



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 _____

AASHTO Internal Control Questionnaire for Consulting Engineers

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 _____

AASHTO Internal Control Questionnaire for Consulting Engineers

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	_____	_____
• Billing	_____	_____
• Cost Estimating/Allowability	_____	_____
• Bonus Policy	_____	_____
• Recording Time Worked/ Time Sheet Preparation	_____	_____
• Fringe Benefits/Leave Time	_____	_____
• Recording Overtime	_____	_____
• FAR Compliance	_____	_____
• Recording Direct vs. Indirect Costs	_____	_____
• Overhead/Indirect Rate Development	_____	_____
• Billing Rate Development	_____	_____

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: _____

AASHTO Internal Control Questionnaire for Consulting Engineers

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	No
b. Cash disbursements journal	Yes	No
c. Cash receipts journal	Yes	No
d. Project Cost Ledger	Yes	No
e. Labor Distribution	Yes	No
f. Employee Expense Reports	Yes	No
g. Payroll Register	Yes	No

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

a. Labor	Yes	No
b. Expenses	Yes	No

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?

AASHTO Internal Control Questionnaire for Consulting Engineers

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.
 - Purchasing
 - Inventory
 - Maintenance
 - Access
 - Use of In-house and off-site
 - Addition and Removal
 - b. Business Continuation Plan.
 - c. Security Protocol.
 - d. Activation and deactivation of employees upon arrival or departure.

AASHTO Internal Control Questionnaire for Consulting Engineers

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?

AASHTO Internal Control Questionnaire for Consulting Engineers

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?

AASHTO Internal Control Questionnaire for Consulting Engineers

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	_____	_____
b. Computer (non-CADD)	_____	_____
c. CADD	_____	_____
d. Telephone	_____	_____
e. Printing / reproduction	_____	_____
f. Postage	_____	_____
g. Lab	_____	_____
h. Drilling	_____	_____
i. Travel	_____	_____
j. GPS and/or Nuclear Density Meters	_____	_____
k. Other (list if significant)	_____	_____

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:

AASHTO Internal Control Questionnaire for Consulting Engineers

- e. What rate does your firm use for company vehicle mileage reimbursement?
- f. How was the rate developed?

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 _____

AASHTO Internal Control Questionnaire for Consulting Engineers

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.