Arizona Department of Transportation

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April 25, 2001

INFORMATION BULLETIN NO. 01-06

TO: ADOT Staff
Consultants

FROM: Engineering Consultants Section

SUBJECT: ADOT CONSULTANT AUDIT CRITERIA

Please be advised that the Department has revised the Consultant Audit Criteria as per the attached.

We would appreciate it if your Chief Financial Officer is made aware of this Information Bulletin.

If you have questions regarding this bulletin, please call (602) 712-7525.

ADOT CONSULTANT AUDIT PROCESS

(effective April 25, 2001)

I. In continuing our process improvement, we have revised our proposal/audit criteria as follows:

- Firms doing a total of less than $50,000 per year work through ECS –

  A. **may** propose on a Unit Price of Work basis.

  B. if a Unit Price of Work is proposed. the audit review will be limited in scope to a determination that the Consultant accounts for labor properly, has no "going concern" problems, and has proposed rates that are "fair and reasonable."

- Firms doing less than $200,000 per year work through ECS -

  A. must maintain a compliant accounting system.

  B. must be aware of cost eligibility and required documentation.

  C. will provide an Overhead Schedule (in proper format), Tax Return, and Trial Balance as well as details of Executive Compensation, Fringe Benefits, and Related Party Transactions for audit review by ADOT Audit & Analysis (A&A).

  Note: Based on A&A's review recommendations, ECS will negotiate rates on Cost Plus Fixed Fee (CPFF) contracts. These contracts will be subject to final audit only for suspected fraud or abuse.

I. In implementing Section 307 of the 1995 National Highway System Designation Act,ADOT is offering Consultants doing over $200,000 per year work through ECS the following review options:

- submission of the Consultant Audit Questionnaire and related documentation;

- submission of an independent Certified Public Accounting (CPA) Overhead Report meeting the American Consulting Engineers Council/American Association of State Highway and Transportation Officials/Federal Highway Agency (ACEC/AASHTO/FHWA) Guidelines for the Consultant's most recent year-end (A&A may review the CPA workpapers);

- submission of a Cognizant Report (as defined in the ACEC/AASHTO/FHWA Guidelines) from another state for the Consultant's most recent year-end.

I. In continuing our process improvement, Incurred Cost/Final Audits for Firms doing over $150,000 per year work through ECS will be treated as follows –

- General – Lump-sum contracts shall not be subject to final audit except on a sample basis to determine the efficiency of the ADOT negotiation Process for its own internal control purposes, or for suspected fraud or abuse. The State Engineer will participate in the decision to audit any lump-sum contracts.

- Overhead – A CPA Report or a Cognizant Report from another state meeting ACEC/AASHTO/FHWA Guidelines is acceptable for Incurred Cost/Final audits. A&A may review the CPA workpapers as provided for in the AASHTO Audit Subcommittee procedures. In the absence of either of these alternatives, A&A will audit the overhead based on submission of the Consultant Audit Questionnaire and related documentation.

- Incurred Costs (Other then Overhead) – Consultants will be audited on a three-year rotation. The audits will cover all open contracts, both those that have been completed during the period and those which are still in progress.