



The newly released revision to the Accounting and Audit Guide for Transportation Consultants issued by the American Association of State Highway and Transportation Officials (AASHTO) Audit Sub-committee contains some significant matters requiring the immediate attention of architect and engineering firm owners, finance officers and accountants and their independent CPAs.

The BST Contract Audit and Consulting Group can assist you in gaining a timely understanding of the changes and gearing up your accounting systems and control procedures for implementation.

The Guide affects engineering firms working on projects funded through Federal and state highway programs. Federal Cost Principles (FAR) are pervasive in the negotiation, payment and audit of cost based contracts for services. The changes can affect compensation of architect and engineering firms, be they prime consultants or sub-consultants, or for contracts that include various types of payment provisions including Cost Plus Fixed Fee, Specified Hourly Rate, Time and Materials or Lump Sum. Some of the key changes affect:

- A/E firm responsibility for compliance with Federal Cost Principles (FAR) and contract provisions;
- A/E firm evaluation of the reasonableness of overhead costs;
- A/E firm procedures for evaluating the reasonableness of compensation;
- Re-categorization of certain previously allowable costs as unallowable;
- Treatment of "associated costs" per the FAR;
- Determination of the cost allocation base per the FAR;

- Criteria for evaluating CPA auditor qualifications and the use of FAR specialists;
- Procedures for state review of CPA firm audit documentation;
- Content of CPA/AE engagement letters;
- Auditor testing and sampling procedures, etc.

We offer customized service to architect and engineering firms and their CPAs ranging from consultation with you on your overhead cost accounting to FAR overhead rate audits to assisting with negotiations. To minimize costs for smaller firms we are generally able to complete basic consultations without a site visit using telephone and e-mail to communicate and transmit our proprietary surveys, questionnaires and key documents. We are also equipped with modern video conferencing facilities. Upon conclusion of our consultation we gear our recommendations to help your business considering objectives such as ways to maximize revenue from your government contracts and minimize the costs of compliance including the cost of potential audit findings and resolution while staying in compliance with the regulations and requirements.

Additional information about the BST Contract Audit and Consulting Group is available at www.bstco.com/content/services/government.

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