

# AASHTO Internal Control Questionnaire (ICQ)

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DBE Professional Services  
Task Force Meeting  
May 27, 2014

# Office of Audit & Analysis (A&A)

## General Information

The ADOT Office of Audit & Analysis (A&A) performs pre-award reviews of A/E consultants delivering professional services to ADOT to ensure that the costs proposed and reimbursed are in compliance with the FAR cost principles and other related standards.

A&A performs all pre-award reviews in accordance with Generally Accepted Government Auditing Standards (GAGAS).

- Consultants which have billed ADOT greater than \$200K for work performed in the past year are required to submit an overhead rate to A&A for review. Submission of the AASHTO ICQ is part of that requirement.
- A compliant overhead rate is one that has been prepared in accordance with:
  - Federal Acquisition Regulation (FAR) Part 31
  - Cost Accounting Standards (CAS)
  - Generally Accepted Accounting Principles (GAAP)
  - AASHTO Uniform Audit and Accounting Guide

## Government Audit Regulations and Standards

### Generally Accepted Government Auditing Standards (GAGAS)

- Also known as the "Yellow Book", GAGAS provides a framework for conducting high quality governmental audits with competence, integrity, objectivity, and independence.

### Federal Acquisition Regulation (FAR)

- The FAR provides uniform policies and procedures for the government acquisition process. ADOT follows the FAR cost principles as the standards for A/E services procurement through the Engineering Consultants Section (ECS).

### Cost Accounting Standards (CAS)

- Created in effort to achieve uniformity and consistency in cost accounting principles, establish requirements for compliance, and reporting of cost accounting practices.

### Generally Accepted Accounting Principals (GAAP)

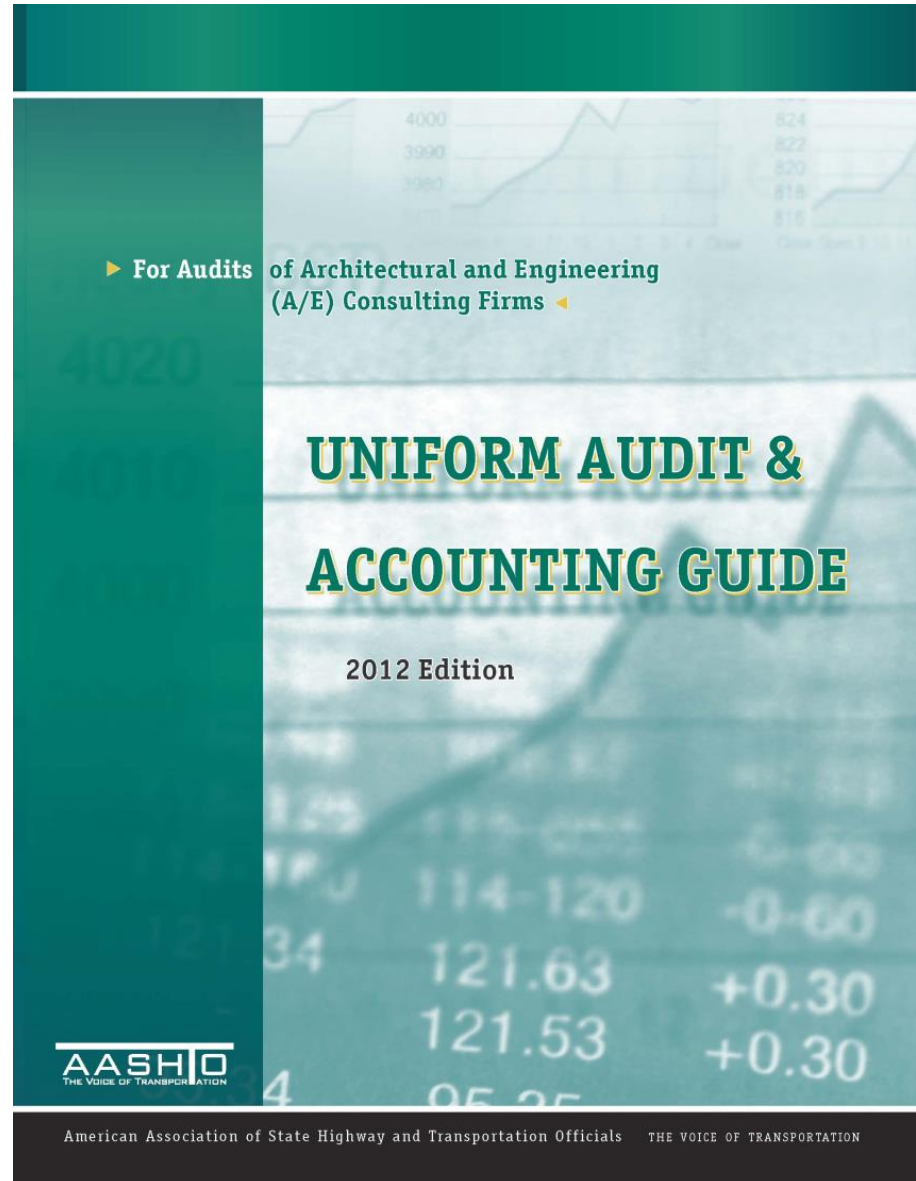
- The common set of accounting principles, standards and procedures that companies use for recording and reporting accounting information.

### AASHTO Uniform Audit and Accounting Guide

- A collaborative effort between AASHTO/ACEC/FHWA, the guide assists users in understanding terminology, policies, procedures, audit techniques, and the sources of Federal regulations.

# AASHTO Uniform Audit & Accounting Guide

ICQ is Appendix B



# FAR Unallowable Costs

FAR Reference	Unallowable Costs
31.205-1 and 31.205-38(b)(1)	Advertising
31.205-1(f)(2)	Trade Show Expenses/Labor
31.205-1(f)(5)	Brochures/Promotional Material
31.205-1(d)(2)	Souvenirs/Imprinted Clothing Provided to Public
31.205-1(f)(7)	Membership in Civic and Community Organizations
31.205-3	Bad Debts/Collection Costs
31.205-6(m)(2)	Personal Use of Company Vehicles
31.205-8 and 31.205-1(e)(3)	Contributions/Donations
31.205-13(b)	Employee Gifts and Recreation
31.205-14	Social, Dining, and Country Club memberships/Social Activities
31.205-15(a)	Fines, Penalties, and Mischarging Costs
31.205-19(e)(2)(v)	Life Insurance on Key Employees
31.205-20	Interest Expense
31.205-22	Lobbying and Political Activity Costs
31.205-27	Organization/Re-organization Costs, and Costs of Raising Capital
31.205-35	Relocation Costs
31.205-46	Travel Costs in Excess of FTR Rates
31.205-49	Goodwill
31.205-51	Alcoholic Beverages

## General Information

### What?

- Standard document used by state DOTs to capture all elements of a firm's accounting systems, policies, procedures and internal controls.
- Similar to the ADOT Consultant Audit Questionnaire.

### When?

- Required on every preaward review of overhead, unless firm has a cognizant audit from another state DOT or Federal cognizant agency.
- Will typically need to be updated on an annual basis.
- If no changes in the firm, only the required attachments need to be updated.

### How?

- Documentation should be submitted to A&A electronically.
- Most questions with regards to what is being asked (and why) can be clarified by consulting the AASHTO Audit Guide. If still uncertain, firms should contact A&A.

### Where?

- Can be found in the electronic version of the guide on the AASHTO website, or on A&A's website, at the following links:

<http://audit.transportation.org/Pages/default.aspx>

<http://www.azdot.gov/about/AuditandAnalysis/forms-and-publications>

## Sections of the ICQ

### **Required Attachments:**

- Indirect Cost (Overhead) Schedule (No audit required for ADOT)
- Cognizant letter of concurrence and audit report (if applicable)
- Post-closing trial balance and financial statements
- Reconciliation of OH to financial statements (tie-out)
- Sample timesheet
- Company policy for PTO, bonuses, and others as requested throughout document

### **Primary Contact for Accounting Questions**

#### **A. Background Information:**

- Year formed, type of entity, structure, ownership, services, locations, number of employees, revenue and contract mix

#### **B. Accounting: General Background:**

- Fiscal year, accounting basis(cash/accrual), policies list (Y/N), prep of overhead schedule, existence of fraud/abuse, knowledge of FAR, previous audits

## Sections of the ICQ

### **C. Accounting System(s):**

- Software used, Job-cost (project cost) system, job-cost integration with G/L and reconciliations, accounting records (reports/journals), direct/indirect classification, exclusion of unallowable costs, cost centers, budgeting, cost allocation and base, field offices and rates

### **D. Information Technology (IT) Systems:**

- IT policies, risk assessment, security review, safeguards of electronic data

### **E. Accounting – Payroll and Timekeeping:**

- Use of payroll service, pay cycle, register data, timekeeping system

### **F. Labor Cost Accumulation:**

- Segregation of direct/indirect labor, work week, uncompensated OT, contract mods/time tracking



## Sections of the ICQ

### G. Labor Billings and Project Costing:

- Billing rates, premium OT, allocation of OT, cost allocation/billing, contract labor

### H. Expense Accumulation and Billing:

- Other Direct Costs (ODCs), credits, Design/Build stipends
- Classification of cost items
- Non-billable direct costs
- Vehicle, computer, printing/repro, and telephone expenses
- Costs related to unallowable activities (i.e. lobbying, entertainment, etc.)

### I. Compensation for Owners and Employees:

- Bonuses
- Executive compensation – National Compensation Matrix (NCM)

## Sections of the ICQ

### J. Related-Party Transactions:

- Related employees, vendors, leased facilities, and others?

### K. Other Questions:

- Life insurance (key-employee), unallowable if firm is beneficiary.
- Suspension or debarment by any State or the Federal government?
- Process to update policies due to FAR changes, how does the firm handle this?
- Risk assessment process to assess changes to accounting systems/processes?
- Communication of FHWA/DOT requirements within firm?

### Certification Statement:

- Management certifies that the ICQ is a complete and accurate representation of the cost accounting and billing practices of the firm.

# Questions?



# Office of Audit & Analysis (A&A)

## Contact Information

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