

Professional Technical (PT) Contract *Quick Look*

Fiscal Year 2024 Audit Pilot Program

MnDOT Audit will be administering an Audit Pilot Program in fiscal year 2024 (July 1, 2023 – June 30, 2024). This pilot program will conduct annual audits by consultant instead of program and contract-based audits. The goal of this pilot program is to eliminate duplicate audits being conducted, streamline the audit process, and improve accessibility.

Similar to the current audit processes, when an audit is conducted under this pilot program, the following will be reviewed:

- The fiscal health of a consulting firm.
- The overhead rate of a consulting firm and compliance with Federal Acquisition Regulations (FAR) Part 31 requirements for allowable costs.

NOTE: The information in this document applies regardless of whether the consultant acts in a prime or subconsultant role under any given PT contract.

Annual Overhead Analysis

If a consultant can calculate an overhead rate and does have recent audit history with MnDOT, the consultant will be placed on MnDOT's *Annual Overhead Analysis* schedule.

- The consultant is required to submit overhead rate paperwork annually for review by MnDOT Audit.
- MnDOT requests that this type of audit be initiated by the consultant not later than six months after the close of the company's fiscal year end and after the company's business tax returns are filed.
- MnDOT will regularly monitor the *Annual Overhead Analysis* schedule to ensure submittal compliance.

Annual Pre-Award Review

If a consultant cannot calculate an overhead rate and does have recent audit history with MnDOT, the consultant will be placed on MnDOT's *Pre-Award Review* schedule.

- The consultant is required to submit pre-award paperwork annually for review by MnDOT Audit.
- MnDOT requests that this type of audit be initiated by the consultant not later than six months after the close of the company's fiscal year end and after the company's business tax returns are filed.
- MnDOT will regularly monitor the *Annual Pre-Award Review* schedule to ensure submittal compliance.

New to Doing Business with MnDOT

If a consultant **does not** have a history of completed audits on file at MnDOT, and does not fit the exemption below, then an initial audit will be conducted.

- At this time, the consultant will have the opportunity to apply for the Safe Harbor Program or submit the appropriate audit paperwork.
- Once the initial pre-award audit is complete, if the consultant can calculate an overhead rate, the consultant will be placed on MnDOT's *Annual Overhead Audit* schedule. If the consultant cannot calculate an overhead rate the consultant will be placed on MnDOT's *Annual Pre-Award Review* schedule.

Exemption

- A consultant, in a prime or subcontractor role, will be exempt from the audit process, if the consultant has a contract budget estimate of \$50,000 or less.

Frequently Asked Questions

Why is this required?

MnDOT requires an annual Overhead Audit to comply with the following:

- [23 CFR § 172.11](#)
- [23 CFR § 112](#)
- [Title 9 Federal Acquisition Regulations Chapter 2, Subpart 31.2](#)

Who does this apply to?

This applies to any size company whose billing structure is Cost Plus Fixed Fee or Fixed Hourly Rate.

Is there a dollar threshold that triggers this type of audit?

No. The audit is not based on a dollar threshold.

Do you need an audited OH rate or approved rate?

An audited overhead rate is preferred. However, an unaudited (prepared by the company) can be submitted for review. Note, when submitting an unaudited overhead rate, the company must use the "Sample Overhead Rate Calculation" spreadsheet that is available on MnDOT Office of Audit's website along with all other required documentation (www.dot.state.mn.us/audit/rates.html).

Safe Harbor Overhead Rate Program is another option for unaudited overhead rates. Federal regulations allow a consulting firm to use a Safe Harbor indirect cost rate with a cap of 110% if it has not had an indirect cost rate previously accepted by MnDOT. See www.dot.state.mn.us/audit/rates.html for program requirements.

Does the type of money used to pay for PT services have any impact on this type of audit?

No. The type of funds (State, Federal, etc.) does not impact whether an Annual Overhead-Indirect Cost Rate audit is conducted.

Getting Started

Requesting an Annual Overhead Audit

MnDOT requests that this type of audit be initiated by the consultant no later than six months after the company's fiscal year end and after the company's business tax returns are filed.

Submit a complete package to:

MnDOT Consultant Services Section

professionaltechnicalaudits.dot@state.mn.us

Required Documentation

Required documentation can be located on the MnDOT Office of Audit website at:

www.dot.state.mn.us/audit/rates.html

If you have questions about the required documentation please reach out to Consultant Services.