING		W/P REF	INITIAL
4.	Conduct an entrance conference. Note if there have been any significant changes since the prior review was completed.		
5.	Complete Internal Control Questionnaire with firm's staff.		
6.	Complete Labor Charging Checklist with firm's staff.		
7.	Compare amounts in the indirect cost rate proposal to the amounts in the financial statements and/or the general ledger. Note firm's prior year's adjustments and indicate if adjustment is applicable to current review. Discourage firms from combining GL accounts into single line IDC amount.		

FIELDWORK		W/P REF	INITIAL
8.	Obtain and review a copy of the most recent financial statements. Reconcile expenses per the financial statements to expenses per the general ledger.		

LABOR AND BONUSES		W/P REF	INITIAL
9.	Compare total labor per the general ledger to total labor per the payroll register and quarterly payroll statements. Review any adjusting entries.		
10.	Verify that promotional and other labor for other unallowable activities is not included in the indirect costs. If unallowable labor is significant, include in the labor base so that overhead costs can be allocated to those labor hours. Refer to CFR 31.201-6(e)(2) and CAS 405-40(e).		
11.	Verify that the direct labor base is supported by payroll records. Direct labor may not be estimated. Determine if direct labor for salaried employees is calculated correctly. Determine if salaried or hourly employees working over 40 hours per week were compensated at time and one half or regular pay.		
12.	For a selected sample, trace hours from the labor distribution report back to employee time sheets, which should indicate project/activity. Review employee time sheets for unallowable activities.		
13.	Verify hourly rates to payroll register or other personnel records.		
14.	Prepare worksheet identifying salaried employees not receiving over-time, their total yearly salary, total actual hours and hourly salary rate.		
15.	Document which employees have a financial interest in the company and what percent of interest.		
16.	Determine if CE has prepared a compensation analysis in compliance with FAR 31.205-6 and Chapter 7 of the <u>2012 Edition of AASHTO's Uniform Audit & Accounting Guide</u> . If not determine reasonableness of officer's compensation after unallowable activities have been eliminated.		
17.	Analyze bonuses to employees with a financial interest to determine if the bonuses are allowable per 48 CFR, Ch 1 Part 31.205-6. (If bonuses do not follow CFR guidelines, they are not allowed as an indirect labor cost and will not be allowed in the indirect cost rate.) Obtain bonus plan for subsequent year.		
18.	If bonuses are paid in stock or stock options refer to Part 31.205-6 (f) for valuation guidelines.		

NON-LABOR EXPENSES		W/P REF	INITIAL
19.	Trace a sample of entries in indirect cost accounts to source documents for proper allocation to direct and indirect costs.		
20.	Test a sample of costs for the following accounts for allowability:		
	A. Miscellaneous Expenses		
	B. Employee Morale		
	C. Dues and Subscriptions (Review & update list of lobbying % of dues)		
	D. Utilities (Determine if charges are for business address only)		
	E. Telephone (Determine if long distance calls are charged to projects and how costs are identified as direct or indirect project costs)		

21.	Determine that the indirect costs do not include any costs which are unallowable per the CFR's such as:		
	A. Advertising (Part 31.205-01)		
	B. Contributions (Part 31.205-08)		
	C. Entertainment (Part 31.205-14)		
	D. Federal income tax (Part 31.205-41)		
	E. Fines or penalties (Part 31.205-15)		
	F. Interest (Part 31.205-20)		
	G. Legal and Accounting (Review all expenses to ensure that unallowable expenses such as organization or reorganization costs, bad debts, defense of govt. claims/appeals, personal expenses, etc. are not included in account balance. Refer to Part 31.205-3, 27, 33, 47.		
22.	Review the depreciation schedule. (adjust Section 179 expense deductions) Refer to Part 31.205-11.		
23.	Verify that personal use of company furnished auto is not included in indirect costs. Refer to Part 31.205-06(m) (2).		
24.	Determine who is the beneficiary on life insurance on the partners or owners. Refer to Part 31.205-19(a) (2) (vi).		
25.	Review entries to the profit sharing account to determine if any prior period costs are included. Per Part 31.205-6(j) (2) (i), pension costs not funded by tax-return time may not be allowable in any subsequent year.		
26.	If the firm sponsors an Employee Stock Ownership Plan verify that costs are allowable in accordance with CFR 31.205-6 and CFR 9904.415.		

CADD AND REPRODUCTION		W/P REF	INITIAL
27.	Determine which, if any, CADD and/or Reproduction accounts are included in indirect costs.		
28.	Determine if the indirect costs include any costs which are unallowable per the CFR's such as CAAD costs that are directly charged to projects. (Note: If the account total represents the total actual expense, allow the account total in indirect cost. If costs are credited out, determine the total amount of the credits, and add the credit back into the account to get the total actual expense amount for the year.)		
29.	Determine if there is common control of any rented facilities. If so, calculate the allowable costs related to the facilities. Refer to Part 31.205-36 and common control section for allowable costs. IRS form 8825 has rental real estate income and expense information for Partnership or an S Corporation.		
30.	Verify state income taxes to the state income tax return.		

INCOME		W/P REF	INITIAL
31.	Review entries to the miscellaneous/other income account. Look for income such as insurance refunds or pop and coffee machine revenues. Determine if any of the revenues should be offset against expenses. Refer to Part 31.201-5.		
32.	Check for a separate account for gains and/or losses on fixed assets. According to Part 31.205-16, gains and losses on the disposition of capital assets should be considered as adjustments of depreciation.		
33.	Any other procedures that may be required.		

FINALIZATION OF REVIEW		W/P REF	INITIAL
34.	Prepare schedule of indirect cost rates, showing amounts proposed, review adjustments, and final amount per review.		
35.	Conduct and document a closeout conference reviewing <u>preliminary</u> review findings or questionable items with the appropriate personnel.		
36.	Prepare report for NDDOT Audit Services Division.		
37.	Obtain signed Management Representation Letter.		