

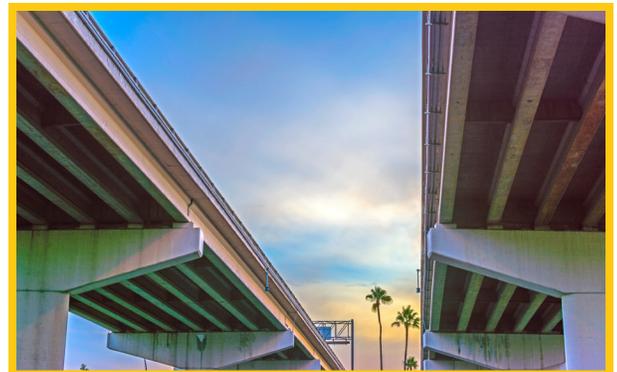
## Florida Department of Transportation (FDOT) Accounting System Requirements

By Jon Stein, CPA and Shareholder

Professional consultants seeking to provide services to the Florida Department of Transportation (FDOT) must be prequalified annually in accordance with the Florida Administrative Code (FAC) chapter 14-17. Regardless of whether the Request for a Qualification Package for Professional Consultants is the initial submission or an annual renewal, the package must include evidence the consultant maintains an accounting system adequate to separate and accumulate direct and indirect costs and to support billings to the FDOT and other clients.

The job cost accounting system must support the financial statements in accordance with FDOT reimbursement rate audit guidelines and the American Association of State Highway and Transportation Officials (AASHTO) uniform audit and accounting guide for architectural and engineering (A/E) consulting firms. Key FDOT job accounting system requirements include the following:

- All accounting systems must be capable of separating direct and indirect costs associated with individual contracts entered into with FDOT. Unless the consultant bills clients on a fee-for-service basis and maintains a published fee schedule, the association of costs with specific contracts requires the existence and operation of a "Job Cost Accounting System." Professional consultants billing clients based on labor by the hour must maintain and operate a job cost accounting system as well.
- The largest single cost element for a professional service provider will normally be labor. Tracking time, converting time charged to labor costs, and accounting for these costs are, therefore, major areas of concern for the FDOT. Establishment and maintenance of acceptable timesheets is required documentation for your accounting system.
- Every pay period, the timesheet for each individual must be posted to the accounting system. The cost associated with the hours posted must be retrievable and displayed in two separate reports: a Payroll Distribution Report, which provides the direct and indirect split to the general ledger, and a labor Distribution Report, which provides labor charges for individual projects or jobs needed to build job cost reports.
- Regardless of the payroll system used, a job cost accounting system absolutely must accumulate and report each employee's time and labor cost by individual project or job.
- The accounting system must be capable of producing job cost reports reflecting all the direct costs incurred and performing each project or job, including expenses as well as direct labor. The system must have a mechanism for designating the cost center and the project or job number for all direct expenses associated with each specific project.



The accounting system must be capable of maintaining a record of hours worked and wages paid and must be capable of segregating and charging overtime premium amounts as direct or indirect costs in accordance with the established policy. When the amount of overtime premium costs a firm expects to incur are small, it is very common to charge all overtime premium costs to an indirect account and to include the cost in the overhead reimbursement rate calculation.

*continued*

The purpose of an accounting system review is to confirm that the job cost accounting system is able to segregate direct and indirect costs and is able to produce job cost reports for each or any of the contracts. This is what the FDOT means when they require that the accounting system be capable of "supporting bills to the FDOT and other clients." All charges shown in job cost reports must be traceable to both source documentation, such as timesheets for labor costs or evidence of receipt, billing, and payment for direct expenses, and recording in general ledger accounts. Consultants engaged in a contract with the FDOT could be subject to an audit of the costs associated with that contract; therefore, the job cost accounting system must be capable of generating a job cost report showing total hours and all associated direct costs for specific contracts.

Additionally, the FDOT will require an overhead audit for consultants requesting professional services prequalification at the unlimited level (greater than \$500,000 in fees).

Complying with FDOT job cost accounting system requirements will help you work with the FDOT more effectively. Our team specializes in FDOT requirements whether it be accounting system setup, reporting, audits, and more. Be sure to let us know if you need any assistance!

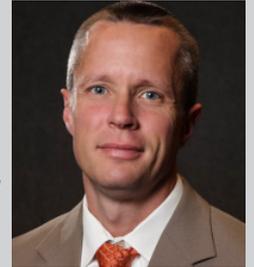
### **About the Author:**

*Jon Stein specializes in overhead audits in the construction industry and not-for-profit audit and assurance. Mr.*

*Stein and the team at Rivero, Gordimer & Company conduct more than 20 overhead audits per year as well as various consulting*

*arrangements. Rivero Gordimer & Company, P.A. has been performing overhead audits for over 30 years.*

*Contact Mr. Stein at 813-875-7774 or [jstein@rgcocpa.com](mailto:jstein@rgcocpa.com).*



**NEED MORE HELP?** Contact Rivero, Gordimer & Company in Tampa, Florida by calling 813-875-7774 or visiting our website at [www.rgcocpa.com](http://www.rgcocpa.com).

© Rivero, Gordimer & Company, P.A.

