



AMERICAN COUNCIL OF ENGINEERING COMPANIES

# AASHTO Uniform Audit and Accounting Guide

## BACKGROUND

Originally published in 2001, the AASHTO Uniform Audit and Accounting Guide has been updated over the past year as a result of legislative mandates, a Government Accountability Office report on the increased use of consultant services, and the US DOT Office of the Inspector General's report on oversight of A/E firms' indirect costs.

The purpose of the update was to ensure compliance with the Federal Acquisition Regulation (FAR) and other applicable laws and regulations, improve audit consistency and quality, promote the recognition of a single cognizant audit and improve government oversight and overall guidance.

The AASHTO Uniform Audit and Accounting Guide is designed to be used as a tool by State DOT auditors, A/E firms, and public accounting firms that perform audits and attestations of A/E firms. The techniques presented within the Guide focus on examination, auditing, and reporting procedures to be applied to indirect costs incurred by A/E firms for services performed on various Federal, State, and Local transportation projects.

## KEY POINTS

- *States will give up state-specific rules.* AASHTO passage of the final version of the Audit Guide will solidify the agreement among States to follow the Audit Guide's common interpretation of a FAR-based audit and, in turn, give up their state-specific overhead audit rules.
- *Clarification of federal matching requirements incentivizes states to follow rules on federal-aid projects.* Language included in the Audit Guide confirms that States are not allowed to cap or negotiate A/E indirect cost rates on federal-aid funded projects. Further, States using only state funds for A/E services are able to cap indirect cost rates; however, that state funding may not be used toward the non-federal match on federally funded projects.
- *Greater reliance on CPA overhead audits.* The majority of A/E firms will now have to procure a CPA overhead audit, instead of current practice where multiple audits occur in multiple states, the goal is for one cognizant audit to be recognized and accepted by all states. The largest A/E firms will undergo a team audit conducted by auditors that include the home State DOT, approximately four other State DOTs and FHWA to produce a letter of cognizance. Small firms may be exempt from a CPA audit if the home State DOT conducts a risk assessment and ensures rates were established in accordance with the FAR.
- *New guidance in the determination of reasonable compensation costs.* The Audit Guide provides a model for demonstrating reasonableness that A/E firms should follow to prepare their own, independent compensation analysis. In the case an A/E firm does not do their own independent compensation analysis, a National Compensation Matrix has been developed to set parameters for reasonableness (limited to executives). Subject to rulemaking, the matrix will be owned and updated by FHWA.
- *Other highlights of the Audit Guide include* suggested criteria for selecting a CPA firm, guidance on cognizant audits, new minimum audit requirements, a CPA workpaper review program, a standardized internal control questionnaire (for all DOTs to use), and guidance and tools to assist in determining allowable or unallowable costs.
- *Implementation scheduled to begin this year.* Implementation of the Audit Guide expected is expected to begin December 2009/January 2010.
- *More than just a guide, enforcement will be provided by FHWA.* FHWA is expected to incorporate the Audit Guide in regulation through an upcoming rulemaking process.