

EXTERNAL AUDITS

Pre-Award

Prior to contract award (execution), the Division of Procurement and Contracts (DPAC) requests A&I to perform a pre-award audit to achieve three (3) objectives:

- Determine if the consultants accounting system is adequate to accumulate and segregate costs.
- Determine if proposed costs are reasonable.
- Determine if the contract contains all necessary fiscal provisions.

Post-Award

In coordination with executive and contract management, DPAC has accepted the responsibility of executing the contracts to facilitate continuous project delivery before any audit activity. The objectives of the post-award audits are the same 3 objectives of a pre-award audit.

Incurred Cost

Interim

Interim audits are performed on an as needed basis. If during the pre-award audit, it is determined that the consultant's accounting system is new or minor deficiencies are noted, an interim audit is scheduled to ensure that the system is functioning adequately to ensure that billed costs are supported and that deficiencies were corrected. An interim audit may be requested by the contract manager or by management to address concerns during the course of the contract's performance period. An audit manager may also initiate an interim audit of a multi-year contract to ensure that reimbursed costs are allowable.

Final (Post)

Final audits of contracts are performed after project completion. Final audits are performed to achieve three (3) objectives:

- Determine whether the costs claimed are allowable, allocable, and reasonable.
- Determine whether the costs claimed are in compliance with Federal and State laws and regulations.
- Determine whether the costs claimed are in compliance with the fiscal provisions stipulated in the contract.

These audits include a review of the applicable laws and regulations, the contract requirements and the consultant's internal controls. The audit tests of the consultant's accounting records and other auditing procedures would be governed by the individual contract under audit.

Unsupported or unallowable costs are normally the result of weaknesses in the financial management system and will result in recovery by the Department.

Indirect Cost Allocation Plan Audit

The Federal Highway Administration (FHWA) delegated the authority to A&I for the approval of indirect cost allocation plans (ICAP) prepared by Local Agencies, Metropolitan Planning Organization (MPO), and Regional Transportation Agencies (RPTA). The audits are performed to achieve three (3) objectives:

- Determine if the ICRP is in compliance with 2 CFR 225.
- Determine if the ICRP is in compliance with the requirements of the Department Local Program Procedures Manual (LPP) 04-10.
- Determine if the Local Agency/MPO/RTPS's cost accounting system is adequate to accumulate and segregate costs.

Special Request Analysis / Audits

Either prior to, or after contract execution, DPAC may request A&I to perform analytical procedures to address a very specific concern(s) that were identified during the contract negotiation process. A&I's analysis would be limited to the specific concern(s) and the turnaround time would be shorter than if A&I performed a pre/post-award audit to address the concern(s). Audits take more time due to the required procedures that must be followed in accordance with Government Auditing Standards.

The special request analysis / audits include Construction Claim Audits.

The objective(s) of a special request analysis / audit would depend on the nature of the issue(s) requested to be addressed.

CPA Workpaper Review

The primary purpose of our CPA Workpaper Review is to allow the A&I to obtain reasonable assurance that the independent CPA had conducted the Indirect Cost Rate(s) audit in accordance with Government Auditing Standards (also known as "GAGAS" or "Yellowbook" standards) and Generally Accepted Auditing Standards (GAAS) to ensure compliance with Generally Accepted Accounting Principles (GAAP). We perform our CPA Workpaper Review using the *'Review Program for CPA Audits of Consulting Engineers' Indirect Cost Rates* presented in Appendix A of the **AASHTO Uniform Audit & Accounting Guide (February 2010 edition)**.