



STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION

ROY COOPER  
GOVERNOR

J. ERIC BOYETTE  
SECRETARY

March 30, 2020

**NCDOT Audit Requirements**

The following audit information is 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. Contracts for engineering and design related services which utilize Federal-aid Highway Program funds and are directly related to an ultimate construction project must comply with the requirements established in 23 CFR 172.

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. This is also referred to as Cost of Capital (COC).
- 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 most current AASHTO Uniform Audit and Accounting Guide.

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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 may allow 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 to be able to prepare an acceptable computation.
4. Firms doing business with NCDOT and having *embedded employees* within NCDOT offices must use an approved/audited field rate or an approved project-specific overhead rate for these employees. If an approved rate has not been established, then a negotiated rate will be determined; currently **90.00%**. NCDOT will review all proposed overhead rates for embedded employees on a case by case basis.
5. The *Internal Control Questionnaire (ICQ)* and *Certification of Final Indirect Costs (CCL)*, forms must be completed each fiscal year and submitted with the overhead computation (available on the NCDOT Private Engineering Firm Resources website:).  
<https://connect.ncdot.gov/business/consultants/Pages/Guidelines-Forms.aspx>
6. NCDOT has developed the Consultant Rate Schedule (CRS). Consultants are to enter employee payrates and overhead rates into this system along with proper documentation. Proper documentation for payrates would be a check stub or printout from the payroll accounting system. All documentation must show the employee name, personnel number and hourly rate of pay. Overhead documentation consists of the following: *overhead schedule* or *CPA audit report* if audited by a CPA firm, *Cost Certification Form*, *NCDOT Acceptance Letter* and *Internal Control Questionnaire*. If a Cognizant audit, the following are required: *CPA audit report*, *Cost Certification Form*, *Internal Control Questionnaire* and letter from the state that conducted the cognizant review showing the approved audited overhead rates.

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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