


Auditing Consultant Engineering Projects

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- 

Auditing Consultant Engineering Projects

Types of Contracts

- Lump Sum
- Cost-Plus Fixed Fee
- Billable Rates

Criteria

Federal Acquisition Regulations (FAR), Title 48 CFR (Code of Federal Regulations), Part 31-specifically, Subpart 31.2 Contracts with Commercial Organizations.

Generally Accepted Government Auditing Standards (Yellow Book, 2011 Revision)




Auditing Consultant Engineering Projects

Request for Audit

- DOTD Consultant Contracts Services
- DOTD Project Manager
- DOTD Management
- Other Governmental Entities
- Consultant / Sub-Consultant
- DOTD Audit Section Initiative

Types of Audits

- Pre-Award
 - Interim
 - Post / Final
- 

Auditing Consultant Engineering Projects

Audit Program

Example 1 Program: Specific Steps



Example 1

| INTERNATIONAL AUDIT PROGRAM | |
|--|-------------|
| DESCRIPTION | PROBABILITY |
| _____ 1. Obtain file from Consultant Contact Services | |
| _____ 2. Copy the Contract, Notice to Proceed, History of Completion, listing of listings to be audited, and any other correspondence deemed important | |
| _____ 3. Review Contract Requirements (Schedule Contract) | |
| _____ 4. Schedule of listings per Phase and Plan | |
| _____ 5. Schedule direct report to be verified, showing estimated number, employee, postal address, home address, family salary, and present biller | |
| _____ 6. Schedule direct response to be verified | |
| _____ 7. Print copy of History of Overhead Billing from the computer (PH 3-1) | |
| _____ 8. Obtain and compare copies of Federal Authorization and Notice to Proceed | |
| _____ 9. Review Audit Plan | |
| DIRECT LABORABLES | |
| _____ 1. Test original employee time sheets and verify how worked for sample period | |
| _____ 2. Verify hourly rate offered to parent company | |
| _____ 3. Verify that employees were actually paid by doing a random review of sample period of parental checks | |
| _____ 4. Review time sheet for test before initial date of Federal Authorization or Notice to Proceed. Also, review for direct response | |
| DIRECT EXPENSES | |
| _____ 1. Verify parental time to source documents | |
| _____ 2. Verify that records were used by conducting a random review of sample period of parental checks | |
| INTERNAL AUDITING AND OVERSIGHT | |
| _____ 1. Determine whether all parental data requested are in History of Overhead Billing | |
| _____ 2. Obtain overhead audit copy or file. Conduct overhead audit or obtain from another source (other government agency, USA, approved main contractor, etc.) | |
| INTERNAL CONTROLS | |
| Evaluate company's internal controls by | |
| _____ 1. Obtaining and reviewing the company's CPA report on internal controls or a corporate statement | |
| _____ 2. Conduct an actual review of the company's internal controls | |
| COMPARISON FILE | |
| _____ 1. Submit file | |
| AUDIT REPORT | |
| _____ 1. Write report | |
| APPROVED: | |
| _____ NEXT MANAGER/PROVIDER | _____ DATE |

Auditing Consultant Engineering Projects

Review of Contract Requirements

Auditor Obtains Copies of Contracts, Supplements, Extra Work Letters, Task Orders

Auditor Schedules Contract Details for Costs (Maximum Limits and Fixed Fees) and Dates (End)

Auditor Obtains Notices to Proceed

Auditor Obtains Completion Notices


Schedule of Invoices-As Billed

Each partial estimate invoice to DOTD is scheduled, by consultant, with period and cost break down

Lump Sum: Lump Sum Amount

Cost-plus Fixed Fee: Direct Labor, Overhead, Direct Expenses, Fixed Fee, Max Limit Adj., Amount Paid

Billable Rates: Direct Labor, Direct Expenses, Max Limit Adjustment, Amount Paid



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Review of Fixed Fees

Fixed Fees to Multiple Consultants (including Sub-Consultants) are verified

Adjustment to Consultant Fixed Fees for Fixed of any Sub-Consultant that is not in contract


Review of Direct Labor

Direct Labor is verified through Sampling

Review of Timesheets

Review of Labor Rates and /or Billable Rates

Review of Employee Classification



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Review of Direct Expenses

Direct Expenses are verified through sampling

Review of Receipts

Eligible Direct Expenses: Contract terms / Contract Intent / State Travel Regulations

Sub-Consultant versus Direct Expense

Review of Payroll Additives and Overhead

Obtain existing Report on Internal Control

Adjust Billed Payroll Additives and Overhead to Actual



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Review of Internal Control

Assess Internal Controls

Obtain existing Report on Internal Controls

Use an Internal Control Questionnaire to make our own Assessment - Example 2



Example 2

AUDIT REPORT # _____

INTERNAL CONTROL QUESTIONNAIRE

| A. GENERAL | YES/NO, N/A |
|---|--------------------|
| 1. Are receipts deposited daily, intact and without delay? | _____ |
| 2. Is cash controlled from the time it is received until it is deposited? | _____ |
| 3. Is the deposit made in the bank by someone other than the person who received it? | _____ |
| 4. Is a duplicate deposit slip retained by someone other than the person making the deposit? | _____ |
| 5. Is there separation of duties from the depositing function and receivable and general ledger record keeping? | _____ |
| 6. Is the person receiving cash prevented from obtaining access to receivables records or monthly statements? | _____ |
| 7. If there are other cash funds, are these funds handled by someone other than the person receiving cash? | _____ |
| 8. Is other income, rents, royalties, interest, or dividends accounted for in such a way as their non receipt would be noticed? | _____ |
| 9. Is a monthly bank reconciliation performed or closely reviewed by someone who does not have cash custody or record keeping responsibility? | _____ |
| B. MAIL AND CURRENCY RECEIPTS | |
| 1. Is the mail opened by someone other than the cash or receivable record keeper? | _____ |
| 2. Is there a list made of the daily remittances received by the person that opens the mail? | _____ |
| 3. Is the daily remittance list compared to the daily deposit by someone other than the deposit preparer? | _____ |
| 4. Are the daily remittance lines and the deposit slips compared to cash receipts & receivable records regularly? | _____ |
| 5. Are currency receipts controlled by a mechanical device? | _____ |
| 6. Are pre-numbered receipts used? | _____ |
| 7. Is the numerical sequence checked by someone not involved in currency record keeping? | _____ |
| 8. Are detailed transaction records maintained in a computer system? | _____ |
| C. ACCOUNTS RECEIVABLE | |
| 1. Are customers' subsidiary records maintained by someone with no access to cash? | _____ |
| 2. Is access to these records limited to those without access to cash? | _____ |
| 3. Are customers' records balanced monthly with general ledger accounts? | _____ |
| 4. Are delinquent accounts periodically reviewed by someone outside the receivable area? | _____ |
| 5. Are records kept of written-off accounts for reference? | _____ |
| 6. Are credit memo documents pre-numbered and controlled? | _____ |
| 7. Are customer deposits, if applicable, under the control of someone not in the cash or receivable record keeping area? | _____ |
| 8. Are detailed records of accounts receivable maintained in a computer system? | _____ |

Example 2

INTERNAL CONTROL QUESTIONNAIRE (CONTINUED)

D. PURCHASING

1. Are the accounts payable records balanced periodically with the general ledger? _____
2. Are vendor monthly statements checked against accounts payable? _____
3. Is the purchasing area separate from other areas? _____
4. Are purchases made only on the basis of approved requisitions? _____
5. Is purchasing automated? Only one area is responsible. _____
6. Are purchasing forms pre-numbered and controlled? _____
7. Are competitive bids received and used? _____
8. Are automated systems reviewed frequently? _____
9. Are vendor invoices recorded independently upon receipt? _____
10. Are invoices approved by someone in authority before being paid? _____
11. Are invoices checked for accuracy in quantity, price, extension, and discount? _____
12. Is purchasing automated in a computer system? _____

E. DISBURSEMENTS

1. Are all disbursements except petty cash made by check? _____
2. Are check signers prohibited from drawing checks payable to cash? _____
3. Are blank checks signed? _____
4. Are voided checks recalled and retained? _____
5. Is the backup to the check reviewed by the signer? _____
6. Is the backup marked paid before it is filed? _____
7. Are checks mailed by the signer and not returned to the preparer for mailing? _____
8. Are checks pre-numbered and controlled? _____
9. Is the numerical sequence of checks reviewed in the monthly reconciliation process? _____
10. Do checks require two signatures? _____
11. If a machine is used, are the signatures placed corrected? _____
12. Are check signers individuals who have no access to accounting records, cash receipts, or bank reconciliations? _____
13. Is there an accounting manual? _____
14. Are there separate bank accounts for vendor payments and payroll? _____
15. Are disbursements entered in the check register and journal on the date of signature and mailing? _____
16. Are check signing and other cash disbursement procedures automated in a computer system? _____

Example 2

INTERNAL CONTROL QUESTIONNAIRE (CONTINUED)

F. FIXED ASSETS

1. Are detailed property records maintained for fixed assets? _____
2. Are the detailed records balanced and reconciled with the general ledger? _____
3. Are fixed assets inspected and inventoried annually? _____
4. Is insurance coverage reviewed annually? _____
5. Are records maintained of leased assets? _____
6. Are there procedures, in writing, for the disposal of assets? _____
7. Is the signature of someone not involved in the tracking of fixed assets required for disposal? _____

G. GENERAL COMPUTER AND APPLICATION

1. Are computer personnel excluded from participating in the input & output functions? _____
2. Are programmers excluded from operating the computer? _____
3. Are computer personnel restricted from initiating, authorizing, or independently processing entries to the general ledger? _____
4. Is access to computer equipment restricted to the operators? _____
5. Are current backup files stored in an off-site location? _____
6. Are there up-to-date written instructions concerning data conversion (i.e. entry)? _____
7. Is computer output reviewed for reasonableness, accuracy, and legibility before it is distributed? _____

H. DISASTER RECOVERY

1. Does your firm have a disaster recovery plan? _____
2. If not, do you plan on developing one? _____

Auditing Consultant Engineering Projects

Review of Sub-Consultants

All Sub-Consultants are evaluated in the same manner as Prime Consultants

Audit Report

Example 3 – Audit Report and Schedule of Audit Results



Example 3

AUDIT REPORT NO. _____

STATE PROJECT NO. _____

FEDERAL-AID PROJECT NO. _____

MEMORANDUM TO:

CONSULTANT CONTRACT SERVICES ADMINISTRATOR
BATON ROUGE, LA

RE: _____
(Consultant's Name)

In accordance with your request of _____, we have completed an interim/post
audit for engineering services provided by _____ and the
above noted sub-consultants on the above referenced project.

This audit includes Partial No. _____, dated _____,
through Partial No. _____, dated _____.

Copies of this report are being distributed as indicated below with the understanding that
it should not be released externally, except as noted below, without the Consultant's concurrence.

The contents of this report are intended solely for use in this contract and should not be
used for any other purpose without consulting us.

John J. Lyon
Audit Director

JLL/CW:

Co: Mr. Charles W. Bolinger (FHWA (if Federal Funding involved))
Mr. James Street (Budget)
Ms. Elaine C. Rougeau (Consultant Contract Services)

_____ (consultant's name)

_____ (consultant's address)

DRAFT

Example 3

AUDIT REPORT NO.

PAGE LEADINARY

A. PURPOSE OF AUDIT

The purpose of the audit was to verify that the Consultant's findings were in accordance with contract requirements.

B. SCOPE OF AUDIT

We performed the examination in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, by the Comptroller General of the United States, 2001 Revision, and the common cost Principles and procedures set forth in Part 51 of the Federal Acquisition Regulation.

In planning and performing our audit of the cost representations of _____ we did not evaluate the effectiveness of the firm's internal control system, policies, and procedures, as we relied upon the report of this firm's CPA, _____ and concluded that the audit could be more effectively performed by relying on the work of others and limiting transactions to review to the purpose of the audit.

OR,

In accordance with the Government Auditing Standards, we have issued a report dated _____ on our examination of the company's internal control system.

C. OPINION

In our opinion, the cost claims are supported in accordance with Department and Federal policies and practices, and have been found to be eligible for reimbursement, except as noted in the Results of Audit.

II. SUMMARY STATEMENTS

1. Results of Audit

REF ATTACHED SCHEDULE

D. DISCUSSION OF AUDIT RESULTS

The results of the audit were discussed with _____

DRAFT

Example 3

Audit Report No. 160999

D. Summary Statements

Results of Audit

COSTS PER AUDIT

| DESCRIPTION | BILLED AMOUNT | AUDITED AMOUNT | MAXIMUM LIMIT | AUDITED BILLABLE AMOUNT | AMOUNT PAID |
|-------------------------------------|------------------|---------------------|------------------|----------------------------|----------------|
| <u>State Project No. H.000001.2</u> | | | | | |
| <u>Prime Consultant</u> | | | | | |
| Direct Labor | 303,914.36 | 303,914.36 | | | |
| Overhead | 471,450.59 | 481,723.79 A | | | |
| Direct Expenses | 22,309.04 | 22,309.04 | | | |
| Fixed Fee | <u>82,033.00</u> | <u>82,033.00</u> | | | |
| Total Amount | 879,706.99 | 889,980.19 | | 879,706.99 | |
| <u>Sub-Consultant - 1</u> | | | | | |
| Direct Labor | 31,187.84 | 31,187.84 | | | |
| Overhead | 42,858.37 | 45,299.56 B | | | |
| Direct Expenses | 492.61 | 492.61 | | | |
| Fixed Fee | <u>18,717.00</u> | <u>18,717.00</u> | | | |
| Total Amount | 93,255.82 | 95,697.01 | | 93,255.82 | |
| <u>Sub-Consultant - 2</u> | | | | | |
| Direct Labor | 31,997.35 | 31,997.35 | | | |
| Overhead | 52,795.64 | 55,477.34 C | | | |
| Direct Expenses | 8,656.68 | 8,656.68 | | | |
| Fixed Fee | <u>8,385.00</u> | <u>8,385.00</u> | | | |
| Total Amount | 99,834.67 | 102,516.37 | | 99,834.67 | |
| <u>Sub-Consultant - 3</u> | | | | | |
| Direct Labor | 1,561.79 | 1,561.79 | | | |
| Overhead | 2,372.05 | 2,372.05 D | | | |
| Direct Expenses | 4,990.17 | 4,990.17 | | | |
| Fixed Fee | <u>670.00</u> | <u>670.00</u> | | | |
| Total Amount | <u>9,594.01</u> | <u>9,594.01</u> | | <u>9,594.01</u> | |
| Maximum Limit-Cost Plus | 1,082,391.49 | 1,097,787.58 | 1,163,705.00 | 1,097,787.58 | 1,082,391.49 |

Example 3

Audit Report No. 160999

D. Summary Statements

Results of Audit

COSTS PER AUDIT

| DESCRIPTION | BILLED AMOUNT | AUDITED AMOUNT | MAXIMUM LIMIT | AUDITED BILLABLE AMOUNT | AMOUNT PAID |
|--|------------------|-------------------|------------------|----------------------------|----------------|
| <u>Sub-Consultant - 4</u> | | | | | |
| Direct Labor | 15,461.00 | 15,461.00 E | | | |
| Direct Expenses | <u>1,000.00</u> | <u>1,000.00</u> | | | |
| Total Amount | <u>16,461.00</u> | 16,461.00 | 16,461.00 | 16,461.00 | 16,461.00 |
| <u>Supplemental Agreement-Sub-Consultant-4</u> | | | | | |
| Lump Sum | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 |
| Amount Payable | \$ 1,099,852.49 | \$ 1,115,248.58 | \$ 1,181,166.00 | \$ 1,115,248.58 | 1,099,852.49 |
| Less Amount Paid | | | | (1,099,852.49) | |
| Balance Due to Prime Consultant | | | | <u>\$ 15,396.09 F</u> | |

NOTES

- A. The difference between the billed overhead amount and the audited amount is due to adjustment from the billed rates of 157.51%, 154.14%, 160.40%, and 159.07% to the audited rates of 154.41% for 2011, 160.40% for 2012, 159.07% for 2013, 157.57% for 2014.
- B. The difference between the billed overhead amount and the audited amount is due to adjustment from the billed rates of 137.11% and 146.89% to the audited rates of 146.89% for 2011, 143.80% for 2012, and 147.29% for 2013.
- C. The difference between the billed overhead amount and the audited amount is due to adjustment from the billed rate of 165.00% to the audited rate of 190.56% for 2011.
- D. Overhead was accepted as billed at 151.88% for 2011. There is no audited rate for 2011 and the billed rates does not exceed the most current rate on file.
- E. Billable rate verified to contract rate.
- F. Includes retainage.

Questions



Louisiana D.O.T.D. Audit & Quality Control Section 31

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