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Executive Compensation Analysis Readiness Checklist

A preparation checklist for the annual executive compensation analysis submitted with a TxDOT indirect cost rate audit or self-certification package.

Annual analysis required
TxDOT states that a provider must submit a compensation analysis for all executives annually in accordance with the AASHTO Uniform Audit and Accounting Guide. The analysis should be supported, reproducible, and tied to the fiscal-year accounting records.

Provider legal name ____________________	**Fiscal year-end** ____________________
Prepared by ____________________	**Reviewed by** ____________________

1. Define the executive population

- [ ] Obtain the current organization chart and identify officers, owners, directors, executives, and other highly compensated individuals.
- [ ] Document titles, duties, decision authority, ownership interests, employment status, and time devoted to the business.
- [ ] Reconcile the executive list to payroll, Forms W-2, ownership records, board minutes, and related-party information.
- [ ] Document additions, departures, role changes, or unusual compensation arrangements during the year.

2. Accumulate total compensation

- [ ] Reconcile salary and wages to payroll records and the general ledger.
- [ ] Identify bonuses, incentives, commissions, deferred compensation, and noncash awards.
- [ ] Identify employer retirement contributions, fringe benefits, allowances, vehicles, insurance, and other remuneration.
- [ ] Separate distributions, loans, reimbursements, and returns of capital from compensation while evaluating substance.
- [ ] Document related-party payments, management fees, or compensation paid through another entity.

3. Select comparable market data

- [ ] Use current, independent compensation survey data appropriate for the role and fiscal period.
- [ ] Match industry, company size, revenue, geography, ownership, and job responsibilities as closely as practicable.
- [ ] Document the survey source, publication date, positions selected, percentiles, and any weighting or interpolation.
- [ ] Retain licensed survey extracts or other evidence sufficient for a reviewer to reproduce the analysis.
- [ ] Explain departures from the selected peer group or use of alternative data.

4. Evaluate reasonableness and allowability

- [ ] Compare actual total compensation with the supported benchmark for each executive.
- [ ] Consider the executive's duties, experience, performance, company size, profitability, and special circumstances.
- [ ] Evaluate whether compensation reflects a bona fide employment arrangement rather than a distribution of profits.
- [ ] Identify amounts requiring adjustment or exclusion from the indirect cost rate.
- [ ] Document conclusions, professional judgments, and management approval.

5. Final quality control

- [ ] Recalculate all formulas, percentiles, adjustments, and totals.
- [ ] Tie final compensation amounts to payroll, tax forms, the general ledger, and the indirect cost rate schedule.
- [ ] Confirm the analysis covers all executives required by current TxDOT and AASHTO guidance.
- [ ] Remove protected or unnecessary personal information from submission copies while retaining secure support.
- [ ] Have a qualified reviewer approve the analysis before the audit or self-certification package is finalized.

Documentation matters
A conclusion is only as strong as the underlying population, compensation reconciliation, comparable-market selection, calculations, and written rationale. Preserve a clear audit trail.

Official sources to verify

TxDOT CPA Audit Requirements
FAR 31.205-6 — Compensation for Personal Services

Need help preparing the analysis?
JConner assists firms with indirect cost rate readiness and executive compensation analysis. Visit jconnerpc.com to learn more.

Educational-use disclaimer. General information only; not legal advice, a compensation determination, or a TxDOT approval. Applicable limits and documentation requirements may change.