

A PROSECUTOR'S PERSPECTIVE ON THE ROLE OF TRANSPORTATION AUDITORS:

ASKING QUESTIONS AND GETTING ANSWERS



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**THE DCAA'S INTERNAL CONTROL
QUESTIONNAIRE (ICQ) FOR
NON-MAJORS**

**AASHTO'S UNIFORM AUDIT AND
ACCOUNTING GUIDE FOR
TRANSPORTATION CONSULTANTS**

**WHAT'S WRONG WITH
DCAA'S ICQ:**

**THERE IS NO REQUIREMENT
FORCING THE CONTRACTOR TO
IDENTIFY THE CONTRACTOR'S
AFFILIATED PARTIES.....**

**AND, WITH ONE EXCEPTION, NO
REQUIREMENT IN DCAA'S ICQ
FOR THE AUDITOR TO
DETERMINE RELATED PARTY
TRANSACTIONS**

THE ONE EXCEPTION IN THE ICQ IS

- IN PART A:

PLANT AND FACILITIES

___ OWNED ___ LEASED

___ OTHER

- IF LEASED, IS THERE A RELATIONSHIP BETWEEN THE LESSEE AND LEASOR?

- IF YES, EXPLAIN THE RELATIONSHIP

AASHTO'S AUDIT GUIDE AND THE ISSUE OF RELATED PARTY TRANSACTIONS

TASKS ASSIGNED TO THE AUDITOR

CHAPTER 7: AUDIT CONSIDERATIONS

■ INTERNAL CONTROLS:

THE FOLLOWING IMPORTANT ELEMENTS
MUST
BE CONSIDERED....

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COST ASPECTS OF RELATED PARTY
TRANSACTIONS.

CHAPTER 9: AUDIT REPORTS

MINIMUM REPORTING DISCLOSURES

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7. RELATED PARTIES:

IDENTIFY ANY RELATED PARTIES,
WHO ARE CONSIDERED TO HAVE
COMMON CONTROL, TO THE EXTENT
AUDIT ADJUSTMENTS ARE REQUIRED,
AND THE AMOUNT OF REQUIRED
FARS ADJUSTMENTS

WHAT'S WRONG WITH AASHTO'S AUDIT GUIDE:

THERE IS NO REQUIREMENT
FORCING THE CONSULTANT TO
IDENTIFY THE CONSULTANT'S
AFFILIATED PARTIES.....

OBSERVATIONS ABOUT DCAA'S ICQ AND AASHTO'S AUDIT GUIDE:

- THERE IS NO DOCUMENTED RESPONSE BY MANAGEMENT TO SPECIFIC QUESTIONS RAISED, ONLY GENERAL MANAGEMENT REPRESENTATIONS REGARDING FINANCIAL STATEMENTS OR SCHEDULE OF INDIRECT COSTS

AASHTO'S AUDIT GUIDE:

CHAPTER 6

- SCHEDULE OF INDIRECT COST MANAGEMENT REPRESENTATIONS FOR INDIRECT COST OVERHEAD...
- REPRESENTATIONS THAT INFORMATION IS
 - ACCURATE
 - COMPLETE
 - IN COMPLIANCE WITH REGS
 - ...SOUND DATA AND CONSISTENT
 - ALL INDIRECT RATES TO ANY GOVERNMENT BODY HAVE BEEN DISCLOSED

- A RECOMMENDED QUESTIONNAIRE FOR TRANSPORTATION AUDITS
- TO BE ANSWERED ON THE EVE OF AUDITS
- LESSONS LEARNED FROM BANK EXAMINERS

QUESTION #1: (RELATED PARTIES)

- IDENTIFY ALL
 - a) AFFILIATED FIRMS and
 - b) IMMEDIATE FAMILY MEMBERS OF SENIOR MANAGEMENT OR A PRINCIPAL SHAREHOLDER WITH WHOM THE CONSULTANT IN THE PAST 12 MONTHS HAS ENTERED INTO CONTRACTS OR HAS DONE AT LEAST \$10,000 IN BUSINESS.

QUESTION #2: (RELATED PARTIES)

- LIST ALL PARTIES DOING BUSINESS WITH THE CONSULTANT WHO ARE OR HAVE BEEN RECIPIENTS OF LOANS EXTENDED BY ANY OF THE CONSULTANT'S PRINCIPAL SHAREHOLDERS OR SENIOR MANAGEMENT.

QUESTION #3: (RECIPROCAL TRANSACTIONS)

- IDENTIFY ANY EXPENSE OF THE CONSULTANT WHICH WAS INCURRED IN WHOLE OR IN PART AS AN ACCOMMODATION TO ANY PARTY IN RETURN FOR, OR AS AN INDUCEMENT FOR, ANY OTHER BUSINESS WITH THE CONSULTANT OR WITH ANY OF THE CONSULTANT'S AFFILIATES.

**QUESTION #4:
(Irregular Transactions)**

- **LIST ANY INCOME OR EXPENSE ACCOUNT ITEM OF THE CONSULTANT CARRIED ELSEWHERE THAN ON THE GENERAL LEDGER INCOME OR EXPENSE RECORDS.**

QUESTION #5:

(The Employee Who Is Never Absent)

- LIST THE NAMES OF ANY OFFICERS AND EMPLOYEES, WORKING ON A DAY TO DAY BASIS IN THE AREA OF ACCOUNTING WHO, DURING THE LAST 24 MONTHS, DID NOT REMAIN ABSENT FROM THEIR DUTIES FOR A MINIMUM OF 10 CONTINUOUS WORKING DAYS DURING ANY PERIOD OF OFFICIAL BUSINESS.

**QUESTION #6:
(Identification of Lawsuits)**

- **IF THE CONSULTANT IS A DEFENDANT IN ANY SUITS IN LAW OR EQUITY IN THE PAST 12 MONTHS, GIVE THE NAMES OF THE PLAINTIFFS, AMOUNTS SUED FOR, AND NATURE OR BASIS FOR LITIGATION.**

QUESTION #7:
**(Identification of Criminally Charged
Employees)**

- **GIVE THE NAME OF ANY DIRECTOR, OFFICER OR EMPLOYEE OF THE CONSULTANT, WHO HAS IN THE PAST 24 MONTHS BEEN CONVICTED OF, OR WHO IS PRESENTLY UNDER INDICTMENT FOR, ANY CRIMINAL OFFENSE INVOLVING DISHONESTY OR A BREACH OF TRUST.**

QUESTION #8: Anti Kickback Violations

- (Gratuities Received)

IDENTIFY ANY PERSONAL BENEFIT IN EXCESS OF \$50 (PER YEAR) TO ANY EMPLOYEE OF THE CONSULTANT, GIVEN BY ANY COMPANY, OR EMPLOYEE OF ANY COMPANY, DOING BUSINESS WITH THE CONSULTANT.

QUESTION #9: Anti Kickback Violations

- (Gratuities Given)

IDENTIFY ANY PERSONAL BENEFIT IN EXCESS OF \$50 (PER YEAR) GIVEN BY THE CONSULTANT OR BY ANY EMPLOYEE OF THE CONSULTANT TO ANY EMPLOYEE OF A COMPANY DOING BUSINESS WITH THE CONSULTANT.

QUESTION #10 (Illegal Gratuities To Government Officials)

- IDENTIFY ANY PERSONAL BENEFIT IN EXCESS OF \$25 (PER YEAR) GIVEN BY THE CONSULTANT (OR ONE OF ITS AFFILIATES) OR BY ANY EMPLOYEE OF THE CONSULTANT (OR ONE OF ITS AFFILIATES) TO ANY EMPLOYEE OF A GOVERNMENT AGENCY SUBSTANTIALLY INVOLVED WITH ANY BUSINESS OF THE CONSULTANT.

THE FLOORCHECK *QUESTIONNAIRE*

- IDENTIFY ALL IMMEDIATE FAMILY MEMBERS OF SENIOR MANAGEMENT OR OF A PRINCIPAL SHAREHOLDER EMPLOYED WITH THE CONSULTANT AND DESCRIBE THEIR JOB RESPONSIBILITIES AND LOCATION.

GETTING ANSWERS

- IDENTIFY THE CONSULTANT'S DOMINANT CONTROLLING PERSON
- GO AS FAR TO THE TOP AS POSSIBLE TO GET THE ANSWER
- DO NOT TELEGRAPH WHAT YOU ALREADY KNOW
- IF THE TRANSACTION IS SUSPICIOUS, ***HOPE FOR AND DOCUMENT*** THE FALSE STATEMENT

MATERIALITY

- YOU ARE NOT AN ACCOUNTANT REVIEWING THE FINANCIAL STATEMENTS OF A PUBLIC COMPANY
- LOOK FOR IRREGULARITIES THAT GIVE RISE TO A CRIMINAL REFERRAL
- LITTLE CASES GIVE RISE TO BIG CASES