



TRANSPORTATION CABINET

Frankfort, Kentucky 40622
www.transportation.ky.gov/

Steven L. Beshear
Governor

Michael W. Hancock, P.E.
Secretary

MEMORANDUM

TO: All Prequalified Consultants

FROM: Michael W. Coffey, Audit Manager *mw*
External Audit Branch *1/21/11*

DATE: January 21, 2011

SUBJECT: Indirect Cost (Overhead) Rate Submission Due Date

600 KAR 6:040 Section 3 (1) (b) requires, as part of your prequalification package, that you submit your indirect cost rate submission to our office within five months of your fiscal year end.

600 KAR 6:040 Section 3 (1) (b) also requires the following business records be included in your indirect cost rate submission. The External Audit Branch is requiring all records be submitted electronically this year.

- Schedule of Indirect Costs (Excel format only);
- Detailed General Ledger (Excel format only);
- Financial Statements, either audited by CPA firm or certified by officer of the company;
- Schedule of Employees, Pay Rates, and Job Classifications for 2011 (Excel format only);
- Last payroll register for 2011.

Failure to submit the above information in a timely manner may result in your removal from the Division of Professional Services list of prequalified consultants in accordance with 600 KAR 6:040 Section 5 (j).

The Federal Highway Administration (FHWA) has issued Order 4470.1A dated October 27, 2010, encouraging contracting agencies, such as Kentucky Transportation Cabinet (KYTC), to have indirect cost rate proposals certified by an official of the contractor. You may view Order 4470.1A at <http://wwwcf.fhwa.dot.gov/legregs/directives/orders/44701a.htm>. KYTC is implementing this policy. As a contractor, you will be required to sign the attached Certification of Final Indirect Costs and return the signed form to us with your indirect cost rate submission.

Without a signed Certification of Final Indirect Costs we will be unable to issue an opinion on your indirect cost rate and will inform the Division of Professional Services that you should be removed from the list of prequalified consultants in accordance with 600 KAR 6:040 Section 5



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(j). In addition, if it is found that your firm knowingly charged unallowable costs, you may be subject to suspension and debarment actions by the FHWA (as specified in FHWA Order 2000.2A).

Finally, you will be required to have a signed Certification of Final Indirect Costs or verification that this certification was previously submitted and accepted by the External Audit Branch for all engineering and design-related consultant services contracts procured, awarded, or modified after January 1, 2011.

All information may be submitted by email to me at Mike.Coffey@ky.gov or on CD to me at

Michael Coffey
External Audit Branch
Office of Audits
200 Mero St. 4th Floor
Frankfort, KY 40622

If you have any questions, contact me by phone at 502-564-9900 ext. 3628 or by email at Mike.Coffey@ky.gov.

Attachment

Certification of Final Indirect Costs

Firm Name: _____

Proposed Indirect Cost Rate: _____

Date of Proposal Preparation (mm/dd/yyyy): _____

Fiscal Period Covered (mm/dd/yyyy to mm/dd/yyyy): _____

I, the undersigned, certify that I have reviewed the proposal to establish final indirect cost rates for the fiscal period as specified above and to the best of my knowledge and belief:

- 1. All costs included in this proposal to establish final indirect cost rates are allowable in accordance with the cost principles of the Federal Acquisition Regulations (FAR) of title 48, Code of Federal Regulations (CFR), part 31.**
- 2. This proposal does not include any costs which are expressly unallowable under the cost principles of the FAR of 48 CFR 31.**

All known material transactions or events that have occurred affecting the firm's ownership, organization and indirect cost rates have been disclosed.

Signature: _____

Name of Certifying Official (Print): _____

Title: _____

Date of Certification (mm/dd/yyyy): _____