

Master Document – Audit Program

Activity Code 10100		Incurred Cost – Non-Major Desk Review
Version No. 3.3, dated July 2012		
B-1	Planning Considerations	
Purpose and Scope		
<ol style="list-style-type: none"> 1. The purpose of this evaluation is to establish final indirect cost rates for low-risk incurred cost submissions not selected for audit. 2. This program is intended to provide for the proper planning, performance and reporting of the incurred cost evaluation of a low-risk nonmajor contractor having \$15M or less ADV. The steps in the program should reflect a documented understanding between the auditor and supervisor as to the scope required to comply in an efficient and effective manner with DCAA objectives. 		
Other Planning Considerations		
<ol style="list-style-type: none"> 1. Upon receipt, the contractor's incurred cost submission should have been evaluated for adequacy using the “Guide for Determining Adequacy of Contractor Incurred Cost Proposal” (located in Other Audit guidance (OAG) under Code 10100). If the submission was previously determined to be adequate and upon closer review is determined to be inadequate, the submission should be returned to the contractor. 2. If significant questioned costs are identified during this evaluation, the desk review should be converted into an audit and performed accordingly. 		

B-1	Preliminary Steps	W/P Reference
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	1. Review the “Risk Determination for Contractor Years with \$15 Million or Less ADV” form to determine if the proposal is still low risk. (CAM 6-104.1)	
	2. Coordinate low risk classification/desk review decision with the ACO.	

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C-1	Review Procedures	W/P Reference
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1.	Ensure that a “Certificate of Indirect Costs” has been executed by the contractor and a copy is included in the working paper file.	
2.	Scan the proposal for unusual items, obvious potential significant questioned costs and audit leads that need follow-up.	
3.	Scan the proposal to determine if there are any significant changes from the prior year's proposal that need follow-up.	
4.	Verify the mathematical accuracy of the contractor’s proposal.	
5.	Determine if the submission includes significant corporate/home office cost allocations and incorporate the corporate/home office audit results (this may require suspending the desk review until the corporate audit is complete).	
6.	If significant questioned costs are identified during this evaluation, the desk review should be converted into an audit and performed accordingly.	
7.	Upon completion of the evaluation, inform the contractor of the requirement to adjust its provisional billing rates for the year evaluated to match the determined rates.	

A-1	Concluding Steps	W/P Reference
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1.	Summarize results for supervisory review.	
2.	Obtain supervisory review of working papers.	
3.	Prepare an indirect cost rate agreement letter and prepare or have the contractor prepare the cumulative allowable cost worksheet (CACWS).	
4.	Prepare the draft memorandum to the ACO to report the determined/recommended rates and recommended direct costs.	
5.	Update permanent files with the executed rate letter and cumulative allowable cost worksheet.	
6.	Prepare and review accuracy of dollars examined for DMIS reporting.	