

Appendix

B

Internal Control Questionnaire

Internal Control Questionnaire (ICQ) for Consulting Engineers

Name of Engineering Consultant (“the Company”): _____

TIN (Taxpayer Identification Number): _____

Headquarters Address: _____

Company Website: _____

Fiscal Year End: _____

This ICQ was prepared for (DOT/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 “Indirect Cost Rate 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. (Note: If the indirect cost rate schedule does not directly tie to the trial balance, then please provide a supplemental reconciliation schedule.)
- Current chart of accounts that ties to financial statements and indirect cost rate 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 2012 Edition of the *AASHTO Uniform Audit & Accounting Guide*.

- Please identify the Company’s primary contact for accounting questions:

Name: _____

Title: _____

Phone Number: _____

E-mail Address: _____

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

A. Background Information

A.1. Year Established. When was the Company formed? _____

A.2. Business Form. What form of business entity is the Company?

Sole Proprietorship Partnership C Corporation S Corporation

Other _____

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

A.8. Number of Employees. How many employees (including managers and principals) does the Company currently employ?

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

- Has this number changed in the past one-year period?

No Yes. If “yes,” please explain: _____

A.9. Revenue Sources.

1. 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: _____%

2. Please specify all revenues earned as either a prime consultant or subconsultant:

a. Revenues from Government Projects: \$ _____
 b. Revenues Other Customers: \$ _____
Total Company Gross Revenue: \$ _____

A.10. Contract Mix. 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: _____% Please explain “Other.” _____

B. Accounting: General Background

B.1. Fiscal Period. Has the Company used the same fiscal reporting period for the past two years?

Yes No

B.2. Accounting Method/Basis. What basis of accounting does the Company use to prepare general purpose financial statements?

Cash Accrual Hybrid. Please explain “Hybrid.” _____

- Was the same basis of accounting also used to prepare the firm’s indirect cost rate schedule?

Yes No. Please explain: _____

B.3. Accounting Policies. Does the Company have written accounting policies that address the following topics?

(If “yes,” please provide a copy.)	Yes	No
a. Accounting system	<input type="checkbox"/>	<input type="checkbox"/>
b. Billing	<input type="checkbox"/>	<input type="checkbox"/>
c. Cost estimating/allowability.	<input type="checkbox"/>	<input type="checkbox"/>
d. Recording time worked/timesheet preparation	<input type="checkbox"/>	<input type="checkbox"/>
e. Fringe benefits/leave time	<input type="checkbox"/>	<input type="checkbox"/>
f. Recording overtime	<input type="checkbox"/>	<input type="checkbox"/>
g. Compliance with FAR Part 31 ^(†) and applicable CAS	<input type="checkbox"/>	<input type="checkbox"/>
h. Recording direct and indirect costs	<input type="checkbox"/>	<input type="checkbox"/>
i. Overhead/indirect cost rate development	<input type="checkbox"/>	<input type="checkbox"/>
j. Billing rate development	<input type="checkbox"/>	<input type="checkbox"/>

^(†) FAR Part 31 is codified at 48 CFR Part 31, which is available at <https://www.acquisition.gov/far/html/FARTOCP31.html>.

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

B.4. Preparing the Indirect Cost Schedule. How frequently does the Company prepare an indirect cost rate schedule to determine costs eligible for reimbursement per FAR Part 31?

Annually Other (please specify): _____

- Was the most recent 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 indirect cost schedule:

One-year period ended December 31, 20____

Other (please specify): _____

B.5. Fraud, Abuse, and Contract Violations. Is the Company's 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: _____

B.6. Knowledge of FAR Part 31. Are appropriate personnel within the Company familiar with FAR Part 31?

Yes No. If "no," please explain: _____

B.7. Audits/Examinations. 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," please complete the following (if applicable):

a. **Financial Statements:** Audit Review Compilation Other (please specify): _____

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

b. **Overhead Rate:** Audit Review Compilation Other (please specify): _____

- 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 (please specify): _____

Name of CPA or Agency: _____

Contact: _____

Period Covered: _____

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

C. Accounting System(s)

C.1. Accounting Software. What type of accounting software does the Company use?

- Internally-developed system. Commercial system. Name of vendor: _____
 Hybrid system. Please explain: _____

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

C.2. Job Costing. Does the Company have a job-cost accounting system? Yes No

If “no,” please explain what type of system is used to determine project costs: _____

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

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

a. Are billings prepared from, or reconciled to, reports generated from the Company’s job-cost system?

- Yes No. Please explain: _____

b. Describe any manual procedures that occur outside of the automated accounting system to prepare billing packages. _____

C.4. Accounting Records. Which of the following types of records does the Company maintain to support financial transactions?

	Yes	No
a. General ledger	<input type="checkbox"/>	<input type="checkbox"/>
b. Cash disbursements journal	<input type="checkbox"/>	<input type="checkbox"/>
c. Cash receipts journal	<input type="checkbox"/>	<input type="checkbox"/>
d. Job/Project-cost ledger	<input type="checkbox"/>	<input type="checkbox"/>
e. Labor distribution reports	<input type="checkbox"/>	<input type="checkbox"/>
f. Employee expense reports	<input type="checkbox"/>	<input type="checkbox"/>
g. Payroll registers	<input type="checkbox"/>	<input type="checkbox"/>

C.5. Direct and Indirect Expenses. 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: _____

C.6. Exclusion of Unallowable Costs. 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. Please explain: _____
 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 primary review for allowability occur—at time the transaction is recorded, or later?

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

C.7. Divisions/Cost Centers. Does the Company have more than one division/cost center?

No Yes

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

Comment: _____

C.8. Reconciliations.

a. 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: _____

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

C.9. Budgeting. Does the Company use a budgeting system for project planning and oversight?

Yes No

Comment: _____

- If "yes," 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. If "no," please explain: _____

C.10. Cost Allocation. Does the Company use cost allocation methods consistently for all contracts, including commercial contracts as well as for State and Federal government contracts?
(See AASHTO Guide, Sections 5.3 and 10.5.)

Yes No. If "no," please explain: _____

C.11. Allocation Base(s). When computing indirect cost 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.)

C.12. Field Offices. Does the Company have field offices? (See AASHTO Guide Section 5.6.)

No

Yes. If "yes,"

a. Are separate indirect cost rates used for the home office and field offices?

Yes No

Please explain: _____

b. If home office and field office indirect cost rates are computed, are they presented consistently to all State DOTs?

Yes No. If "no," please explain: _____

Please check here if not applicable:

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

C.13. Project-Specific Indirect Cost Rate(s). Does the Company have any special, project-specific indirect cost rates negotiated with a State DOT?

No Yes. If “yes,” please explain, and list the States that use these rates: _____

D. Information Technology (IT) Systems

D.1. IT Policies. Does the firm have written IT system policies concerning the following topics?
(If “yes,” please provide a copy.)

	Yes	No
a. Hardware/Software		
• Purchasing	<input type="checkbox"/>	<input type="checkbox"/>
• Inventory	<input type="checkbox"/>	<input type="checkbox"/>
• Maintenance	<input type="checkbox"/>	<input type="checkbox"/>
• Access	<input type="checkbox"/>	<input type="checkbox"/>
• Use of In-house and off-site	<input type="checkbox"/>	<input type="checkbox"/>
• Addition and removal/retirement/disposition of	<input type="checkbox"/>	<input type="checkbox"/>
b. Business Continuation Plan	<input type="checkbox"/>	<input type="checkbox"/>
c. Security Protocol	<input type="checkbox"/>	<input type="checkbox"/>
d. Activation and deactivation of employees upon hiring or termination.	<input type="checkbox"/>	<input type="checkbox"/>

D.2. IT Risk Assessment. Has the Company’s management conducted an IT system risk assessment within the past three years?

Yes No

D.3. IT Security Review. Are system security and application access logs enabled and reviewed periodically?

Yes No

Comment: _____

D.4. IT Electronic Data Safeguards. 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: _____

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

E. Accounting – Payroll and Timekeeping

E.1. Payroll Service. Does the Company use an external payroll service?

No Yes. If “yes,” please specify: _____

E.2. Pay Cycle. What is the Company’s standard pay cycle?

Bi-weekly Monthly 1st & 15th Other (please specify): _____

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

E.3. Payroll Register. Does the payroll register include the following data?

	Yes	No	
a. Employee Name	<input type="checkbox"/>	<input type="checkbox"/>	
b. Employee ID number	<input type="checkbox"/>	<input type="checkbox"/>	
c. Gross pay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Payroll deductions	<input type="checkbox"/>	<input type="checkbox"/>	
e. Net pay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Check amount	<input type="checkbox"/>	<input type="checkbox"/>	
g. Hourly rate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Pay period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Normal hours for pay period	<input type="checkbox"/>	<input type="checkbox"/>	
j. Overtime hours for pay period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments: _____

E.4. Timekeeping System.

a. Does the Company use an electronic timekeeping system?

Yes No

- If “yes,” please provide an explanation of its operation, or provide system documentation:

b. Are all employees, including managers and owners/principals, responsible for signing their own timesheets?

Yes No

If “no,” please explain: _____

c. Are all employee timesheets approved by supervisors?

Yes No

If “no,” please explain: _____

d. 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? _____

e. How are timesheet coding errors detected and corrected?

f. How do timesheets identify work performed outside an agreement’s original scope of services?

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

F. Labor Cost Accumulation

F.1. Direct & Indirect Labor. Do the Company's timesheets include reporting codes for both direct and indirect hours? (See AASHTO Guide, Chapter 6.)

Yes No

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

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

F.2. Work Week. Please list the Company's normal hours of business operation (normal work week):

F.3. Uncompensated Overtime (see AASHTO Guide, Section 5.4). Does the Company record all hours worked by all employees, including managers and principals, regardless of whether the employees are exempt from overtime pay or whether all direct labor hours are billed to specific contracts?

No. If "no," please explain: _____

Yes. If "yes," which of the following methods does the Company use to 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?

Effective Rate Method. Please explain: _____

Salary Variance Method. Please explain. (E.g., What was the total dollar amount of the salary/payroll variance for the year?): \$ _____

Other. Please explain: _____

F.4. Contract Modifications/Time Tracking. How does the Company segregate work performed under a basic agreement/contract from work performed for contract changes/modifications? _____

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

G. Labor Billings and Project Costing

G.1. Billing Rates. Please describe how billing rates are determined, or attach the Company's billing-rate policy.

- Description: _____
- Billing-rate policy attached.

G.2. Premium Overtime. Does the Company pay overtime at a premium to any employees? Yes No

- If "yes,"

a. What premium rate is paid, and what categories of employees are eligible for this rate?

- Time-and-a-half for all non-exempt employees.
- Other. Please explain: _____

b. How is the overtime premium accounted for and billed?

- As part of direct labor, and overhead is applied.
- As an Other Direct Cost (no overhead applied).
- As an indirect labor cost (included in the indirect cost rate).
- Other. Please explain: _____

G.3. Allocation of Overtime Costs. Are overtime costs allocated to contracts consistently, regardless of the type of contract (lump sum versus actual cost) or customer (government versus commercial)?

- Yes No. If "no," please explain: _____

G.4. Cost Allocation versus Billing. 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 cost be allocated/charged? _____

G.5. Contract/Purchased Labor. Does the Company invoice/bill contract labor directly to any customers?

- Yes No N/A

- If "yes," please 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: _____

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

H. Expense Accumulation and Billing

H.1. Nonsalary Direct Costs (Other Direct Costs). Besides labor, what type of costs does the Company normally bill/invoice as direct expenses?

H.2. Credits Associated with Direct Costs. Is the indirect cost pool relieved/reduced for credits/reimbursements received for direct costs?

Yes No. If "no," please explain: _____

H.3. Design/Build Stipends. Has the Company received a stipend from any State DOT in connection with design/build efforts?

Yes No

- If "yes," please explain how the Company accounted for the stipend in the accounting system: _____

H.4. Classification of Cost Items. How are the following cost items accounted for and billed?

(Check both "D" and "I," if applicable.)

(D = Direct; I = Indirect; N/A = not applicable)

	<u>D</u>	<u>I</u>	<u>N/A</u>
a. Vehicles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Computer Assisted Design and Drafting (CADD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Computer (non-CADD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Printing / Reproduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Postage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Lab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Drilling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Travel and Subsistence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. GPS and/or Nuclear Density Meters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Other (list if significant)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

H.5. Nonbillable Costs. Describe the accounting treatment for direct costs not billable to clients. (Where/how are these costs recorded?) _____

H.6. Authorization. How does the Company ensure that costs are not billed to Government projects prior to proper authorization?

H.7. 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 the company.

_____ Leased _____ Owned

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

Yes No

Explanation: _____

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

- 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 is used for Company vehicle mileage reimbursement?

\$ _____ per mile.

Explanation: _____

- f. How was the rate developed? _____

H.8. 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

H.9. 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: _____

- 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

H.10. Telephone Costs. How is the expense for telephone service recorded and billed?

- Direct cost Indirect cost Combination of direct and indirect

If you marked "combination of direct and indirect," 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

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

J. Related-Party Transactions

J.1. Related Employees. Please provide the following information for all **employees** who are related to the parties listed in the Ownership Table (Table 1) shown in A.5:

Table 3: Employees Related to Company Owners

	Name or ID:	Title/Position:	Wages/Salary:	Bonus:	Other Compensation:	Total Compensation:
1	Total Hours Worked During Year:	Job Duties: Related to: How Related (e.g., spouse, parent, child, sibling, in law):	\$	\$	\$	\$
2	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$
3	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$
4	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$
5	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$
6	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$
7	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$
8	Total Hours Worked During Year:	Job Duties: Related to: How Related:	\$	\$	\$	\$

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

	Name or ID:	Title/Position:	Wages/Salary:	Bonus:	Other Compensation:	Total Compensation:
			\$	\$	\$	\$
9	Total Hours Worked During Year:	Job Duties: Related to: How Related:				
			\$	\$	\$	\$
10	Total Hours Worked During Year:	Job Duties: Related to: How Related:				

J.2. Related Vendors. Please provide the following information for all **vendors** related to the parties listed in the Ownership Table (Table 1) shown in A.5:

Table 4: Vendors Related to Company Owners

Name:	Contact Information:	How Related:	Products/Services Provided:	Total Payments During Year:
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

K. Other Questions

K.1. Life Insurance. Does the Company pay life insurance for officers/principals?

Yes No

- If "yes,"

(a) Have any costs associated with this life insurance been included on the indirect cost rate schedule?

Yes – total amount: _____ No

(b) Please identify the beneficiary of the life insurance:

Company/surviving partners Officer/principal's family

Other (specify) _____

(c) Please identify the type(s) of the life insurance:

Term Whole life Universal life Endowments (annuities)

Accidental death Other (please specify): _____

K.2. Suspension or Debarment. 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: _____

K.3. Updates for Changes to FAR Part 31. Does the Company have an existing process designed to provide timely updates to company policies and procedures to accommodate changes in the FAR Subpart 31.2 cost principles?

Yes No

- If "yes," please describe the process: _____

K.4. Risk Assessment. 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? _____

K.5. Communications of FHWA/DOT Requirements. How does information flow from the FHWA/State DOT to appropriate management personnel? (E.g., How are relevant updates to State DOT procedures or Federal Regulations disseminated to project managers and accounting personnel?)

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

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.

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

Keyword Index

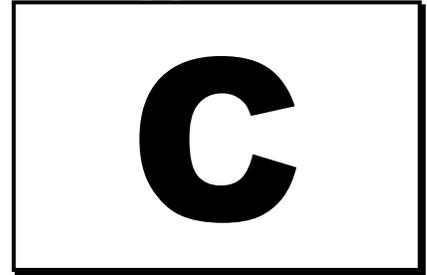
<u>Keyword or Phrase</u>	<u>Section</u>	<u>Page</u>
Accounting method/basis (cash, accrual, or hybrid)	B.2	B-4
Accounting policies (by category)	B.3	B-4
Accounting records (types of)	C.4	B-6
Accounting system (integration of)	C.3	B-6
Allocation base(s) used to compute indirect cost rate(s)	C.11	B-7
Allocation of cost versus billing	G.4	B-11
Attachments (list of required documents)	--	B-2
Audits/examinations (within the past three years)	B.7	B-5
Authorization (ensuring that costs are not billed prior to proper authorization)	H.6	B-12
Billing rates	G.1	B-11
Bonuses (bonuses paid or accrued, bonus plan, and eligibility)	I.1	B-14
Budgeting system (project planning and oversight)	C.9	B-7
Business form (sole proprietorship, partnership, corporation, etc.)	A.2	B-2
Classification of cost items (accounting and billing considerations)	H.4	B-12
Common ownership	A.4	B-3
Communication of FHWA/DOT requirements	K.5	B-18
Computer expenses (outsourced versus in-house, CADD charge rate, usage logs, etc.)	H.8	B-13
Contract mix (revenue generated by each type of contract)	A.10	B-4
Contract modifications (time tracking associated with work done on modifications)	F.4	B-10
Contract/purchased labor	G.5	B-11
Cost allocation (consistency of)	C.10	B-7
Credits associated with direct costs	H.2	B-12
Design/build stipends	H.3	B-12
Direct and indirect expenses (how recorded in accounting system)	C.5	B-6
Divisions/cost centers (list of)	C.7	B-7
Employees (number of)	A.8	B-4
FAR Part 31 (knowledge of)	B.6	B-5
Field offices/field overhead rates	C.12	B-7
Fiscal period (reporting period for financial purposes)	B.1	B-4
Fraud, abuse, and contract violations	B.5	B-5
Indirect cost schedule (when prepared, by whom, and period covered)	B.4	B-5
Information technology data safeguards	D.4	B-8
Information technology policies	D.1	B-8
Information technology risk assessment	D.2	B-8
Information technology security review	D.3	B-8
Job-cost system	C.2	B-6
Labor (direct and indirect - timesheet reporting codes)	F.1	B-10
Life insurance (costs, types, and beneficiaries)	K.1	B-18
Locations (number of offices and locations)	A.7	B-3
Nonbillable costs (accounting for)	H.5	B-12
Nonsalary direct costs (Other direct costs)	H.1	B-12
Overtime (allocation of)	G.3	B-11
Overtime (premium portion)	G.2	B-11
Overtime (uncompensated)	F.3	B-10
Ownership table (list of owners with >5% ownership)	A.5 (Table 1)	B-3
Parent/subsidiary relationships	A.3	B-3
Pay cycle (standard pay periods)	E.2	B-9
Payroll register (components of)	E.3	B-9
Payroll service (internal or external)	E.1	B-9
Printing and reproduction costs (outsourced versus in-house, tracking, usage logs, etc.)	H.9	B-13
Project-specific indirect cost rate(s)	C.13	B-8
Reasonableness of executive compensation (description of procedures performed to establish reasonableness)	I.2	B-14
Reconciliations (financial accounting system to job-cost system)	C.8	B-7
Related-party transactions (employees)	J.1 (Table 3)	B-15 to B-16
Related-party transactions (other)	J.4 (Table 5)	B-17
Related-party transactions (property or facilities leased from)	J.3	B-17
Related-party transactions (vendors)	J.2 (Table 4)	B-16
Revenue sources (Governmental vs. commercial; prime vs. subconsultant)	A.9	B-4
Risk Assessment (as related to changes to the cost accounting system or Company policy)	K.4	B-18
Services provided	A.6	B-3
Software (general ledger/accounting system)	C.1	B-6

AASHTO Internal Control Questionnaire (ICQ) for Consulting Engineers

Keyword Index

<u>Keyword or Phrase</u>	<u>Section</u>	<u>Page</u>
Suspension or debarment	K.2	B-18
Telephone Costs (billing, tracking, and coding)	H.10	B-13
Timekeeping system (timesheet coding, certification, approval, etc.)	E.4	B-9
Unallowable activities (types of activities ineligible for cost reimbursement)	H.11 (Table 2)	B-14
Unallowable costs (how determined and how excluded from indirect cost schedule)	C.6	B-6
Updates for changes to FAR Part 31 (frequency of updates to procedures/policies)	K.3	B-18
Vehicle expenses (number leased/owned, mileage logs, billing rate, etc.)	H.7	B-12 to B-13
Work week (normal operating hours)	F.2	B-10
Year established (year the Company was founded)	A.1	B-2

Appendix



**Keyword Index of 48 CFR Part 31 (Federal
Acquisition Regulation, Part 31)**

Key

† - See Exceptions. (*) - Requires advance agreement or verifiable methodology.

KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-6(d)(1)	Accrual of Compensation Expenses (allowable).	YES†
31.201-2(d)	Adequate Recordkeeping (requirement for, and Contracting Officer's authority to disallow unsupported costs).	--
31.109	Advance Agreements: defined and requirements of (in writing, executed by both parties, stated duration).	--
31.205-1(b)	Advertising defined (generally, allowability is limited to recruitment costs).	YES - help wanted
31.205-1(d)	Advertising (allowable types of).	YES
31.205-1(f)	Advertising (unallowable types of).	NO
31.205-38(b)(1)	Advertising as a part of selling costs.	NO
31.205-51	Alcoholic Beverages.	NO
31.205-46(b)	Airfare, generally.	YES
31.205-46(c)	Aircraft owned by consultants.	YES†
31.201-4	Allocability (allowability, reasonableness, and allocability).	--
31.201-2 & 31.204	Allowability (reasonable, allocable, CAS Compliant, meets terms of contract, & not otherwise unallowable).	--
31.205-52	Asset Valuations Resulting from Business Combinations.	--
31.201-6(a)	Associated Costs, defined (costs associated with unallowables). See also CAS 405.	NO
31.205-46(a)(1)	Automobile: Mileage Costs.	YES
31.205-6(m)(2)	Automobile: Personal Use of (see also 31.205-46(d)). Includes commuting and other personal costs.	NO
31.205-6(f)(1)	Awards for Employees (Performance-Based Awards--bonus and incentive compensation).	YES
31.205-18(c)	B&P: Bid and Proposal Costs (allowability of).	YES
31.205-6(h)	Back pay (generally unallowable).	NO
31.205-3	Bad Debts (and directly-associated costs).	NO
31.205-6(p)	BCA (Benchmark Compensation Amount) - statutory limit on executive compensation. (Not a safe harbor or guaranteed amount of cost recovery.)	--
31.205-4	Bonding Costs (e.g., bid, performance, payment, infringement, and fidelity).	YES
31.205-6(f)	Bonuses and Incentive Pay, generally. (See 31.205-6(f)(1)(ii) for required basis and support.)	YES†

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KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-1(f)(5)	Brochures and Promotional Materials.	NO
31.201-3(a)	Burden of Proof on Consultant (determining reasonableness).	--
31.205-52	Business Combinations (asset valuations resulting from).	LIMITED DEPR.
31.205-16(a)	Business Combinations (gains and losses related to).	NO
31.205-11(h)	Capital Leases (full payment not allowable - limited to depreciation of property capitalized under the lease).	LIMITED DEPR.
31.205-11(h)(2)	Capital Leases: Related Parties.	LIMITED DEPR.
31.205-43(a)	Chambers of Commerce, Dues (but disallow portion of dues attributable to lobbying).	YES†
31.103	Commercial Organizations (contracts with).	--
31.205-36(b)(3)	Common Control of Leased Properties (e.g., between sub. and parent: limited to normal costs of ownership).	YES†
31.205-6(p)	Compensation, generally.	YES†
31.205-44(f)	College Savings Plans for Dependents of Company Employees.	NO
31.105 & 31.201-7	Construction and Architect-Engineer Contracts.	--
31.205-33	Consultant Service Cost and Professional Fees (outside accountants, lawyers, actuaries, and marketing consultants). Also known as "Professional and Consultant Service Fees" (PCS costs). See Retainer fees at 31.205-33(e).	YES†
31.205-7	Contingencies.	NO
31.205-42	Contract-Termination Costs.	VARIABLES
31.205-8	Contributions or Donations. (All cash donations are unallowable).	NO
31.205-1(e)(3)	Contributions or Donations: Community Service Activities (cash contributions unallowable; donation of time/labor is allowable).	YES
31.205-10	Cost of Money also known as "Facilities Capital Cost of Money" (FCCM).	YES
31.205-14	Country-Club Memberships.	NO
31.201-5	Credits (costs must be presented net of all applicable credits.)	OFFSET
31.205-47	Defense of Fraud (False Claims Act, Anti-Kickback Act, etc.).	NO†
31.205-18(d)	Deferred IR&D Costs: Allowability.	NO†

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KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.001	Definitions of Terms used in FAR Part 31.	--
31.205-44(f)	Dependents: Employee-dependent education plans	NO
31.205-11	Depreciation, generally.	YES
31.205-11(c)	Depreciation: Expense in excess of amount used for financial accounting.	NO
31.202	Direct Costs.	YES
31.205-38(b)(5)	Direct Selling Costs.	YES
31.201-6(a) & CAS 405-40	Directly-Associated Costs, defined (costs associated with unallowables).	NO
31.205-28(f)	Directors' Meetings	YES
31.205-6(a)(6)(iii)(B)	Distribution of Profits to Owners (unallowable for closely-held companies).	NO
31.205-8	Donations	NO
31.205-13	Dormitory Costs and Credits.	YES
31.202(a) & 31.203(b)	Double-Counted Costs (unallowable).	NO
31.205-43	Dues and Subscriptions.	YES
31.205-12	Economic Planning Costs.	YES
31.205-44	Education Costs (vocational training, part-time college, full-time college)	YES
31.205-6(f)	Employee Performance Awards (bonuses and incentive).	YES
31.205-6(n)	Employee Rebate and Purchase-Discount Plans.	NO
31.205-6(q)	Employee Stock Ownership Plans (ESOPs).	YES
31.205-14	Entertainment Costs (overrides all other cost principles).	NO
31.205-6(q)	ESOPs.	YES
31.205-6(q)(2)(i)(B)	ESOP: Current Funding Requirement.	YES
31.205-41(b)(1)	Excess Profits Taxes.	NO
31.205-6(p)(1)	Executive Benchmark Compensation Amount (reference to). Note that these costs are further limited by reasonableness--see National Compensation Matrix (Audit Guide Section 6.4) for details.	YES†
31.205-41(b)(1)	Federal Income Taxes.	NO

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KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-15(a)	Fines, Penalties, and Mischarging Costs Related to Violation of Laws.	NO
31.205-15(b)	Fines, Penalties, and Mischarging Costs Related to Improper Charging or Recording of Costs.	NO
31.102	Fixed-Price Contracts.	--
31.205-13(d)	Food Service, and Dormitory Costs and Credits.	YES
31.205-47(b), (f)(4) & (g)	Fraud, Defense of (including requirement to segregate and account for these costs separately--see 31.205-47(g)).	SEGREGATE
31.205-6(m)	Fringe Benefits.	YES
31.205-16	Gains and Losses on Disposition or Impairment of Depreciable Property or Other Capital Assets.	YES†
31.201-1	Generally Accepted Methods for Measuring Costs (requirement to use).	--
31.205-1(d)(2)	Gifts (to clients and the public as part of trade shows).	NO
31.205-13(b)	Gifts (to employees).	NO
31.205-6(l)(2)	Golden Handcuff Payments.	NO
31.205-6(l)(1)	Golden Parachute Payments.	NO
31.205-49	Goodwill.	NO
31.205-44(d)	Grants, Scholarships, and Fellowships to Educational or Training Institutions.	NO
31.205-13	Health, Welfare, Food Service, and Dormitory Costs and Credits.	YES
31.205-34(a)(1) & (b)	Help-Wanted Advertising Costs--Recruitment.	YES
31.205-35(a)(2)	House-Hunting Trip Costs (for employees with a permanent change of work location).	YES
31.205-17(b)	Idle Facilities Costs.	NO†
31.205-17(c)	Idle Capacity Costs.	YES
31.205-6(e)(1)	Income Tax Differential Pay (foreign assignments).	YES
31.205-6(e)(2)	Income Tax Differential Pay (domestic assignments).	NO
31.205-41(b)(1)	Income Taxes, Federal.	NO
31.205-41(a)(1)	Income Taxes, State and Local.	YES

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KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-18	Independent Research and Development and Bid and Proposal Costs.	YES
31.110	Indirect Cost Rate Certification and Penalties on Unallowable Costs.	--
31.203	Indirect Costs.	--
31.205-19	Insurance and Indemnification.	YES
31.205-20	Interest and Other Financial Costs.	NO
31.205-18	IR&D and B&P: Independent Research and Development and Bid and Proposal Costs.	YES
31.205-21	Labor Relations Costs.	YES
31.205-19(e)(2)(v)	Key-Man Life Insurance (allowable to extent that costs is included in compensation of officers--not allowable when company is beneficiary of policy)	LIMITED†
31.205-36(b)(1)	Leases (operating leases for real property and personal property)	YES
31.205-47	Legal and Other Proceedings.	YES
31.205-19(e)(2)(v)	Life Insurance	YES
31.205-22	Lobbying and Political Activity Costs.	NO
31.205-46	Lodging, Meals, and Incidental Expenses.	YES†
31.205-35(c)(1)	Loss on Sale of Home (for employees with a permanent change of work location).	NO
31.205-23	Losses on Other Contracts.	NO
31.205-25	Manufacturing and Production Engineering Costs.	YES
31.205-1; 31.205-38	Marketing Costs. (Note: FAR Part 31 does not expressly use the term "marketing," but public relations, advertising costs, and selling costs are widely referred to as marketing by many individuals. Within the FAR, <i>selling costs</i> are the most analogous to marketing costs - see 31.205-38.)	NO
31.205-38(b)(4)	Market Planning.	YES
31.205-26	Material Costs (direct costs, primarily).	YES
31.205-46(a)(2)	Meals, Lodging, and Incidental Expenses.	YES
31.205-1(f)(7)	Memberships in Civic and Community Organizations.	NO
31.205-46(d)	Mileage Costs: Automobile.	YES

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KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-13	Morale, Health, Welfare, Food Service, and Dormitory Costs and Credits (subject to limitations in 31.205-13(b) through (e)).	YES†
31.205-35	Moving Costs Paid to Employees.	YES†
31.205-25	M&PE Costs (Manufacturing and Production Engineering Costs).	YES
31.205-19(e)(2)(v)	Officers' Life Insurance.	NO†
31.205-1(e)(4)	Open Houses (subject to limitations in 31.205-1(f)(5): costs unallowable for promotional materials, videos/films, handouts, magazines, etc.).	YES
31.205-36	Operating Leases (real property and personal property).	YES
31.205-27(a)	Organization/Reorganization Costs.	NO
31.205-28	Other Business Expenses, generally.	YES
31.205-30(c)	Patent Costs.	NO
31.205-15(a)	Penalties, Fines, and Mischarging Costs.	NO
31.205-6(j)	Pension Costs, generally.	YES
31.205-6(j)(1)(i)	Pension Costs: Current Funding Requirement.	YES
31.205-6(j)(4)	Pension Costs: Defined Contribution Plans.	YES
31.205-6(j)(4)(i)	Pension Costs: Contribution Limits.	YES†
31.205-6(f)	Performance Awards to Employees.	YES
31.205-6	Personal Services (compensation for).	YES
31.205-6(m)(2)	Personal Use of Automobiles.	NO
31.205-29	Plant Protection Costs.	YES
31.205-31	Plant Reconversion Costs.	NO
31.205-32	Precontract Costs (direct costs).	YES
31.205-43	Professional Activity Costs.	YES
31.205-33	Professional and Consultant Service Costs (e.g., external accountants, lawyers, actuaries, and marketing consultants).	YES
31.205-19	Professional Liability and General Insurance.	YES

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KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)

Citation	Key Words	Generally Allowable?
31.205-6(a)(6)(ii)(B)	Profits to Owners, Distribution of (unallowable for closely-held companies).	NO
31.205-1	Public Relations and Advertising Costs.	NO†
31.205-6(n)	Purchase-Discount Plans for Employees.	NO
31.205-1(f)(5)	Promotional Materials.	NO
31.205-35(a)(3)	Real Estate Brokers' Fees and Commissions (for employees with a permanent change of work location).	YES
31.201-3	Reasonableness. (No presumption of reasonableness exists.)	--
31.205-31	Reconversion Costs.	NO
31.201-2(d)	Recordkeeping Requirements (engineering consultants' responsibility to maintain adequate records).	--
31.205-13(c)	Recreation for Employees.	NO†
31.205-34	Recruitment Costs.	YES
31.205-36(b)(3)	Common Control of Leased Properties (e.g., between sub. and parent).	YES†
31.201-6(a)	Related Costs (Costs Related to Unallowable Costs). See also CAS 405.	NO
31.205-36(b)(3)	Related Party Transactions: Rental Costs (common control).	YES†
31.205-35	Relocation Costs Paid to Employees.	YES
31.205-36	Rental Costs: Operating Leases.	YES
31.205-27	Reorganization Costs.	NO
31.205-48	Research and Development (R&D) Costs.	YES
31.205-37(a)	Royalties and Other Costs for Use of Patents (direct costs).	YES
31.205-11(h)(1)	Sale and Leaseback.	YES†
31.205-38	Selling Costs (marketing the engineering consultant's services).	LIMITED†
31.205-1(f)(3)	Seminars, Symposia, and Meetings (unallowable portion of these costs).	NO
31.205-39	Service and Warranty Costs (direct costs).	YES
31.205-42	Settlement Costs Associated with Contract Terminations.	VARIABLES

