

ALASKA DOT&PF INTERNAL REVIEW

INTERNAL CONTROL AND ACCOUNTING POLICY/PROCEDURE QUESTIONNAIRE

If you have completed this form within the last three years, and have **no** changes since last year. Please fill out the contact information below, mark the “**No Change**” box, and complete the Management Representation Section on the last page (page 7). Otherwise, this form must be completed and provided to the auditor.

Consultant Name: _____

Address: _____

Calendar/Fiscal Year Being Reviewed: _____ Date: _____

Respondent: _____ Job Title: _____

E-mail Address: _____ Phone: _____

The Code of Federal Regulations (CFR), Title 23, Chapter 1 (Federal Highway Administration), Part 172.7 (a), requires state agencies to assure that firms providing engineering and design services have acceptable accounting systems and adequate and proper justification for the rates charged in providing these services. Documentation of Internal Controls is also required by Government Auditing Standards (Yellow Book). Your answers to this questionnaire will help us comply with this requirement.

NO CHANGE ☐

A. BACKGROUND INFORMATION:

1. Principal owners and/or stockholders of the Company and their percentage of ownership?

<u>Owner's/Stockholder's Name</u>	<u>Percentage Ownership</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. What form of business entity is the Company?

_____ Sole Proprietorship	_____ Corporation
_____ Partnership	_____ Other (explain)
_____ Sub-Chapter S	

3. What types of services are provided by the Company? _____

4. Does the business entity own any other business entities or is it a subsidiary of another entity? **Y or N**
 If yes, who are they? _____

5. How many branch offices does this Company have and where are they located? _____

6. If your Company has more than one office, is the overhead based on an office overhead or the firm as a whole? _____

7. Does your company have field offices? (See AASHTO Guide Section 5.6) **Y or N**
 If "yes," are separate indirect cost rates used for the home office or field office? **Y or N**
 Please explain: _____

8. Does your company have more than one division/cost center? **Y or N**
 If "yes," are separate ledgers maintained for each? **Y or N**
 How are costs segregated/allocated between cost centers? _____

9. Does the Company have written policies concerning employees? **Y or N**
10. Does the Company have written policies concerning accounting procedures? **Y or N**
 If yes, are copies available for auditor's review? **Y or N**
11. What type of pension or profit sharing plan is maintained by the Company, if any? _____

12. Document who performs the following duties:
- Opens mail: _____
 Prepares bank deposits: _____
 Records cash receipts: _____
 Records accounts payable: _____
 Prepares cash disbursements (checks): _____
 Mails payments on accounts payable: _____

Prepares bank reconciliations: _____
Prepares billings: _____
Prepares financial statements for board and other use: _____
Explain other major duties not covered above: _____

13. Has your Company taken part in any recent mergers, acquisitions/sales, new offices, or organizational changes or anticipate any such changes? **Y or N**
If yes, please explain: _____

14. Is your Company currently involved in litigation? If yes, are litigation costs for representation or counsel, either for or against your Company, or settlement costs, **Y or N**
included in the indirect expense accounts for the year audited? **Y or N**
If yes, please explain: _____

15. Does your Company have an organizational chart? **Y or N**
If yes, please provide a current copy.

B. GENERAL ACCOUNTING:

1. Was CFR, Title 48, Part 31 followed in developing your Indirect Cost Rate (IDCR)? **Y or N**

2. Are appropriate personnel within the company familiar with FAR Part 31? **Y or N**
If "no," please explain: _____

3. Does your company have a system in place to identify and remove from the indirect cost pools all unallowable costs, in accordance with FAR Part 31 and applicable Cost Accounting Standards? **Y or N**

If no, please explain how your Company accounts for unallowable costs.

If "yes," when does the primary review for allowability occur – at the time the transaction is recorded, or later? _____

4. Is there an independent CPA or Accountant employed by the Company? **Y or N**
If yes, please provide name, address and copies of reports: _____

5. What basis of accounting is the Company using? Is it the same for tax reporting purposes?
_____ Cash _____ Accrual _____ Modified Accrual **Y or N**

6. Does the Company maintain a job-order cost accounting system to segregate costs by project, and that separates direct costs from indirect overhead costs? **Y or N**

If yes, explain the system or provide documentation: _____

7. Is the accounting system computerized? **Y or N**

If yes, what software is used? _____

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

9. What frequency do you reconcile the Trial Balance, General Ledger, Project Cost System, and Direct/ Indirect Labor and Payroll Reports? Monthly Yearly

10. Are journal entries approved by a person other than the one preparing the entries? **Y or N**

11. Are contract overruns charged directly to projects, thus not included in the overhead costs? **Y or N**

12. Are personal transactions of owners/management completely segregated from the business? **Y or N**

13. Does the Company carry life or disability insurance policies on key personnel? **Y or N**
Please explain or provide copy of policy: _____

14. Are there any Company owned facilities rented or sublet? If yes, provide a copy of the lease. **Y or N**

Also, if rented from an entity with related party ownership interests (Common Control), please provide names of the related parties, how related, and their ownership interests. Also include their current and prior relationships with the firm. If under common control , please provide a schedule of costs of ownership of the Real Estate Partnership (or other entity) and related supporting detail (copy of Real Estate Partnership Tax Return, etc.).

15. Is there personal usage of Company vehicles? **Y** or **N**

If yes, describe how the overhead pool of expenses is adjusted. _____

16. How are gains and losses on disposition of depreciable assets handled?

17. Do you require mandatory vacations for key accounting personnel? **Y** or **N**

C. CASH RECEIPTS CONTROLS:

1. Refunds, reimbursements, allowances, or other credits are recorded as _____ income or _____ reduction to associated expense account?

D. CASH DISBURSEMENT CONTROLS:

1. Do supporting documents accompany checks submitted for signature? **Y** or **N**

2. Do supporting documents include evidence of receipt and approval? **Y** or **N**

3. Are supporting documents effectively canceled or stamped "PAID" to prevent subsequent misuse? **Y** or **N**

4. Are bank statement reconciliations prepared by someone other than the bookkeeper? If yes, who? _____ **Y** or **N**

E. OTHER DIRECT COSTS (ODC):

1. Are ODC's recorded to all projects whether billable or not? **Y** or **N**

2. Do you bill internally (in-house) generated costs to clients as ODC's? **Y** or **N**

If yes, please answer the following questions:

a. Are the components of such costs segregated from the overhead pool? **Y** or **N**

b. Are the components of such costs in separate cost pools? **Y** or **N**

c. Please describe the accounting treatment of receipts arising from ODC billings for internally generated costs. _____

Please provide a list of costs, or in-house rates, normally billed to clients as an ODC to the auditor.

F. PAYROLL ACCOUNTING:

1. Are time sheets prepared by ALL Company personnel (including owners)? **Y** or **N**

Are they _____ manually or _____ electronically prepared?

2. Do principals and administrative staff charge time directly to projects? **Y** **or N**
3. Are time sheets signed by the employee and hours approved by a supervisor? **Y** **or N**
4. Are ALL hours worked recorded (including principals)? Is time charged directly to all projects regardless of type or status of a contract? **Y** **or N**
If No, please explain: _____

5. Does the time sheet clearly break out productive versus nonproductive time? (i.e. idle time, vacation, and sick leave) **Y** **or N**
6. Payroll frequency? 12 _____ 24 _____ 26 _____ Other _____
7. Are all salaries and wages paid by check or electronic deposit? **Y** **or N**
If No, please explain: _____

8. Does the Company pay any compensation through draws? **Y** **or N**
9. Are written approvals for new employees and changes in salary or wage rates on file? **Y** **or N**
10. Are payroll checks signed by someone who does not participate in payroll preparation, handling of cash funds, or maintenance of accounting records? **Y** **or N**
11. Does the Company have a written bonus policy? **Y** **or N**
12. What is the Company's policy regarding pay for overtime hours worked, for salaried individuals? _____

13. Is the premium portion of overtime charged to _____ jobs, or is it included in _____ overhead?

G. PROPERTY, PLANT, AND EQUIPMENT:

1. Are detailed subsidiary records of property, plant, equipment and accumulated depreciation maintained? **Y** **or N**
(_____ In-house or with _____ external accountant?)
2. Are the detailed records kept in balance with the control accounts? **Y** **or N**
3. Is there a written policy for distinguishing between capital expenditures

and expensed items? **Y or N**
If yes, what is the policy?

4. Is a physical count taken of depreciation schedule items each year and reconciled to the depreciation schedule? **Y or N**

H. ESTIMATING PROCEDURES:

1. What is the typical contracting method for your Company?

☐ Cost not to exceed
☐ Lump sum
☐ Cost plus fixed fee
☐ Cost per unit of work or specific rates

2. Who prepares the Company's proposals? _____

3. What is the source of data for estimates and the procedures for ensuring that the data is accurate, complete, and current?

4. Is the estimate consistent regardless of the contract type?

5. Is documentation developed and maintained in support of the estimate? **Y or N**

6. What is the assignment of responsibility to originate, review and approve estimates? _____

7. What are the procedures followed for developing estimates for direct labor and non-labor cost elements? _____

8. On what basis is labor estimated? _____

Management Representation Section

We confirm, to the best of our knowledge and believe the following representations made to you during your audit;

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all financial records and related data.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. We have no knowledge of any fraud or suspected fraud affecting the Company.

Company Name

Name & Title

Signature (Chief Operating Officer or Principal)

Date