ARIZONA DEPARTMENT OF TRANSPORTATION
INTERMODAL TRANSPORTATION DIVISION
ENGINEERING CONSULTANTS SECTION
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Arizona Governor's Award for Quality
1995 Pioneer Award Recipient

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Governor

MARY E. PETERS
Director

THOMAS G. SCHMITT
State Engineer

March 15, 1999

Engineering Consultants Section

INFORMATION BULLETIN 99-08

TO: Consultants

FROM: Engineering Consultants Section

SUBJECT: ADOT Audit Escalation Process

Attached is the ADOT Indirect Cost Rates Escalation Process For Disagreements. The policy applies to preaward audit reviews conducted by the Office of Audit & Analysis for contracts administered by the Engineering Consultants Section. The policy identifies who the appeal must be submitted to and the allowable time limits for both the consultant and ADOT.

If there are any questions please contact Michael Schwartz of Audit & Analysis at (602) 712-7237 or Peter Eno of the Engineering Consultants Section at (602) 712-8040.

ARIZONA DEPARTMENT OF TRANSPORTATION
ENGINEERING CONSULTANT CONTRACTS
INDIRECT COST RATE(S)
ESCALATION PROCESS FOR DISAGREEMENTS

FEBRUARY 16, 1999

Introduction

The Office of Audit & Analysis (A&A) is responsible for reviewing the indirect cost rate(s) included in consultant cost proposals. A&A performs a preaward review to determine that the cost proposal conforms to the requirements of Part 31 of the Federal Acquisition Regulations. This review includes determining if the indirect costs are allowable, allocable and reasonable in accordance with Part 31. A&A issues a report indicating whether the Consultant rate is acceptable as submitted or recommends an adjusted rate for contract negotiation purposes. When an adjusted rate is recommended, the Consultant receives a Notification of Preaward Review Findings with the proposed adjustments.

In some cases, the Consultant does not agree with the proposed adjustments to the indirect cost rate(s). When the Consultant does not agree with the proposed adjustments, the following escalation process should be followed to resolve the disagreement.

Basic Assumption

The FAR requires the Consultant to support and justify the allowability, allocablility and reasonableness of proposed costs. Accordingly, the burden of proof is on the Consultant to justify costs that are questioned.

Appeal Process – Step One
Contract Administrator

Consultant – Notifies the Contract Administrator, Engineering Consultants Section (ECS), in writing that he or she does not agree with the adjusted indirect cost rate(s) as determined by A&A. This notification shall be filed with the Contract Administrator within five business days following the receipt of the Notification of Findings.

The Consultant then has ten additional business days to present in writing whatever information is pertinent to the items in disagreement. The Consultant may also request a meeting with the Contract Administrator to verbally present his or her position. (The Accountant or Financial Advisor of the Consultant shall be present at the meeting.)

Contract Administrator – Weighs the information provided by the Consultant and decides if the adjusted indirect cost rate(s) recommended by A&A should be modified or stand as is. The Contract Administrator will typically consult with the ECS Contract Manager and A&A. The Contract Administrator will notify the consultant in writing of his decision within fifteen business days. The letter should include a statement that if the Consultant does not agree with the Contract Administrator's decision, the decision can be appealed to the State Engineer. If the Contract Administrator modifies A&A's recommended indirect cost rate(s), the rationale for the change should be documented in the contract file.

Appeal Process – Step Two
State Engineer

Consultant – Notifies the State Engineer in writing within ten business days from the Contract Administrator's decision that he or she is appealing the decision. The letter should include a statement of the rate(s) desired and why it (they) is (are) appropriate. The Consultant can present whatever information is pertinent to the items in disagreement.

If the Consultant wants to meet with the State Engineer to present arguments, the Contract Administrator and a representative of A&A shall be present to discuss their position with the State Engineer along with the Consultant. (The Consultant's Accountant or Financial Advisor shall be present at the meeting.)

State Engineer – Weighs the information provided by the Consultant, Contract Administrator, and A&A and decides what rate(s) should be used for contract negotiations. The State Engineer's decision is final and the Consultant will be notified in writing of the decision within ten business days. In those circumstances where the State Engineer adjusts the rate(s) determined by A&A or by the Contract Administrator, appropriate supporting rationale will be documented in the contract file.

If a meeting is held with the Consultant, the State Engineer will conduct the meeting to gather the information necessary to render a decision.

The recommended indirect cost rate(s) as determined by Audit will not be modified.

APPROVED: _____ DATE: 3/5/99
Tom Schmitt, State Engineer