CS941260

A. G. Contract No. KR93 1239TRN
ECS File: JPA 93-83
Project: Provide Audit Services
TRACS:

INTERGOVERNMENTAL AGREEMENT
BETWEEN
THE STATE OF ARIZONA
AND
MARICOPA COUNTY, ARIZONA

THIS AGREEMENT is entered into 29 June, 1994, pursuant to Arizona Revised Statutes, Sections 11-951 through 11-954, as amended, between the STATE OF ARIZONA, acting by and through its DEPARTMENT OF TRANSPORTATION (the "State") and MARICOPA COUNTY, ARIZONA, acting by and through its BOARD OF SUPERVISORS (the "County").

I. RECITALS

1. The State is empowered by Arizona Revised Statutes Section 28-108 and 28-112 to enter into this agreement and has by resolution, a copy of which is attached hereto and made a part hereof, resolved to enter into this agreement and has delegated to the undersigned the authority to execute this agreement on behalf of the State.

2. The County is empowered by Arizona Revised Statutes Section 11-251 to enter into this agreement and has by resolution, a copy of which is attached hereto and made a part hereof, resolved to enter into this agreement and has authorized the undersigned to execute this agreement on behalf of the County.

3. The County often hires consultants to assist in the performance of its' transportation public works mission. To insure the propriety of fees paid to consultants, the County desires to perform contract pre-award audits to determine factors such as labor, overhead and direct cost actual rates. The County does not employ the skilled external audit personnel necessary to perform the audit services desired, and has requested that skilled State employees perform these services on those projects involving federal funds on behalf of the County as needed, at $30.00 per hour per auditor and not to exceed $30,000.00 in total; all at County expense.

THEREFORE, in consideration of the mutual agreements expressed herein, it is agreed as follows:

NO. 18663
FILED WITH SECRETARY OF STATE
Date Filed 06/29/94
Richard Mahoney
Secretary of State
By Vicky Greenwood

II. SCOPE

1. The State will:

a. On an as available basis, and as requested in writing by the County, provide skilled audit personnel to perform specific consultant audits on projects involving federal funds on behalf of the County. Such audits shall be performed generally in accordance with Exhibit A, which is attached hereto and made a part hereof.

b. Typically, within 30 days after receipt of an audit request, provide the County with individual written audit reports detailing labor, overhead and direct cost proposed rates. Report format will in accordance with Exhibit B which is attached hereto and made a part hereof.

c. No more often than monthly, invoice the County for services performed, in the amount of $30.00 per hour per auditor. Invoices will contain sufficient data so as to allow the County to verify the services invoiced.

2. The County will:

a. Notify the State in writing that audit services are requested on a contract involving federal funds. Such requests will detail the name, address, telephone number and point of contact of the auditee, their status as prime or subconsultant in the proposed contract, the proposed contract amount and any other pertinent information.

b. At no cost, provide the State with any documents, books, records or information which may be reasonably available which may assist in the performance of the audit.

c. Within thirty days after receipt of an invoice, reimburse the State for services provided, at the rate of $30.00 per hour per auditor, and in a total amount not to exceed $30,000.00.

III. MISCELLANEOUS PROVISIONS

1. This agreement shall remain in force and effect until cancelled by either party upon thirty (30) days written notice to the other party, or other competent authority, or until the funds are expended.

2. This agreement shall become effective upon filing with the Secretary of State.

3. This agreement may be cancelled in accordance with Arizona Revised Statutes Section 38-511.

4. The provisions of Arizona Revised Statutes Section 35-214 are applicable to this contract.

5. In the event of any controversy which may arise out of this agreement, the parties hereto agree to abide by required arbitration as is set forth in Arizona Revised Statutes Section 12-1518.

6. All notices or demands upon any party to this agreement shall be in writing and shall be delivered in person or sent by mail addressed as follows:

Arizona Department of Transportation
Joint Project Administration
205 South 17 Avenue, Mail Drop 616E
Phoenix, AZ 85007

Maricopa County
County Manager
301 West Jefferson
Phoenix, AZ 85003

7. Attached hereto and incorporated herein is the written determination of each party's legal counsel that the parties are authorized under the laws of this state to enter into this agreement and that the agreement is in proper form.

IN WITNESS WHEREOF, the parties have executed this agreement the day and year first above written.

MARICOPA COUNTY, ARIZONA

By Betsey Bayless
Betsey Bayless, Chairman
Board of Supervisors

STATE OF ARIZONA
Department of Transportation

By
THOMAS R. WARNE
Deputy Director

ATTEST:

By Fran McCarroll
FRAN McCARROLL
Clerk of the Board

157
17dec

JPA 93-83

RESOLUTION

BE IT RESOLVED on this 26th day of May 1993, that I, the undersigned LARRY S. BONINE, as Director of the Arizona Department of Transportation, have determined that it is in the best interests of the State of Arizona that the Department of Transportation to enter into an agreement with Maricopa County for the purpose of establishing an agreement for ADOT to provide outside engineering consultant audit services to the County.

Therefore, authorization is hereby granted to draft said agreement which, upon completion, shall be submitted for approval and execution by the Department Deputy Director.

Mary C. Peters
for LARRY S. BONINE
Director

1203j/2

COUNTY OF MARICOPA
State of Arizona

Office of the Clerk

State of Arizona)
County of Maricopa) *ss.*

I, Fran McCarroll, Clerk of the Board of Supervisors do hereby Certify that the attached is a true and correct excerpt from the minutes of the meeting of the Board of Supervisors held May 4, 1994:

INTERGOVERNMENTAL AGREEMENT WITH ARIZONA DEPARTMENT OF TRANSPORTATION - AUDIT SERVICES - APPROVED

Motion was made by Supervisor Katsenes, seconded by Supervisor Wilcox, and unanimously carried to approve and execute an Intergovernmental Agreement with the Arizona Department of Transportation (ADOT) for the performance of specific audit services mandated for federally funded projects. Under the terms of the agreement, ADOT will perform such services on an as-needed basis and at the specific request of the County. Transportation was granted authorization to self-administer various projects funded by the federal government through the Federal Highway Administration. In accordance with federal contract compliance guidelines, the County is obligated to perform specific audit functions such as a preaward and a final audit of consultants performing work under federally funded contracts. Entering into an IGA with ADOT will allow Transportation to perform its audit obligations. (TD05894) (CS941260)

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the Board of Supervisors. Done at Phoenix, the County Seat, on the following day:
May 24, 1994

Clerk of the Board of Supervisors

Transportation
File

JPA 93-83

APPROVAL OF THE MARICOPA COUNTY ATTORNEY

I have reviewed the above referenced proposed intergovernmental agreement between the STATE OF ARIZONA, acting through the DEPARTMENT OF TRANSPORTATION and MARICOPA COUNTY, and declare this agreement to be in proper form and within the powers and authority granted to the County under the laws of the State of Arizona.

DATED this 12 day of April, 1994.

James Mentzer

Deputy County Attorney

EXHIBIT A

The steps to be followed in performance of a Preaward Audit are summarized as follows:

1. Review the proposal to obtain an understanding of its contents and the purpose of the project. Determine that supporting documentation submitted by the Consultant contains the following:

   a) direct labor;
   b) overhead;
   c) other direct costs; and
   d) outside services. NOTE: Subconsultants will be audited only when specifically requested.

   If the documentation is incomplete, request items needed from the Consultant/Subconsultant.

2. Review Audit & Analysis' permanent files to determine prior audit coverage of the subject firm. If previous preaward or cost audits have been performed, workpapers should be reviewed for any direct labor, overhead, or direct costs information which would aid in performance of the current preaward audit.

3. Review the "Derivation of Cost Proposal" (proposed budget) section of the proposal. This will include an examination of all material items of cost, as well as the review of documentation gathered in support of direct labor, overhead, other direct, and outside services costs.

   A. Direct Labor will be examined to determine the basis for the hourly rates used to calculate labor costs. This will normally be done be reviewing a certified payroll listing signed by the Chief Financial Officer, or other officer of the firm. Anticipated increases to these rates for future salary adjustments should also be noted in the certified payroll.

      Consultants will normally be expected to propose and bill direct labor at actual hourly rates paid, excluding fringe benefits costs which are to be included in the indirect (overhead) cost pool. Thus, the proposed rates should consist of actual payroll costs only. If it is noted the labor rates include an additive for payroll fringe costs, the Consultant will be contacted to determine the reason; and permission to bill in this manner may be given depending upon the explanation given.

B. The overhead rate proposed will be examined to determine its acceptability, and may be established by either submission of the most recent audit report prepared by a Federal Agency (i.e. Defense Contract Audit Agency), another State Transportation Department, or another State audit agency; or submission of the most recent overhead audit report prepared by the firm's independent public accountants in accordance with all applicable Federal regulations.

In lieu of the above, financial statements used to compute the proposed overhead rate will be reviewed to determine that only costs allowable under current Federal regulations were included in the rate calculation.

Consultants will be limited to a maximum overhead rate of 150% of direct labor (110% in the case of a field overhead rate). If a Consultant's proposed and/or actual rate is in excess of this limitation, MDOT will be contacted to ascertain whether a higher rate was previously approved. Without prior approval, it will be recommended that MDOT negotiate a rate within the established limits. After an acceptable provisional rate has been calculated, normal practice will be to increase this rate by 5% (taking into account the previously noted limitations) to arrive at a maximum allowable rate.

C. Proposed Direct Expenses will be evaluated against established guidelines for allowable expense types and rates. These rates, which are subject to change, will be established as follows:

- Vehicle rental - $45/day including mileage.

- Company/employee owned vehicles - $.28/mile for passenger cars or pickups; the rate may be higher for larger vehicles.

- Per Diem - $52.50/lodging and $26/meals for a total of $78.50/day. If it is anticipated that personnel will be staying longer than 30 consecutive days, an apartment or similar lodging may be secured at a maximum of $1,000/month inclusive of utilities.

- CADD charges - $10/hr for all systems.
- In-house copies - $.05 each.
- Miscellaneous direct costs - actual costs only.

D. Outside Services Costs proposed by Subconsultants will be examined only if requested by MDOT. If a request has been made, the Subconsultant's proposal is reviewed in the same manner, following the same steps, as the prime Consultant's; unless the scope is limited to a certain portion of the Subconsultant's proposal.

Outside services costs as a percentage of the total contract will be calculated. If greater than 50%, MDOT will be contacted as this percentage is considered excessive.

4. The only profit allowed is in the net fee category. Thus, it will be determined that proposed cost figures do not include any additional element of profit, and that net fee was computed on direct labor and overhead only. Any variances to this requirement will be analyzed to determine if the method used resulted in a reasonable rate of profit (normally 10%).

5. Upon completion of the preaward audit, the appropriate individual at MDOT will be informed of the actual results prior to issuance of the report.

ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS

OFFICE MEMO

JUNE 3, 1993

TO: ROBERT GUSTAFSON, Contract Manager
Engineering Consultants Services

FROM: ROBERT J. GILLESPIE, Audit Manager
Office of Audit and Analysis

SUBJECT:
Contract No. 93-
Project No. N-900-356/H322301D
Amount: $266,440
Audit Assignment No. HPC93295
Audit Report No. P93-

We have received labor, overhead rate, and direct cost information, as well as a Derivation of Cost Proposal from the subject firm. In an effort to facilitate your negotiation process, we are providing the following:

A. Proposed labor rates are based upon actual salaries as of April 26, 1993, exclusive of merit or cost-of-living increases. All rates are less than maximums previously allowed by ECS on Preliminary Engineering contracts and are considered acceptable.

B. The Consultant has proposed an overhead rate of 146%. Our analysis of financial data submitted indicates an allowable rate of 157% for year ended December 31, 1992. Accordingly, we recommend 146% as the provisional rate to a maximum of 150%.

C. Direct expense rates are acceptable as proposed.

D. The Subconsultants were not examined.

If you have further questions, please contact the undersigned.

Robert Gillespie
ROBERT J. GILLESPIE,
Audit Manager

Attachment: Derivation of Cost Proposal

RG93-212/km

MDCE1-93

Exhibit B

Project: Design of Roads at Fool Hollow Recreation Area
Design Concept Report & Final Design

Contract No.
Trace No.
New Contract [x]
Contract Modification [ ] No.

DERIVATION OF COST PROPOSAL
(ROUND FIGURES TO THE NEAREST $1.00)

ESTIMATED DIRECT LABOR

Classification	Estimated Manhours	Average Hourly Rate	Labor Costs
Project Principal	29	$36.00	$1,044
Project Manager	205	$30.00	$6,150
Project Engineer	878	$21.50	$18,877
Engineer/Designer	1181	$19.50	$23,030
Technician/Drafter	917	$14.00	$12,838
Secretarial/Clerical	74	$12.00	$888
	3284 ✓		

Total Estimated Labor $	62,830	EC 10
Overhead Provisional @ 146 % of Estimated Labor $	91,730	EC 20
Sub-Total $	154,560	

ESTIMATED DIRECT EXPENSES
(Listed by Item at Estimated Actual Cost - NO MARKUP)

	Units	Rate	Cost
Travel/Mileage	1,900	$0.28	$532
Travel/Per Diem	4	$52.50	$210
Subsistence	8	$26.00	$208
Reproduction			
Photocopies	8,000	$0.05	$400
Blueline Prints (Square Feet)	2268	$0.06	$140
Reproducibles	210	$1.00	$210
Photo Mylars	54	$20.00	$1,080
Intergraph Hours	779	$10.00	$7,794

Total Estimated Expenses $	10,570	EC 30

ESTIMATED OUTSIDE SERVICES AND CONSULTANTS
(Listed by Firm or Name at Estimated Cost to you - NO MARKUP)

Firm	Cost	Method of Compensation (CPNF, LS, etc)
Wood, Patel & Associates	25,150	CPNF
Logan, Simpson & Dye	9,400	CPNF
Terrane Engineering Corporation	19,483	CPNF
Matkin/Murphy Consulting Engineers	31,075	CPNF

Total Estimated Outside Services $	85,110	EC 40
Total Estimated Cost to Consultant $	250,240	
Net Fee (Direct Labor + Overhead x *Multiplier 10.5%) $	16,200	EC 50
TOTAL ESTIMATED COST $	266,440	

CONTRACT TIME _____ CALENDAR DAYS

Post/Design Services shall be provided at the rate of $ per hour exclusive of travel. EC 64

Signature

14-May-93
Date

* The Multiplier is used to calculate the prorata of each month's billed Net Fee.

Exhibit B

ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE: _____

AUDIT NO. _____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
1. Review the overall proposal to obtain a general familiarity and understanding of its contents and the purpose of the project. Determine that supporting documentation containing the following has been received: a) direct labor; b) overhead; c) other direct costs; and d) outside consultants. If subject to audit, review request from ECS. If the documentation is incomplete, request the items needed from the consultant/ subconsultant.		
2. Review the permanent audit files of the office to determine previous audit coverage of the subject firm. If previous preaward or cost audits have been performed, workpapers should be reviewed to ascertain if they contain any direct labor, overhead, or direct costs information which would aid in performance of the current preaward audit. Obtain copies of most recent audit reports for workpaper reference.		
3. Review the "Derivation of Cost Proposal" (proposed budget) section of the proposal. This will include an examination of all material items of cost, as well as the review of documentation gathered in support of direct labor, overhead, other direct, and outside services costs (refer to Item 1 above).		

PREPARED BY: _____ DATE: _____

REVIEWED BY: _____ DATE: _____

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ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE: _____

AUDIT NO. _____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
4. Direct Labor should be examined to determine the basis for the hourly rates used to calculate labor costs. This will normally be done by reviewing a certified payroll listing signed by the Chief Financial Officer, or other officer of the firm. It should itemize the actual, current pay rates of all individuals or job classifications who will work on the project. Anticipated increases to these rates for future salary adjustments should also be noted in the certified payroll. In certain instances normally involving smaller contracts, if a certified payroll has not been included with the proposal, actual pay rates should be confirmed by physically examining pay records. This test method is not precluded by presentation of certified payrolls. Engineering Consultants Services (ECS) currently has a policy requiring that consultants propose and bill direct labor at actual hourly rates paid, excluding fringe benefits costs which are to be included in the indirect (overhead) cost pool. Thus, the auditor must confirm that proposed direct labor hourly rates consist of actual payroll costs only. If it is noted the labor rates include an additive for payroll fringe costs, ECS should be contacted to determine whether the consultant was given special permission to propose direct labor in this manner.		

PREPARED BY: _____ DATE: _____

REVIEWED BY: _____ DATE: _____

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ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE:_____

AUDIT NO._____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
5. Overhead Rate proposed must be examined to determine its acceptability, and may be established by any of the following methods:		
a) Submission of the most recent audit report prepared by a Federal Agency (i.e. Defense Contract Audit Agency) another State Transportation Department, or another State audit agency. The submittal will be evaluated against appropriate regulations (FARS, Title 48).		
b) Submission of the most recent audit report prepared by the firm's independent public accountants. This audit must have been performed in accordance with all applicable Federal regulations, and should include an analysis of audited, disallowed, and final allowable costs which were used to calculate the rate.		
In lieu of 5a/5b the auditor will review the firm's financial statements which were used by the auditee to compute the overhead rate. These statements should include details of the direct labor base used, as well as all indirect (overhead) costs incurred and used in the overhead calculations. If various unallowable expenses normally incurred		

PREPARED BY:_____ DATE:_____

REVIEWED BY:_____ DATE:_____

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ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE:_____

AUDIT NO._____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
5. (Continued) (examples being interest, entertainment, contributions, etc.) are not shown on the statements, a determination must be made as to whether they have been included within another cost category.		
6. As noted in Item 4, the auditor must ensure that fringe benefits costs are included in overhead. If they have not been included therein, ECS should be notified to ascertain whether they granted the consultant a waiver to this requirement.		
7. The current policy of ECS is to limit the maximum overhead rate to 150% of direct labor (110% in the case of field overhead rates). Therefore, in calculating allowable rates, the auditor must not approve or recommend a percentage in excess of these limits without first reviewing the finding with ECS to ascertain whether a higher than normal rate was previously approved. If a consultant's proposed and/or actual rate is in excess of the limitation, the auditor should state this fact in the report and recommend ECS negotiate a rate within the established limits. After the auditor has calculated a provisional overhead rate,		

PREPARED BY:_____ DATE:_____

REVIEWED BY:_____ DATE:_____

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ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE: _____

AUDIT NO. _____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
7. (Continued)		
normal practice will be to increase this rate by 5% to arrive at a maximum allowable rate. Thus the audit report will recommend both provisional and maximum billing rates (taking into account the aforementioned limitations of 150% and 110%).		
8. Direct Expenses will be evaluated against the establsihed guidelines set by ECS as to the allowable types and rates of proposed direct expenses. Therefore, the auditor should verify that rates are within these limitations.		
The following rates, which are subject to change, are presently used by ECS to determine allowable cost limits:		
a) Vehicle rental - $45/day including mileage.		
b) Company/employee owned vehicles - .28 → $.~~24~~/mile for passenger cars or pickups; the rate may be higher for larger vehicles.		

PREPARED BY: _____ DATE: _____

REVIEWED BY: _____ DATE: _____

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ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE: _____

AUDIT NO. _____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
8. (Continued)		
c) Per Diem - ~~$40~~ 57.50/lodging and ~~$25~~ 26/meals for a total of ~~$65~~/day. If it is anticipated that personnel will be staying longer than 30 consecutive days, an apartment or similar lodging may be secured at a maximum of $1,000/month inclusive of utilities.		
d) CADD charges - ~~$45~~ 10/hr for an Intergraph CADD System; ~~$25~~/hr for an Auto CADD System.		
e) Personal computers and work processing equipment are to be included in overhead.		
f) Relocation expense is not allowed.		
9. Outside Services - Review of proposed outside services costs is performed only if requested by ECS. If a request has been made, the sub-consultant's proposal is reviewed in the same manner, following the same steps, as the prime consultant's proposal; unless scope is limited to a certain portion of the subconsultant's proposal.		

PREPARED BY: _____ DATE: _____

REVIEWED BY: _____ DATE: _____

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ARIZONA DEPARTMENT OF TRANSPORTATION
OFFICE OF AUDIT & ANALYSIS
PREAWARD AUDIT PROGRAM

AUDITEE: _____

AUDIT NO. _____

DESCRIPTION	COMPLETED BY AUDITOR	WP WP REF.
9. (Continued) The auditor should calculate what percentage outside services costs are of the total contract. If greater than 50% ECS should be contacted for an explanation and notation placed in the audit report. 10. Net Fee - The only profit allowed is in the net fee category. Thus, it must be determined that the proposed cost figures do not include any additional element of profit. Finally, the auditor must confirm that net fee was computed on direct labor and overhead only. Any variations to this requirement must be analyzed to determine if the method used results in a reasonable rate of profit. 11. Upon completion of the preaward audit, the auditor must disclose the audit results (normally by telephone) to the appropriate individual at ECS. Any input received at this time must be recorded in audit workpapers and may be incorporated into the report at the auditor's discretion.		

PREPARED BY: _____ DATE: _____

REVIEWED BY: _____ DATE: _____

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STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

GRANT WOODS
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX 85007-2926

MAIN PHONE: 542-5025
TELECOPIER: 542-4085

INTERGOVERNMENTAL AGREEMENT DETERMINATION

A. G. Contract No. KR93-1239-TRN, an agreement between public agencies, has been reviewed pursuant to A.R.S. §11-952, as amended, by the undersigned Assistant Attorney General who has determined that it is in the proper form and is within the powers and authority granted to the State of Arizona.

No opinion is expressed as to the authority of the remaining parties, other than the State or its agencies, to enter into said agreement.

DATED this 24th day of June, 1994.

GRANT WOODS
Attorney General

JAMES R. REDPATH
Assistant Attorney General
Transportation Section

JRR:lsr
8365G