Administrative Qualification Requirements for Engineering, Architecture, and Surveying Services

Updated: Oct. 9, 2013

On Feb. 21, 2013, TxDOT introduced three processes for the purpose of procuring architectural, engineering, and surveying services. These were the Standard Process, the Federal Process, and the Small Contract Process. The Federal Process was later amended on Aug. 9, 2013 to accommodate the FHWA’s “safe harbor” initiative. Effective Oct. 17, 2013, the Standard Process was amended as the Comprehensive Process and the Small Contract Process was amended as the Accelerated Process. Also, a fourth process was added, the Streamlined Process. The administrative qualification requirements for all four processes- Comprehensive, Federal, Streamlined, and Accelerated- are addressed in the Texas Administrative Code, Title 43, Subchapter C, in Sections 9.34(b), 9.35(b), 9.36(b), and 9.37(b), respectively.

**Comprehensive, Streamlined and Accelerated Process**

Administrative qualification is not required to compete for solicitations using the comprehensive, streamlined, or accelerated contract process.

If selected, for firms not subject to exemption, an indirect cost rate is necessary for rate schedule development. These firms can either be administratively qualified by selection notification or take the option available for providers not administratively qualified.

- **Providers not Administratively Qualified**

  TxDOT may contract with a prime provider or allow the use of a subprovider that is not administratively qualified if:

  - the provider has been in operation, as currently organized, for less than one fiscal year and the provider accepts an indirect cost rate developed by the Administrative Qualifications Group.

  or:

  - on request by TxDOT during the selection process, the prime provider provides written certification that the prime provider or subprovider, as applicable, does not have an indirect cost rate audit and will accept an indirect cost rate developed by the Administrative Qualifications Group.
For firms not administratively qualified that may compete for contracts through the Comprehensive, Streamline, or Accelerated Contract Process, complete the [Certification of No Indirect Cost Rate Audit](#) and submit to the TxDOT Administrative Qualifications Group according to the instructions on the form. Firms are encouraged to do this prior to submitting a response to a solicitation so the information is readily available, if selected. Multiple submittals are not necessary. The Administrative Qualifications Group will maintain a list of firms accepting the Administrative Qualifications Group developed rate for reference by a managing office upon provider selection. The purpose for this list is for TxDOT convenience only. There is no requirement to be on this list. If this information is already on file, it can save contract development time for selected firms. If a firm becomes administratively qualified, they will be removed from this list.

- **Exemptions to Administrative Qualification**
  - A non-engineering firm is exempt from the administrative qualification requirement.
  - A provider performing a service under standard work category 18.2.1, subsurface utilities engineering, or any of the following work groups, as listed on TxDOT's precertification website, is exempted from administrative qualification, to the extent of the service being performed:
    - Group 6, bridge inspection;
    - Group 12, materials inspection and testing;
    - Group 14, geotechnical services;
    - Group 15, surveying and mapping; and
    - Group 16, architecture.
  - The Administrative Qualifications Group and the Professional Engineering Procurement Services Division may exempt services other than those indicated in subparagraph (B) of this paragraph on a case-by-case basis. Any request for an exemption must be received by the Administrative Qualifications Group by the closing date of the solicitation.

**Federal Process**

The Federal Process applies to an engineering or design related service contract directly related to a highway construction project and reimbursed with federal-aid highway program (FAHP) funding.

A firm providing engineering or design related services must be administratively qualified with an effective rate by the closing date of the solicitation to compete for contracts using the Federal Process, unless they are eligible to utilize the federal “safe harbor” indirect cost rate. Eligibility must be approved by the TxDOT Administrative Qualifications Group prior to the closing date of the solicitation in order to compete. No engineering or design related services are exempt.
• Federal Safe Harbor Indirect Cost Rate

TxDOT is one of ten state DOTs identified to participate in a Financial management Improvement (FMI) initiative to test and evaluate the availability and utilization of a safe harbor indirect cost rate. The safe harbor indirect cost rate for optional use by eligible consulting firms on FAHP funded contracts under the test program is 110%. The test period for use and application of the safe harbor indirect cost rate on new contracts will expire on June 30, 2016.

• Eligibility Considerations for Providers not Administratively Qualified

A prime or subprovider firm providing engineering or design related services that is not administratively qualified, must be able to certify to one or more of the following to be eligible to utilize the federal safe harbor indirect cost rate:

  o The firm has not had an indirect cost rate previously accepted by a cognizant agency and lacks previous experience with federally funded contracts for which an indirect cost rate would have been developed
  
  o The firm has limited or no federal contracting experience that has resulted in an accounting structure by which development of an indirect cost rate in accordance with Federal Cost Principles would be challenging and likely not result in a representative rate.
  
  o The firm lacks the financial resources to hire a certified public accountant (CPA) to conduct a FAR compliant audit.
  
  o The firm lacks the financial sophistication to develop an indirect cost rate through the self-certification process.
  
  o The firm is a new or start-up firm without a contract-related history to use as a base for development of an indirect cost rate.
  
  o The firm does not have an audited or self-certified actual indirect cost rate developed in accordance with the Federal Acquisition Regulations (FAR) cost principals.
  
  o The firm is not currently administratively qualified, and has not been previously administratively qualified by TxDOT.

In addition, the firm must complete and submit the AASHTO Internal Control Questionnaire and demonstrate that they have, and are utilizing, an acceptable cost accounting system capable of segregating direct and indirect costs.

If a firm is eligible and the safe harbor rate is used, the safe harbor rate will be applicable for the duration of the contract.
The safe harbor rate is not intended for and will not be used as a field rate for a field-based contract. Should an eligible firm opting for the safe harbor rate be selected to provide services requiring a field rate, a field rate will be negotiated.

If you are interested in determining whether your firm is eligible to utilize the federal safe harbor rate, please refer to the “Contact” section below for information on contacting the TxDOT Administrative Qualifications Group.

**Become Administratively Qualified**

Administrative qualification is a process used by TxDOT to verify that a provider has an indirect cost rate that meets TxDOT requirements.

A provider may demonstrate administrative qualification by an audit or by self-certification of its incorporated entity or business segment as identified in Section 9.34(b)(4), as well as sections 9.35(b), 9.36(c), and 9.37(b), as applicable. TxDOT requires the use of direct labor cost as the allocation base for allocating indirect costs.

- **Administrative Qualification by Audit**

  An audit may be performed by an independent certified public accountant (CPA), an agency of the federal government, another state transportation agency, or a local transit agency. An audit performed by an independent CPA must be conducted in accordance with the current versions of 48 C.F.R. Part 31, the Generally Accepted Government Auditing Standards (GAGAS), and the American Association of State Highway Transportation Officials (AASHTO) Uniform Audit and Accounting Guide. The provider must provide TxDOT with unrestricted access to the audit work papers, records, and other information as requested by the Administrative Qualifications Group.

    - **Submittal Format for a CPA Audit Report**

- **Administrative Qualification by Self-certification**

  Self-certification may be conducted by the provider and must include a cost report and an internal controls report. The self-certified cost report must comply with the current versions of 48 C.F.R. Part 31, the GAGAS, and the AASHTO Uniform Audit and Accounting Guide. The self-certified internal control report must certify the provider has internal controls in place within its organization. Both the cost report and the internal control report must be signed by a company officer and notarized.

  Note: Although the cost report information is to be developed in compliance with GAGAS, the cost report is not an audit.

    - **Submittal Format for a Self-Certification Report**
The audit or self-certification shall be based on the provider's fiscal year. The indirect cost rate, as approved by the Administrative Qualifications Group, shall become effective six months after the end of the provider's fiscal year, or immediately if filed more than six months after the end of the provider's fiscal year. It shall be effective no more than twelve months and shall expire eighteen months after the end of the fiscal year upon which it is based.

A provider must submit on an annual basis a compensation analysis for all executives in accordance with the AASHTO Uniform Audit and Accounting Guide.

TxDOT may audit the indirect cost rate of a provider under contract with, or seeking to do business with, TxDOT. These audits will be conducted in accordance with the criteria outlined in the rules.

A provider must submit a signed Certification of Final Indirect Costs with the audit report or self-certification. The certification must follow the requirements of the Federal Highway Administration.

Administrative qualification is applicable only to the incorporated business entity upon which the indirect cost rate is based and does not extend to a subsidiary, affiliate, or parent of the incorporated entity, except as provided for in Section 9.34(b)(4), as well as sections 9.35(b), 9.36(c), and 9.37(b), as applicable.

Submittal and Review Process for Administrative Qualification

A provider must submit its administrative qualification information (Audit or Self-certification Report) to the TxDOT Administrative Qualifications Group by email or to the physical address below.

Texas Department of Transportation
Professional Engineering Procurement Services Division
125 E. 11th St.
Austin, TX 78701

This is a separate submittal from precertification submittal.

Upon review of an audit report or self-certification received from a provider, the Administrative Qualifications Group may request additional information from the provider. If the submittal is not complete and accurate, the Administrative Qualifications Group will return it to the provider for correction. Upon request for additional information by the Administrative Qualifications Group, the provider shall submit the information within 15 days after the day that it receives the Administrative Qualifications Group's request. If the information is not provided within the 15-day period, the submittal will be placed on pending status for an additional 15 days. If the information is not received within the additional 15-day period, the submittal will not be processed for administrative qualification.

The Administrative Qualifications Group will provide a selected firm's indirect cost rate information to the managing office on notification of selection for use in negotiations. The Administrative
Qualifications Group will not provide a firm's administrative qualification information to the managing office or the consultant selection team before the selection of that firm.

Contact Us

(512) 416-2315
Email