

## **PREAWARD AUDIT REQUIREMENTS**

### **A. SUPPORT FOR LINE ITEM BUDGETS**

#### **DIRECT LABOR RATES:**

Copies of most recent payroll journals or check stubs showing amount of Gross Pay and hours worked for employees being proposed.

If any employees are not on regular payrolls, then copies of W-2s or 1099s for most recent period for employees being proposed.

#### **OVERHEAD RATES:**

**Supporting documentation for calculation of Overhead Rate.** This would include copies of Overhead or Indirect costs for most recent period and most recent year-end. The list should show detail or descriptions of Overhead or Indirect costs to determine if costs are allowable according to Federal regulations.

The calculation of the Overhead Rate in relation to Direct Labor. Again, this should show the amount of Overhead for the most recent period and the amount of Direct Labor (The Base) against which it is measured.

A recent governmental agency audit and approval of Overhead rate is acceptable. Likewise, a recent independent CPA firm audit and approval of Overhead rate is acceptable.

#### **FRINGE BENEFIT RATES:**

**Supporting documentation for the calculation of the Fringe Benefit Rate.** This is similar to the Overhead Rate calculation. A list of the expenses and amounts included in the Fringe Benefit calculation, for the most recent period and most recent year-end, would be required.

Again, the amount of Direct Labor Base against which the Fringe Benefits are measured needs to be supported, similar to the Overhead Rate (above).

As in the case of Overhead, above, a governmental agency or independent CPA firm audit is acceptable.

#### **GENERAL & ADMINISTRATIVE EXPENSES (G&A) RATES:**

**If applicable, supporting documentation for G&A Rate calculation, similar to that provided for Overhead and Fringe Benefits (above).**

## FINANCIAL STATEMENTS

A copy of the most recent financial statements showing the above Overhead, Fringe Benefit and G&A expenses needs to be provided to support the above calculations. The financial statements will also be used to show Financial Capability, as described below.

## DIRECT EXPENSES:

Supporting documentation for large amounts of Direct Expenses, such as software, licenses, reports, printing, etc. Support might be latest quotes or copies of the most recent invoices for similar services.

Travel, mileage, telephone expenses – need not provide detailed support.

## **B. OTHER REQUIREMENTS** **ACCOUNTING SYSTEM & FINANCIAL CAPABILITY**

### ACCOUNTING SYSTEM

Documentation to show that the consultant's accounting system is adequate to record government contract costs. Are costs segregated between direct and indirect? Is there a job cost system? Can job costs be traced to the accounting records?

### FINANCIAL CAPABILITY

Documentation to show that the consultant is capable financially of performing the proposed contract. This could include audited financial statements, Dun & Bradstreet reports and other supporting documentation.

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