



PAT McCRORY  
Governor

NICHOLAS J. TENNYSON  
Secretary

January 1, 2015

### **NCDOT Audit Requirements**

The North Carolina Department of Transportation has revised its procedures. These procedures will take effect immediately so please make note of them.

The following audit information will be required:

1. Architect and Engineering (A/E) firms with total applicable contract fees of \$500,000 or greater for the previous calendar year shall submit an audit or examination level attestation of Direct Labor, Fringe Benefits, and Indirect Costs (overhead) prepared by an independent Certified Public Accountant or governmental agency. The audit report must be received by the Department within six months from the end of the firm's fiscal year. Applicable contract fees include payments made by NCDOT or North Carolina Municipalities using Federal-aid Highway Program (FAHP) funding.

The report should include the following:

- a. A statement that the audit was performed in accordance with the *Government Auditing Standards*, promulgated by the U.S. Government Accountability Office.
- b. A Facilities Capital Cost of Money (FCCM), if applicable, for the most recently completed fiscal year.
- c. A statement that the consultant's method of estimating costs for proposals is consistent with the accounting system.
- d. A statement indicating the existence of an adequate accounting system that meets the Department's audit requirement, as evidenced by certification by an independent Certified Public Accountant or governmental agency. The system must be adequate to support billings made to the Department and other clients.
- e. The auditor and A/E firm should follow the guidance provided in the AASHTO Uniform Audit and Accounting Guide.



2. A/E firms with anticipated total contract fees under \$500,000 for the upcoming calendar year may not be required to submit an indirect cost rate audit. They may submit a self- certified FAR compliant overhead report and statement describing their accounting system, certified by a principal with ample knowledge of the system, in lieu of an audit report and accounting system certification prepared by an independent Certified Public Accountant or governmental agency; however, the Department reserves the right to require an audit by an independent CPA or governmental agency for these firms if deemed necessary by risk assessment.
3. NCDOT is part of a pilot program with the FHWA where firms may be allowed a “safe harbor” overhead rate if the firm is unable to calculate or produce an acceptable computation. This safe harbor rate is low compared to industry average, currently 110%, thus encouraging firms to maintain their records such as to be able to prepare an acceptable computation.
4. The *Internal Control Questionnaire* (ICQ) and the *Certification of Final Indirect Costs* (CCL), forms must be completed each fiscal year and submitted with overhead computation (available on the NCDOT Private Engineering Firm Resources website:)  
<https://connect.ncdot.gov/business/consultants/Pages/Guidelines-Forms.aspx>

The contracting firm will be responsible for ensuring all audit requirements are met for their sub-consultants.

NCDOT will issue a letter of acceptance of the submitted indirect cost rate(s) once they are approved.



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