



## UNIFORM AUDIT AND ACCOUNTING RULES FOR DOTs

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### Issue:

ACEC has worked closely with Congress and the U.S. Department of Transportation for many years to adopt uniform procurement rules for State departments of transportation (DOTs). By operating under a common set of regulations and shared practices, engineering firms can be assured of consistency when working in multiple states, which lowers costs and promotes more business opportunities. Similarly, state agencies and federal regulators can be more assured of compliance with federal rules and are able to conduct more efficient and effective oversight.

Under Section 307 of the National Highway System Designation Act of 1995, broadened and reaffirmed by Section 174 of the 2006 Transportation Appropriations bill, State DOTs are required to follow the Federal Acquisition Regulations (FAR) when procuring engineering services for federally funded transportation projects. Section 112(b)(2) of Title 23 of the U.S. Code requires that contracts funded in whole or in part with federal-aid highway funds shall be performed and audited in compliance with the FAR cost principles. It prohibits states from imposing arbitrary caps on overhead rates, and it allows for a single cognizant audit to suffice for all states.

The Federal Highway Administration has clarified that once indirect cost rates established in accordance with the FAR are accepted, they must be used in contract estimating, negotiations, administration, reporting and contract payments for the one-year applicable period and cannot be limited by administrative or de facto ceilings of any kind.

One of the primary tools for promoting compliance with the FAR and other applicable laws and regulations is the AASHTO Uniform Audit & Accounting Guide. ACEC has coordinated closely with AASHTO to update the Audit Guide in order to help improve audit consistency and quality, promote the recognition of a single cognizant audit and improve government oversight and overall guidance. The Audit Guide is designed to be used as a tool by State DOT auditors, A/E firms, and public accounting firms that perform audits and attestations of A/E firms.

ACEC and AASHTO continue to collaborate with FHWA on education, training and outreach efforts to promote the acceptance and use of FAR-based procedures outlined in the Audit Guide. Despite these initiatives, several states retain policies and procedures that are inconsistent with federal standards. This failure of compliance negatively impacts A/E firms practicing in those states by restricting their ability to fairly recover the costs of doing business. It also diminishes the economic competitiveness of those states, and interferes with effective federal oversight of project contracts and costs.

### Key Priorities:

- ACEC will continue to promote compliance with FAR-based audit and procurement rules across all states through education, training and outreach efforts. In particular, ACEC seeks broader performance and acceptance of cognizant audits, and the elimination of arbitrary overhead caps.