The Office of Inspector General will perform an audit of engineering and design firms’ overhead cost audits on contracts awarded by state Departments of Transportation under Federal-aid grants. Each year an estimated $5 billion is paid by states for engineering and design contracts. These contracts are subject to annual audits of their overhead rates under Section 307 of the National Highway System Designation Act. Our audit objective is to evaluate the implementation and effectiveness of Section 307 audit requirements, including testing the allowability of compensation and other high overhead cost elements billed by these firms.

We plan to start this audit in November 2004. We will contact your audit liaison to schedule an entrance conference date to discuss the planned audit. For any additional information, please call Terrence Letko, Program Director, at (202) 366-9917 or Ken Prather, Project Manager, at (202) 366-2985.

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cc: Director, Office of Budget and Finance, HABF-1
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