

Consultant Advisory

2019-6

May 28, 2019

CPA Working Paper Review Process and Determination Letters

This advisory serves as information for consulting firms regarding MDOT's review of their annual financial prequalification, the correspondence the consulting firms should expect to receive from MDOT, and what this correspondence means.

As part of MDOT's Federal Highway Administration (FHWA) approved statewide risk assessment process, the Office of Commission Audits (OCA) reviews all consultant financial prequalification submittals annually. Upon completion of this review, a Determination Letter is issued to the Consultant, notifying them of the results of OCA's review. Acceptance of an Overhead Rate (OH) enables the consulting firm to utilize their accepted OH rate in all invoices and priced proposals submitted to MDOT from the date of the letter until the financial prequalification expires the following year.

OCA also performs a more thorough review of the OH of selected consultants. For consultants with audited OH schedules, OCA's scope generally includes a review of the CPA firm's audit working papers supporting the OH schedule. OCA's review of the working papers follows the guidelines included in Chapter 12 of the 2016 AASHTO Uniform Audit and Accounting Guide for Audits of Architecture and Engineering (A/E) Consulting Firms, which by reference include AICPA standards.

If OCA identifies risks or deficiencies related to an accepted audit, OCA may perform additional follow-up work. The follow-up work will often involve a review of the consultant's accounting records and/or an on-site visit.

Upon completion of its review, OCA will issue a letter to the consulting firm and/or the CPA firm (see following descriptions for when letters are sent to CPA firms). Depending on the results of the review, OCA will issue one of three types of letters:

1. Concurrence with the audit report: this letter will be addressed to the CPA (consultant will receive a copy)

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Contracts Section
P.O. Box 30050
Lansing, MI 4890
Fax/517-355-7446
www.michigan.gov/mdot

Questions regarding this
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should be directed to:

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This letter may serve as the basis for MDOT's cognizant concurrence with the OH rates presented in the audit report. In the audit concurrence letter, OCA will conclude the following:

As a result of our review, nothing came to our attention that caused us to conclude that the audit report and supporting working papers reviewed did not conform to your firm's representations.

2. Conclude only on the OH rate: this letter will be addressed to the consultant (OCA may send separate communications to the CPA)
 - a. Receipt of this means that OCA has identified deficiencies with the CPA and/or the audit work. In the case where OCA concludes only on the OH rate, it has performed additional work and has determined that pursuing changes in the audit report or the OH rate is not justified by risk at the time of OCA's letter. This letter does not serve as the basis for a cognizant concurrence with the rate and does not indicate that the rate cannot be subject to further review. Language included in this type of letter is generally as follows:

...nothing came to our attention that caused us to conclude that your firm's rates did not conform to Title 48, Part 31 of the Code of Federal Regulations.

3. Non-concurrence with the audit report and OH rate: this letter will be addressed to the CPA (consultant will receive a copy)

If OCA identifies significant deficiencies within the audit or material errors within the OH rate determination, OCA will not concur with the audit report. Specifically, OCA will conclude the following:

As a consequence, we do not concur with the report.

If a consultant receives a letter from OCA expressing non-concurrence with an audit report, MDOT will contact the consultant regarding further action.