

► For Audits of Architectural and Engineering (A/E) Consulting Firms



2024 Edition

# UNIFORM AUDIT & ACCOUNTING GUIDE

**AASHTO**

American Association of State Highway and Transportation Officials

# Preface

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## ABOUT THIS GUIDE

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This *Uniform Audit and Accounting Guide* was developed by the American Association of State Highway and Transportation Officials (AASHTO) Committee on Internal and External Audit with assistance from the American Association of State Highway and Transportation Officials (AASHTO), the Federal Highway Administration (FHWA), and the American Council of Engineering Companies (ACEC). The AASHTO Committee on Internal and External Audit is comprised of the senior audit representative from each state’s transportation or highway department. This Guide was developed over several years and initially was approved by AASHTO at the organization’s 2001 annual meeting.

During 2007, the members of the then Audit Subcommittee approved the establishment of a Task Force to update the guide. The work of the Task Force resulted in a major update of the guide in 2010 (the 2010 Edition), which was further refined and updated in 2012 (the 2012 Edition). These revisions were necessary to ensure that the guide was consistent with current auditing standards and procedures, accounting principles, and Federal regulations. The 2010 and 2012 revisions also addressed questions and concerns expressed by various parties, including the FHWA, state DOT audit agencies, Architectural and Engineering design firms (hereinafter referred to as “A/E firms” or “engineering consultants”), and public accounting firms. These questions and concerns arose through current practice and, in part, through the findings and recommendations from an audit performed by the U.S. Department of Transportation’s Office of Inspector General (OIG).<sup>1</sup>

This 2024 Edition of the guide incorporates several updates, refinements, and clarifications necessary to reflect changes in the statutory and regulatory framework applicable to A/E contracts that have occurred since the publication of the 2016 Edition. This 2024 guide should be used as a tool by state DOT auditors, A/E firms, and public accounting firms that perform audits of A/E firms. The techniques presented herein primarily focus on examination, auditing, and reporting procedures to be applied to costs that are incurred by A/E firms for engineering and design-related services performed on various Federal, state, and local transportation projects.

The techniques discussed in this Guide were designed to be applied to audits performed in connection with engineering consultants’ *Statements of Direct Labor, Fringe Benefits, and General Overhead* (hereinafter referred to as “indirect cost rate schedules”), as well as the related accounting systems, job-costing systems, and labor-charging systems that serve as the basis for the indirect cost rate schedules. However, this Guide is not intended to be a comprehensive auditing procedure manual, but is instead a guide to assist users in understanding terminology, policies, procedures and audit techniques, and sources for applicable Federal Regulations. This Guide provides only general guidance and is not meant to, and cannot, supersede either the Federal Acquisition Regulation (FAR) or any related laws or regulations.<sup>2</sup>

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<sup>1</sup> See “Oversight of Design and Engineering Firms’ Indirect Costs Claimed on Federal-Aid Grants” (Report Number: ZA-2009-033), issued February 5, 2009.

<sup>2</sup> Use of this Guide is not required by Federal law or regulation. As recommended by the FHWA, most state DOTs have adopted risk assessment procedures to help determine engineering consultants’ compliance with FAR Part 31 and related laws and regulations. Consistency with this Guide may be a key factor in assessing risk, and departures from the procedures recommended herein, lacking adequate justification, may lead to additional scrutiny by a reviewing state DOT. Accordingly, engineering consultants are strongly encouraged to adopt the uniform reporting procedures illustrated herein, including, but not limited to, labor charging practices, cost accumulation and reporting processes, and the format and content of indirect cost schedules (including the recommended standard disclosures). Engineering consultants should contact their respective cognizant state DOTs for further details and clarifications regarding risk assessment and application of this Guide.

Users should be aware that the FAR Cost Principles change frequently; accordingly, please review the applicable FAR version in conjunction with this Guide. Likewise, illustrations and sample reports either included or referenced herein were derived from various sources and information current at the time the guide was published. Due to periodic changes in Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), and Government Auditing Standards (GAGAS or the Yellow Book), users should refer to any applicable, more current guidance/standards and modify the audit procedures and sample reports accordingly to comply with all applicable standards.

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