



AMERICAN COUNCIL OF ENGINEERING COMPANIES



Design Professionals Coalition
Founded in 1983



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August 2, 2007

Mr. Calvin L. Scovel III
Inspector General
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Mr. Scovel:

On behalf of the American Council of Engineering Companies (ACEC), the Design Professionals Coalition (DPC), and the American Road and Transportation Builders Association (ARTBA) we are writing to respectfully express our concerns regarding the audit being performed by the Office of the Inspector General (OIG) on engineering industry overheads and executive compensation.

The attached letter of February 23, 2007 from our respective organizations details very specific and long-standing concerns and problems related to the audit, including faulty interpretation of firm data and inconsistent and, at times, incorrect application of DCAA audit guidelines. Unfortunately, the reply from Deputy Assistant Inspector General Rebecca Leng does not respond to these fundamental concerns, representing instead a hardened position. We would have appreciated a thoughtful review in light of the information we provided in good faith.

It is our view that a proper audit could be a valuable tool in addressing issues that both the industry and our DOT partners have identified with respect to the procurement rules governing federal transportation programs. However, the manner in which the current audit has been carried out to date will result in a flawed picture of the issues, a disservice both to the nation's engineering firms, our DOT clients, Congress and the public.

We reiterate our previous requests that individual firms audited by the OIG receive the benefit of a customary "exit conference" with your staff and any other auditors involved. An exit conference would enable the audited firm to review and understand the OIG's interpretation of the data, and give the firm the opportunity to respond. We believe that basic fairness, as well as ensuring that the final audit report presents an accurate picture of the issues, makes this necessary.

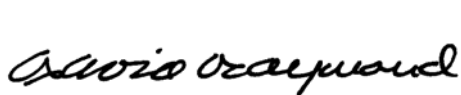
It is our understanding that - of the approximately fifty firms that were audited -- only one has received the benefit of such an exit conference. The results of this meeting apparently confirmed that the OIG staff who initiated this audit based their analysis on faulty assumptions, data and methodologies. Such results reinforce the pressing need to revisit the OIG's findings with all of the affected firms.

In the case of this one firm, for example, the audit staff responsible for the exit conference acknowledged that the OIG had mislabeled and misinterpreted firm data, which had the effect of erroneously creating the false impression of a significant level of "excessive" executive compensation. In addition, the exit interview showed that the OIG had misidentified as "unallowable" a non-compensation expense in the firm's overhead that was later deemed to be both appropriate and allowable.

We ask for these exit conferences in a sincere effort to work as closely as possible with the OIG to identify and strengthen any weaknesses that may exist in the contracting process in a fair and cooperative manner. Given the complexity of the issues involved, it is reasonable to assume that factual mistakes by the auditors may at times be made. In fact, it is our understanding that exit conferences are required for most audits performed by the Defense Contracting Audit Agency (DCAA), for the very reasons we have cited above – to identify and correct common misinterpretations and mistakes and to ensure that the auditor has the correct facts (DCAM 4-300).

We continue to work closely with our state and federal DOT partners to protect the integrity of the nation's transportation program, and to ensure that the rules governing the expenditure of public funds are closely followed. We continue to hope that the audit in question can be a useful tool in this effort and request an opportunity to work with you to accomplish this. Thank you for your consideration in this important matter.

Respectfully,



David A. Raymond
President
American Council
of Engineering
Companies



Richard L. Corrigan
Vice Chairman
Design Professionals Coalition



T. Peter Ruane
President & CEO
American Road &
Transportation Builders
Association

cc: Ms. Rebecca Leng, Deputy Assistant Inspector General
Attachments: Letters of January 23, 2007 and June 22, 2007