Internal Control Questionnaire (ICQ) for Consulting Engineers

Name of Engineering Consultant: _____

TIN (Taxpayer Identification Number): _____

Headquarters Address: _____

Company Website: _____

Fiscal Year End: _____

This ICQ was prepared for (agency name): _____

Time Period Covered: _____

Location of Accounting Records: _____

- Please include the following items as attachments to this ICQ:

- FAR Part 31 Overhead Audit Report for most recent fiscal year, including audited Statement of Direct Labor, Fringe Benefits, and General Overhead (hereinafter "Overhead Schedule") and related reconciliation to the financial statements.
- Cognizant audit report or cognizant letter of concurrence from the cognizant Government agency. *Check here if not applicable*: ☐
- Post-closing trial balance and financial statements (balance sheet, income statement, and statement of cash flows) for the most recent fiscal year.
- Current chart of accounts that ties to financial statements and overhead schedule.
- Independent Auditor's Report on financial statements and accompanying management letter. *Check here if not applicable*: ☐
- Sample timesheet.
- The company's policies for vacation and sick leave.
- The company's bonus policy.
- Other written policies, as requested throughout this ICQ.

Note: Throughout this ICQ, all references to "AASHTO Guide" pertain to the 2010 Edition of the *AASHTO Uniform Audit & Accounting Guide*.

- Who is the company's primary contact person for accounting questions?

Name: _____

Title: _____

Phone Number: _____

E-mail Address: _____

Mailing address (if different than headquarters address listed above): _____

A. Background Information

1. When was the company formed? _____

2. What form of business entity is the company?

☐ Sole Proprietorship ☐ Partnership ☐ C Corporation ☐ S Corporation

☐ Other _____

3. Is the company a subsidiary of another company?

☐ Yes If yes, please explain: _____

☐ No

4. Does the company own or control any other company through common ownership? (See AASHTO Guide Section 8.23.B for details.)

☐ Yes If "yes," please explain: _____

☐ No

5. List the major stockholders, partners, or other owners with greater than five percent ownership of the company and their respective percentages of ownership.

Name:	**Title:**	**Ownership Percentage:**

6. What types of services does the company provide? (e.g., consultant–Architectural and Engineering Design)

_____

7. How many offices does the company operate, and where are these offices located? _____

8. How many employees (including managers and principals) does the company currently employ?

a. Full time: _____ b. Part time: _____

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

a. State government: _____% c. Local government: _____%

b. Federal government: _____% d. Commercial/private: _____%

10. What percentage of the company's revenue was generated from each of the following contract types?

a. Lump sum: _____% c. Cost plus (time and materials): _____%

b. Cost plus fixed fee: _____% d. Other: _____% (Explain "Other" below.)

_____

B. Accounting: General Background

1. Has the company used the same fiscal reporting period for the past two years? ☐ Yes ☐ No

2. What basis of accounting does the company use to prepare general purpose financial statements?

☐ Cash ☐ Accrual ☐ Hybrid. Explain: _____

- Was the same basis of accounting also used to prepare the firm's overhead schedule?

☐ Yes ☐ No. Explain: _____

3. Does the company have written accounting policies that address the following topics?

(If "yes," please provide a copy.)

		Yes	No
a.	Accounting system	☐	☐
b.	Billing	☐	☐
c.	Cost estimating/allowability	☐	☐
d.	Bonus policy	☐	☐
e.	Recording time worked/timesheet preparation	☐	☐
f.	Fringe benefits/leave time	☐	☐
g.	Recording overtime	☐	☐
h.	Compliance with FAR Part 31(†) and applicable CAS	☐	☐
i.	Recording direct and indirect costs	☐	☐
j.	Overhead/indirect cost rate development	☐	☐
k.	Billing rate development	☐	☐

(†) FAR Part 31 is codified at 48 CFR Part 31, which is available at **www.arnet.gov/far**.

4. How frequently does the company prepare an overhead schedule to determine costs eligible for reimbursement per FAR Part 31?

☐ Annually ☐ Other (specify): _____

- Is the schedule prepared by the company or by another entity instead (e.g., CPA firm)?

Prepared by: ☐ Internal staff ☐ External party (specify):_____

- Period covered by most recent overhead schedule: _____
(e.g., "one-year fiscal period ended December 31, 20xx")

5. Is management aware of any material instances of fraud, illegal acts, abuse, or violations of contracts provisions or grant agreements?

☐ No ☐ Yes. If "yes," please explain below:

_____

6. Are appropriate personnel within the company familiar with FAR Part 31?

☐ Yes ☐ No. If "no," please explain below:

_____

7. Within the past three years, has a CPA or governmental agency performed an independent audit, review, attestation, or compilation of the company's financial data or any phase of the company's operations?

☐ No ☐ Yes. If "yes," complete the following (if applicable):

a. **Financial Statements**: ☐ Audit ☐ Review ☐ Compilation ☐ Other _____

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

b. **Overhead Rate**: ☐ Audit ☐ Review ☐ Compilation ☐ Other _____

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

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

c. **Project Audits**: ☐ Audit ☐ Review ☐ Compilation ☐ Other _____

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

C. Accounting System(s)

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

☐ Internally developed ☐ Commercial system: _____

Please describe any significant manual procedures used outside of the automated accounting system to record transactions:

_____

2. Does the company have a job-cost accounting system? ☐ Yes ☐ No

If no, explain what type of system is used: _____

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

☐ Yes ☐ No ☐ N/A (no job-cost ledger used)

4. Which of the following types of records does the company maintain to support financial transactions?

	Yes	No
a. General ledger	☐	☐
b. Cash disbursements journal	☐	☐
c. Cash receipts journal	☐	☐
d. Job/Project-cost ledger	☐	☐
e. Labor distribution reports	☐	☐
f. Employee expense reports	☐	☐
g. Payroll registers	☐	☐

5. Does the general ledger contain separate direct and indirect accounts for the following?

a. Labor costs ☐ Yes ☐ No
b. Non-labor expenses ☐ Yes ☐ No

If no, please explain: _____

6. Does the company have a system in place to identify and remove from the indirect cost pools all unallowable costs, in accordance with per FAR Part 31 and applicable Cost Accounting Standards? (See AASHTO Guide, Sections 2.2, 4.4, 5.2, 5.5, and 6.3.)

☐ No ☐ Yes. If "yes," please answer (a) through (c), below.

(a) Please provide details about the system. _____

(b) How are appropriate personnel trained to distinguish between allowable and unallowable costs?

_____

(c) When does the review for allowability occur—at time the transaction is recorded, or later?

_____

7. Does the company have more than one division/cost center?

☐ No ☐ Yes. If "yes," are separate ledgers maintained for each? ☐ Yes ☐ No

Comment: _____

8. Does the company reconcile the financial accounting system to the job-cost system?

☐ N/A (no job-cost ledger used)

☐ No. Please explain. _____
Check here if systems are integrated: ☐

☐ Yes. If "yes," how often? (Check all that apply.) ☐ Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually

Comment: _____

9. How frequently are bank statements reconciled? Who performs this process?

_____

10. Does the company use a budgeting system for project planning and oversight?

☐ Yes ☐ No

Comment: _____

11. Does the company prepare variance reports to compare budgeted amounts to actual amounts on projects, and are the reports distributed to appropriate management personnel?

☐ Yes ☐ No. Please explain: _____

12. Does the company use cost allocation methods consistently for all State and Federal government contracts? (See AASHTO Guide, Sections 5.3 and 10.5.)

☐ Yes ☐ No. Please explain: _____

13. When computing overhead rates, the company uses—

☐ a single base for cost allocation. Description of base: _____

☐ multiple bases for cost allocation. Description of bases: _____

(See AASHTO Guide Section 4.7 for a discussion of common allocation bases for indirect costs.)

14. Does the company have field offices? (See AASHTO Guide Section 5.6.)

☐ No ☐ Yes. If "yes," are separate overhead rates used for the home office and field offices?

_____

D. Information Technology Systems (ITS)

1. Does the firm have written ITS policies concerning the following topics (if "yes," please provide a copy):

	Yes	No
a. Hardware/Software		
• Purchasing	☐	☐
• Inventory	☐	☐
• Maintenance	☐	☐
• Access	☐	☐
• Use of In-house and off-site	☐	☐
• Addition and removal/retirement/disposition of	☐	☐
b. Business Continuation Plan	☐	☐
c. Security Protocol	☐	☐
d. Activation and deactivation of employees upon arrival or departure	☐	☐

2. Has an ITS risk assessment been conducted within the past three years? ☐ Yes ☐ No

3. Are system security and application access logs enabled and reviewed periodically?

☐ Yes ☐ No

Comment: _____

4. If documents are retained in electronic format, are they stored in a format that cannot easily be modified, removed, or replaced, and does a mechanism/audit trail exist to track all such events?

☐ Yes ☐ No

Comment: _____

E. Accounting – Payroll

1. Does the company use an external payroll service? ☐ No ☐ Yes. Please specify: _____

2. What is the company's standard pay cycles?

☐ Bi-weekly ☐ Monthly ☐ 1st & 15th ☐ Other _____

If the company uses more than one pay cycle, please explain: _____

3. Does the payroll register include the following data?

	Yes	No
a. Gross pay	☐	☐
b. Payroll deductions	☐	☐
c. Net pay	☐	☐
d. Check amount	☐	☐
e. Hourly rate	☐	☐
f. Pay period	☐	☐
g. Normal hours for pay period	☐	☐

4. Does the company use an electronic timekeeping system?

☐ Yes ☐ No

If "yes," please provide an explanation of its operation, or provide system documentation:

_____

5. Are all employees responsible for signing their own timesheets? ☐ Yes ☐ No

If "no," please explain below:

_____

6. Are all employee timesheets approved by supervisors? ☐ Yes ☐ No

If "no," please explain below: _____

7. Is there a certification and approval process required for all time worked by owners and principals?

☐ Yes ☐ No

If "no," then how is time accounted for and billed to projects? _____

F. Labor Cost Accumulation

1. Does the company maintain timesheets, with reporting codes for both direct and indirect hours? (See AASHTO Guide, Chapter 6.)

☐ Yes ☐ No

- If "yes," do all employees, including principals and managers, code direct and indirect time on their timesheets?

_____

- If "no," then explain the method used to segregate direct and indirect labor hours. _____

2. What are the company's normal hours of business operation (normal work week)?

_____

3. Do principals and other salaried personnel record all hours worked, including hours worked in excess of the normal week?

☐ Yes ☐ No. If "no," then please explain below:

_____

4. Uncompensated Overtime (see AASHTO Guide, Section 5.4):

(a) How does the company account 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? _____

(b) What is the effect of uncompensated overtime on direct and indirect labor rates?

_____

5. How does the company segregate work performed under a basic agreement/contract from work charged for contract changes/modifications?

_____

G. Labor Billings

1. Please either describe how billing rates are determined, or attach the company's billing-rate policy.

   _____

2. Does the company pay overtime at a premium? ☐ Yes ☐ No

   If "yes," what premium rate is paid, and who is eligible for this rate?

   _____

3. Is overtime premium ever billed directly to a job? ☐ Yes ☐ No

   Comment: _____

4. Are overtime costs charged consistently, regardless of the type of contract (lump sum versus actual cost) or customer (government versus commercial)?

   ☐ Yes ☐ No. If "no," then please explain below:

   _____

5. If the company pays a principal or an employee at a rate in excess of a contract's maximum hourly labor rate, where will the excess be assigned/charged?

   _____

6. Does the company bill contract labor to projects? ☐ Yes ☐ No

   - If "yes," complete the following: Contract labor is billed—

   ☐ as part of direct labor, and overhead is applied.

   ☐ as an other direct cost (no overhead applied).

   ☐ Other. Please explain below:

   _____

H. Expense Accumulation and Billing

1. Besides labor, what type of costs does the company normally bill as direct expenses?

   _____

2. Is the indirect cost pool relieved/reduced for credits/reimbursements received for indirect costs?

   ☐ Yes ☐ No. If "no," then please explain below:

   _____

3. Explain the accounting and billing for the in-house items listed below (check both "D" and "I," if applicable):

(D = Direct; I = Indirect; N/A = not applicable)	**D**	**I**	**N/A**
a. Vehicles	☐	☐	☐
b. Computer Assisted Design and Drafting (CADD)	☐	☐	☐
c. Computer (non-CADD)	☐	☐	☐
d. Telephone	☐	☐	☐
e. Printing / reproduction	☐	☐	☐
f. Postage	☐	☐	☐
g. Lab	☐	☐	☐
h. Drilling	☐	☐	☐
i. Travel and Subsistence	☐	☐	☐
j. GPS and/or Nuclear Density Meters	☐	☐	☐
k. Other (list if significant)	☐	☐	☐

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

_____

5. **Vehicle Expenses**. Does the company 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.
_____ Leased _____ Owned

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

Explanation: _____

d. Is mileage separated by direct and indirect classifications, and is mileage incurred in connection with unallowable activities tracked? ☐ Yes ☐ No

Explanation: _____

e. What recovery/billing rate does the company use for company vehicle mileage reimbursement?
$_____per mile.

Explanation: _____

f. How was the rate developed?

_____

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

a. ☐ Outside Services? ☐ Company ownership? ☐ Both?

b. Does the company compute a charge rate for computers? ☐ Yes ☐ No

- If "yes," what is the rate? _____
- How was the 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 treated?

- In House: ☐ Direct cost ☐ Indirect cost ☐ Combination of direct and indirect
- Outside vendor: ☐ Direct cost ☐ Indirect cost ☐ Combination of direct and indirect

If you marked "combination of both," please explain below:

_____

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 direct and indirect

If you marked "combination of both," please explain below:

_____

- Does the company maintain a telephone log to record toll calls? ☐ Yes ☐ No
- Are the calls job coded by direct and indirect classifications? ☐ Yes ☐ No

I. Other - General

1. Did the company pay bonuses during the period covered by the latest overhead schedule?

☐ Yes ☐ No

- If "yes," were the bonuses included in the submitted overhead rate? ☐ Yes ☐ No
- Was any portion of these bonuses excluded from the submitted overhead rate? ☐ Yes ☐ No

Comment: _____

2. Does the company have a written bonus plan? ☐ Yes ☐ No. If "yes," please provide a copy.
3. Are all employees eligible for the bonuses? ☐ Yes ☐ No. If "no," please explain below.

_____

4. Has the company, an independent CPA, or compensation consultant performed an evaluation of compensation for *reasonableness* in accordance with FAR 31.205-6? (See AASHTO Guide Section 7.5.)

☐ Yes ☐ No

- If "yes," please describe how this process has been documented:

_____

5. If the company rents facilities from another organization, are any of the company's owners/stockholders, or members of their immediate family, also owners/stockholders in the other organization?

☐ Yes ☐ No

- If "yes," please explain:

_____

6. Does the company pay life insurance for officers/principals of the company?

☐ Yes ☐ No

- If "yes," please identify the beneficiary of the life insurance:

_____

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

☐ Yes ☐ No

- If "yes," please provide complete details :

_____

8. Does the company have an existing process designed to provide timely updates to company procedures to accommodate changes in the FAR Subpart 31.2 cost principles?

☐ Yes ☐ No

Description:_____

9. Does the company have a process for assessing risks that may result from changes in cost accounting systems or processes?

☐ Yes ☐ No

- If "yes," please describe the process. How are risks identified and addressed?

_____

10. 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 ICQ is a complete and accurate representation of the above-named company's cost accounting and billing practices.

_____
Typed or Printed Name

_____ _____ _____
Signature **Title** **Date Completed**

Note: The representations on this ICQ were made by, and are the responsibility of, the company's management.