**Section 360.APPENDIX B Access To Records − Audit (Existing Consulting Engineering Agreement) (Applicable To Consulting Engineering Agreements Entered Into Between June 30, 1975 and July 1, 1976)**

1. Access clause. After June 30, 1975, a construction grant for Steps 1, 2 or 3 will not be awarded unless an acceptable records and access clause is included in the consulting engineering subagreement. The clause contained in Appendix III shall be used after July 1, 1976.

2. Agency exercise of right of access to records.

a. For the purpose of determining where the Agency shall exercise its right of access, engineers' project-related records have been divided into three categories:

(1) Category A. Records pertaining directly to the professional, technical and other services performed, excluding any type of financial records of the consulting engineer.

(2) Category B. Financial records of the consulting engineer pertaining to the direct costs of professional, technical and other services performed, excluding financial records pertaining to profit and overhead or other indirect costs.

(3) Category C. Financial records of the consulting engineer excluding from Category B.

b. In all cases, the Agency will exercise its right of access to Category A records. Also, where there is an indication that fraud, gross abuse, or corrupt practices may be involved, the Agency will exercise its right of access to records in all categories. Otherwise, access to consulting engineers' financial records (Categories B and C) will depend principally upon the method(s) of compensation stipulated in the agreement:

(1) Agreements based upon a percentage of construction cost. Category B and C records will not be audited. However, terms of the agreement including the total amount of compensation will be evaluated for fairness and reasonableness and consistency with historical and advisory guidelines in general use and acceptable locally or other analyses or data relied upon or utilized by the contracting parties in negotiation of the agreement. Such evaluation shall also consider comparable contracts for which Agency grants have been awarded.

(2) Agreements based upon salary cost times a multiplier including profit. Category B records will be audited. However, terms of the agreement, including the total amount of compensation and the multiplier, will be evaluated for fairness and reasonableness and consistency with historical and advisory guidelines in general use and acceptable locally or other analyses or data relied upon or utilized by the contracting parties in negotiation of the agreement. Such evaluation shall also consider comparable contracts for which Agency grants have been awarded. Items of overhead or other indirect costs will only be audited to the extent necessary to assure that types of costs found both in overhead and reimbursable direct costs, if any, are properly charged.

(3) Per diem agreements. Category B records will be audited. Category C records will not be audited. Audit will be performed to the extent necessary to determine that hours claimed and classes of personnel used were properly supported. The per diem rates will be evaluated in accordance with appropriate portions of paragraphs 2.b(1) and (2) of this appendix.

(4) Cost plus a fixed fee (profit). All direct costs and overhead and other indirect costs claimed will be audited to determine that they are reasonable, allowable, and properly supported by the consulting engineer's records. The amount of fixed fee will not be questioned unless the total compensation appears unreasonable when evaluated in accordance with paragraphs 2.b(1) and (2) of this appendix.

(5) Fixed price lump sum contracts. Category B and C records will not be audited. The contract amount will not be questioned unless the total compensation appears unreasonable when evaluated in accordance with appropriate portions of paragraphs A.2.b.(1) and (2) of this appendix.

c. Under agreements covering both grant-eligible and ineligible work, access to records will be exercised to the extent necessary to allocate contract work or costs between work grant-eligible for construction grant assistance and work or costs which are ineligible.

d. Under agreements utilizing two or more methods of compensation, each part of the agreement will be separately audited in accordance with the appropriate subparagraph of paragraph (b)(2) of this section.

e. Any audited firm and the grantee will be afforded opportunity for an audit exit conference and an opportunity to receive and comment upon the pertinent portions of each draft audit report. The final audit report will include the written comments, if any, of the audited parties in addition to those of the appropriate state agency(ies).