



Internal Control Questionnaire for Consulting Engineers

Name of Consulting Firm:

Company Website Address:

Agency Prepared for:

Time Period Covered:

Please include the following attachments:

- FAR Part 31 Overhead Audit Report for most recent fiscal year, including audited Overhead Schedule and related reconciliation to the financial statements
- Cognizant Audit Letter (if applicable)
- Financial Statements (Balance Sheet, Income Statement, and Statement of Cash Flows) for most recent fiscal year
- Independent CPA's Report on Financial Statements and accompanying Management Letter
- Written Policies, as requested throughout this Questionnaire
- Sample Timesheet
- Current Chart of Accounts that ties to Financial Statements and Overhead Schedule

Company Name:

Who is the contact person for accounting questions?

Name:

Title:

Phone Number:

E-mail Address:

Headquarters Address:

Location of Accounting Records:

TIN (Taxpayer Identification Number):

Fiscal Year End:

A. Background Information

1. When was the organization formed?

2. What form of business entity is the organization?

- A. Sole Proprietorship B. Partnership C. C Corporation D. S Corporation
E. Other

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3. Is your firm a subsidiary of another organization?

A. Yes If yes, explain

B. No

4. Does your firm own or control any other organizations through common ownership?

A. Yes If yes, explain

B. No

5. List the major stockholders, partners, or other owners with greater than 5% ownership of the organization, and their percentage of ownership?

Name:

Title:

Ownership %:

6. What type of services does the organization provide? (e.g., consultant – Architectural/Engineering)

7. How many offices does the organization currently have and in what states?

8. How many employees does the organization currently employ?

A. Full time

B. Part-Time

9. For most recent fiscal year, what percentage of the company's revenue was in each of the following categories?

A. State Government %

B. Federal Government %

C. Local Government %

D. Private %

10. What percentage of the company's revenue was from:

A. Lump Sum %

B. Cost Plus (time and materials) %

C. Cost plus fixed fee %

D. Other % Explain other

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B. Accounting - General

1. Has the same fiscal year been used for the past two years?

2. What basis of accounting does your firm use? Cash Accrual

3. Do you have written accounting policies concerning the following topics (if yes, please provide a copy):

	Yes	No
• Accounting system	<input type="checkbox"/>	<input type="checkbox"/>
• Billing	<input type="checkbox"/>	<input type="checkbox"/>
• Cost Estimating/Allowability	<input type="checkbox"/>	<input type="checkbox"/>
• Bonus Policy	<input type="checkbox"/>	<input type="checkbox"/>
• Recording Time Worked/ Time Sheet Preparation	<input type="checkbox"/>	<input type="checkbox"/>
• Fringe Benefits/Leave Time	<input type="checkbox"/>	<input type="checkbox"/>
• Recording Overtime	<input type="checkbox"/>	<input type="checkbox"/>
• FAR Compliance	<input type="checkbox"/>	<input type="checkbox"/>
• Recording Direct vs. Indirect Costs	<input type="checkbox"/>	<input type="checkbox"/>
• Overhead/Indirect Rate Development	<input type="checkbox"/>	<input type="checkbox"/>
• Billing Rate Development	<input type="checkbox"/>	<input type="checkbox"/>

4. Are appropriate personnel within your firm familiar with the Code of Federal Regulations 48, Chapter 1, Part 31 (commonly known as Federal Acquisition Regulation (FAR) Part 31)?

A copy of the FAR can be viewed at www.arnet.gov/far/

A. Yes B. No

5. Has an independent audit, review, attestation or compilation been performed in the past 3 years on any phase of your operation by a CPA firm or governmental agency?

Financial Statements: Audit Review Compilation Other

Firm:

Contact:

Dates:

Overhead Rate: Audit Review Attestation Compilation Other

Was the overhead rate calculated in accordance with FAR Part 31? Yes No

Firm:

Contact:

Dates:

Project Audits: Audit Review Attestation Compilation Other

Firm:

Contact:

Dates:

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6. Does your firm have an Indirect Cost Rate Schedule?

A. Yes B. No

If yes, is it prepared within your firm or by another organization (CPA firm, etc.)?

Date of last schedule?

7. Is management aware of any instances of fraud, illegal acts, abuse or violations of provisions of contracts or grant agreements that have a material effect?

C. Accounting System(s)

1. What type of accounting software does the organization use?

2. Do you have a job cost accounting system? Yes No

If no, explain what type of system you maintain.

3. Does your general ledger interface with the job cost ledger?

4. Which of the following records are maintained by your firm to support financial transactions?

- | | | |
|-------------------------------|------------------------------|-----------------------------|
| a. General ledger | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| b. Cash disbursements journal | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| c. Cash receipts journal | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| d. Project Cost Ledger | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| e. Labor Distribution | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| f. Employee Expense Reports | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| g. Payroll Register | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

5. Are there separate direct and indirect accounts in the general ledger for:

- | | | |
|-------------|------------------------------|-----------------------------|
| a. Labor | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| b. Expenses | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

6. Is there a system in place to identify and remove unallowable costs per FAR from your indirect cost pools? If so, please explain.

How are the appropriate personnel informed of what are unallowable costs?

7. Do you have more than one division/cost center? If so, do you maintain separate ledgers for each?

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8. Does your firm reconcile its financial accounting system to its job cost accounting system? If so, how often?
9. Does your firm reconcile bank statements? If so, how often?
10. Does your firm use a budget system *for* project planning and oversight?
11. Are reports prepared to compare budget to actual amounts on projects, and are the reports distributed to the appropriate management personnel?
12. Are cost allocation methods consistent for all State and Federal government contracts? If not, please explain.
13. Does your firm use a single base or multiple bases when computing your overhead rate?
14. Does your firm have field offices? If yes, do you compute separate overhead rates for the home and field offices?

D. Information Technology Systems (IT)

1. Does your firm have written IT policies concerning the following topics (if yes, please provide a copy):
 - a. Hardware/Software. Yes No
 - Purchasing Yes No
 - Inventory Yes No
 - Maintenance Yes No
 - Access Yes No
 - Use of In-house and off-site Yes No
 - Addition and Removal Yes No
 - b. Business Continuation Plan. Yes No
 - c. Security Protocol. Yes No
 - d. Activation and deactivation of employees upon arrival or departure. Yes No

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2. Has an IT risk assessment been conducted within the past three years?
3. Are system security and application access logs enabled and reviewed periodically?
4. If documents are electronically retained, are they converted into a format that cannot be easily modified, removed or replaced, is there a mechanism in place to appropriately track if a document is modified, removed, or replaced?

E. Accounting – Payroll

1. Does your firm use an external payroll service? Yes No
2. What are the pay cycles? Bi-weekly Monthly 1st and 15th Other
If you use more than one pay period, please explain.
3. Does the payroll register indicate the following?
 - a. Gross pay Yes No
 - b. Payroll deductions Yes No
 - c. Net pay Yes No
 - d. Check amount Yes No
 - e. Hourly Rate Yes No
 - f. Pay period Yes No
 - g. Normal Hours for pay period Yes No
4. Does your firm use an electronic timekeeping system? Yes No
If yes, please provide an explanation of its operation or system documentation.
5. Are employees responsible for signing their own timesheets? Yes No
6. Do supervisors approve timesheets? Yes No
Additional comments:
7. Is time worked by principals certified/approved? Yes No
If no, how is time accounted for/billed to projects?

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F. Labor Cost Accumulation

1. Does your firm maintain timesheets which indicate direct and indirect hours? Yes No
Explain the method your firm uses to segregate direct and indirect labor hours.
2. How do employees code direct vs. indirect time on their timesheets?
3. What is your firm's normal work week hours?
4. Do principals and salaried personnel record all hours worked? Yes No
If no, please explain.
5. Does this include hours worked in excess of the normal week? Yes No
6. Explain how your firm accounts for *uncompensated overtime* —the hours worked without additional compensation in excess of an average of 40 hours per week by direct charge employees who are exempt from the Fair Labor Standards Act. What is the effect of uncompensated overtime on direct and indirect labor rates?
7. Please attach your policies for vacation and sick leave.
8. How does your firm segregate work performed under a basic agreement/contract from work charged for contract changes/modifications?

G. Labor Billings

1. Describe how billing rates are determined (or attach policy).
2. Is it company policy to pay overtime at a premium? Yes No

If yes, what premium rate is paid and who is eligible?
3. Is overtime premium ever billed directly to a job? Yes No
Explain.
4. If your firm pays a principal or an employee at a rate in excess of a contract's maximum hourly rate, where will the difference be assigned?
5. Do you bill contract labor to projects? If yes, explain how you bill contract labor (direct or as an other direct cost). If billed as direct labor, is overhead applied to this labor?

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H. Expense Accumulation and Billing

1. What type of direct expenses besides labor does your firm normally bill to clients?
2. Are credits/reimbursements received for indirect costs applied to the indirect cost pool? If no, please explain.

Yes No , explain

3. Explain the accounting and billing for the in-house items listed below.

	Direct	Indirect
a. Automobile	<input type="checkbox"/>	<input type="checkbox"/>
b. Computer (non-CADD)	<input type="checkbox"/>	<input type="checkbox"/>
c. CADD	<input type="checkbox"/>	<input type="checkbox"/>
d. Telephone	<input type="checkbox"/>	<input type="checkbox"/>
e. Printing / reproduction	<input type="checkbox"/>	<input type="checkbox"/>
f. Postage	<input type="checkbox"/>	<input type="checkbox"/>
g. Lab	<input type="checkbox"/>	<input type="checkbox"/>
h. Drilling	<input type="checkbox"/>	<input type="checkbox"/>
i. Travel	<input type="checkbox"/>	<input type="checkbox"/>
j. GPS and/or Nuclear Density Meters	<input type="checkbox"/>	<input type="checkbox"/>
k. Other (list if significant)	<input type="checkbox"/>	<input type="checkbox"/>

4. Describe the accounting treatment for direct costs not billable to the client.

5. **Vehicle Expenses.** Does your firm provide vehicles to employees for business purposes? Yes No

a. If yes, are the vehicles leased or owned? Leased Owned

b. Identify the total number of vehicles owned or leased by your firm. Owned Leased

c. Are mileage logs maintained for all vehicles? If no, please explain. Yes No

Explanation:

d. Is mileage separated by direct and indirect classifications? Please explain. Yes No

Explanation:

e. What rate does your firm use for company vehicle mileage reimbursement?

f. How was the rate developed?

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6. **Computer Expenses.** Are your firm's computer expenses incurred as a result of: (select one)

Outside Services? Company ownership? Both?

a. Does your firm compute a charge rate for computers? Yes No

 If yes, then what is the rate?

b. How was this rate developed?

c. Is computer usage segregated by direct and indirect classifications? Yes No

d. Are computer usage logs maintained and coded by job/project? Yes No

7. **Printing and Reproduction Costs.** How are printing and reproduction expenses billed?

In House: Direct Cost Indirect Cost Combination of Both
Outside vendor: Direct Cost Indirect Cost Combination of Both

If you marked combination of both, please explain:

a. For in house services, are usage logs maintained and coded by job/project? Yes No

b. Is usage segregated by direct and indirect classifications? Yes No

c. If these costs are incurred through the use of an outside vendor, are the invoices coded by job/project when received? Yes No

8. **Telephone Costs.** How is the telephone service expense billed?

Direct Cost Indirect Cost Combination of Both (please explain)

a. Does your firm maintain a telephone log to record toll calls? Yes No

b. Are the calls job coded by direct and indirect classifications? Yes No

I. Other - General

1. Did your firm pay bonuses last year? Yes No

 If yes, were the bonuses included in the submitted overhead rate? Yes No

2. Does your firm have a written bonus plan? Yes No

 If yes, please provide a copy.

 Are all employees eligible for the bonuses? Yes No

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3. Has your firm or CPA performed an evaluation of compensation reasonableness in accordance with FAR 31.205-6 as part of your overhead audit? Yes No

If yes, how has this process been documented? Explanation:

4. If you are renting facilities from another organization, are any of your owners/stockholders, or members of their immediate family, also owners/stockholders in the other organization? If yes, please explain.
Yes No

5. Does your company pay life insurance for officers/principals of the company? Yes No
If yes, who is the beneficiary of the life insurance?

6. Has your firm, its parent or subsidiary, or any owner, stockholder, officer, partner or employee of your firm been suspended or debarred from doing business by any State or the Federal government?

Yes No If yes, provide complete details.

7. Is there a process in place for the timely updating of procedures for changes in the cost principles?

8. Is there a process for assessing risks resulting from changes in cost accounting systems or processes? How are these risks identified and addressed?

9. How does information flow from the FHWA/State DOT to appropriate management personnel?

I certify that to the best of my knowledge and belief this questionnaire is a complete and accurate representation of the above-named organization's cost accounting and billing practices.

Typed or Printed Name

Signature

Title

Date Completed

Note: The representations made on this ICQ are the responsibility of the firm's management.