

Internal Review Consultant Risk Assessment to Determine Audit Type

Note: the below process will be documented on each firm that receives a tentative selection letter from Engineering Services for architectural or engineering related projects or for a selection made by an LPA (Local Public Agency) on all projects where the original cost exceeds \$50,000.

Architectural or engineering related projects shall be defined in accordance with United States Code (USC), Title 40, Chapter II, Selection of Architects and Engineers, Section 1102(2) (Brooks Act), which states:

- (A) professional services of an architectural or engineering nature, as defined by state law, if applicable, that are required to be performed or approved by a person licensed, registered, or certified to provide the services described in this paragraph;
- (B) professional services of an architectural or engineering nature performed by contract that are associated with research, planning, development, design, construction, alteration, or repair of real property; and
- (C) other professional services of an architectural or engineering nature, or incidental services, which members of the architectural and engineering professions (and individuals in their employ) may logically or justifiably perform, including studies, investigations, surveying and mapping, tests, evaluations, consultations, comprehensive planning, program management, conceptual designs, plans and specifications, value engineering, construction phase services, soils engineering, drawing reviews, preparation of operating and maintenance manuals, and other related services.

If the project is considered non-architectural or engineering, then Engineering Services and the LPA can negotiate rates without Internal Review conducting an audit.

If the project is A/E and is greater than or equal to \$250,000 a CPA overhead audit is **required**. If consultant has not been told to obtain a CPA audit from a previous IR audit, IR will conduct the first overhead audit.

1. If the firm has a CPA overhead audit then Internal Review will complete the AASHTO Audit Guide CPA Work Paper Review Program and issue a report accordingly. Or a cognizant audit issued by another State DOT will also be accepted.
2. If Internal Review conducts the overhead audit Internal Review will complete the Overhead Audit Program per the AASHTO Audit Guide and issue a report accordingly.

If the A/E project is between \$50,000 and \$249,999 a risk assessment will be conducted using the following criteria:

- ✓ Firm's revenues
- ✓ Number of employees
- ✓ Stable staffing/turnover/new employees
- ✓ Does firm have an adequate accounting system?
- ✓ Prior audit type in last two years
- ✓ Prior contract type in last two years (firm's experience)
- ✓ Current proposed contract amount
- ✓ Is a CPA overhead audit available?
- ✓ Does the firm require a cognizant audit for use in another state?

From this risk assessment Internal Review will determine which of the following audits needs to be conducted:

1. Billing Rate Analysis: Internal Review will obtain copies of the firm's certified payroll and complete an analysis to determine if their proposed overhead rate is reasonable. A memo will be issued to the consultant and Engineering Services/Grant Administrator with the results of our analysis.
2. Cognizant Audit (from another state): Internal Review will obtain a copy of the ICQ, cognizant letter and overhead rate. Internal Review will issue a memo to the consultant and Engineering Services/Grant Administrator accepting the cognizant rate.
3. CPA Overhead Audit: Based on the risk assessment conducted above, Internal Review will determine if a CPA Work Paper Review Program will be conducted or if the rate will be accepted without an in-depth review. Internal Review will issue reports and memos to the consultant and Engineering Services/Grant Administrator accordingly.
4. Overhead Audit (conducted by IR): Based on the risk assessment conducted above, Internal Review will either conduct an overhead audit per the AASHTO Audit Guide or accept the rate without an in-depth review. Internal Review will issue reports and memos to the consultant and Engineering Services/Grant Administrator accordingly.

Note: Internal Review is not required to conduct audits of subconsultants, however if subconsultant has an audited Overhead Schedule, it is expected that subconsultant will use that rate on WYDOT funded projects. The above thresholds do not have an effect on whether the rate should be used or not.