

<b>Activity Code 17850</b>		<b>CPRs, C/SSRs, and CFSRs</b>
<b>Version 4.4, dated June 2012</b>		
<b>B-1</b>	<b>Planning Considerations</b>	
<b>Purpose:</b>		
<p>This audit program is for evaluating contractor policies and procedures for accumulating data and preparing Contract Performance Reports (CPRs) (previously Cost Performance Reports), Cost/Schedule Status Reports (C/SSRs), and Contract Fund Status Reports (CFSRs) at contractors who do not have any contracts containing Earned Value Management System (EVMS) requirements. This audit program may also be used, modified as appropriate, to perform requested audits of individual contract cost reports submitted by contractors who do not have any contracts containing EVMS requirements. Audit effort expended to evaluate CPRs, C/SSRs, or CFSRs at EVMS-covered contractors should be performed under activity code 17750, EVM System and Report Surveillance, or activity code 17760, EVM Report Surveillance (Report Only).</p>		
<p>This program provides a logical sequence to the audit effort, and should reflect a mutual understanding between the auditor and the supervisor as to the scope required to meet auditing standards and DCAA objectives the audit which are covered in other assignments (e.g., audits of billing system, budgeting system for the current assignment. The audit steps in the program are general guidance and should be modified as considered necessary to fit the current audit. Portions of, progress payments, MMAS, estimating system) should be referenced at the appropriate place in this program.</p>		
<p>The primary objective of the CPR or C/SSR is to provide performance measurement and summarized cost and schedule performance status information on covered contracts. The primary purpose of the CFSR is to provide information about contract funding requirements on covered contracts. DoD reporting requirements such as the CPRs, C/SSRs, and CFSRs are specified in DD Form 1423, Contract Data Requirements List, contained in the contract.</p>		
<p>The purpose of the audit is to evaluate the contractor's policies and procedures for the accumulation and reporting of CPR,C/SSR, and/or CFSR data and to test the accuracy and propriety of reported information.</p>		
<b>Scope:</b>		
<p>The scope of the audit will depend on the contractor's financial condition and how much reliance can be placed on the accounting system, internal controls, cost representations, and billing procedures. If the results of prior audits and the preliminary audit steps indicate low audit risk, audit scope should be reduced accordingly. This decision must reflect a mutual understanding between the auditor and supervisor as to the scope required to meet auditing standards and DCAA objectives for the current assignment. This program does not replace individual auditor</p>		

judgment and may be supplemented to satisfy the needs of a particular assignment.
<b>References:</b> (Should be reviewed prior to starting the audit)
CAM 11-300, Audit of Selected Cost Management Reports Submitted by Contractors Without Earned Value Management (EVM) Reporting Requirements.

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 4.4, dated June 2012</b>		
1.	Review the open MRD’s for guidance which may impact the audit and adjust the scope and procedures appropriately. Open MRDs can be identified using the link provided on the DCAA Intranet home page for “MRDs, AGMs, & AMGMs”	
2.	When performing a programmed audit of CPR/CSSR/CFSR policies and procedures, obtain and review the risk assessment prepared during the development of the program plan to identify:	
	a. ACO identified sensitive or high risk conditions or contracts.	
	b. The number of contracts containing reporting requirements.	
3.	Determine whether the contractor’s policies and procedures for developing and reporting actual and projected costs in the CPRs or C/SSRs have previously been evaluated and accepted.	
4.	Review the following documents/items:	
	a. A list of all performance measurement reports, and related reports, submitted in response to the data requirements list (DD Form 1423) contained in covered contracts.	
	b. Contractor policies and procedures for preparing CPRs, C/SSRs, and CFSRs.	
5.	Contact the contracting officer to ascertain any known concerns (including risk related to the contractor’s financial condition) that will impact the audit and adjust the audit scope and procedures accordingly. If information regarding the contractor’s financial condition is not available from the contracting officer, the auditor should perform the procedures addressed in CAM 2-302.1h. If during the course of the audit the auditor becomes aware of unfavorable or adverse financial conditions, they should immediately communicate their concerns to the contracting officer, and appropriately adjust the scope of audit.	

<p>6. Electronically transmit an acknowledgement/notification to the ACO/Buying Command notifying them of the commencement of the risk assessment and that the expected completion date will be provided in the formal acknowledgement/notification once the risk assessment is complete. (CAM 2-303). The acknowledgement/notification process should be within the timeframe and in accordance with the procedures in CAM 4-104.</p>	
<p>7. Document the need for technical assistance. Request any required technical assistance, including estimated cost at completion (EAC) trend analysis.</p>	
<p>8. Review the permanent files and audit leads to obtain background information and identify potential CPR, C/SSR, or CFSR deficiencies and high risk contracts to help establish the scope of audit.</p>	
<p>9. Understanding and Evaluating the Contractor’s Internal Control Structure</p>	
<p>a. Review relevant Internal Control Audit Planning Summaries (ICAPS) (or ICQ for nonmajor contractor where ICAPS have not been completed) to obtain and document an understanding of the estimating system and any other applicable internal control systems the contractor may have (e.g., labor, MMAS). Identify any deficiencies that would impact the audit.</p>	
<p>b. Using the framework and the guidelines in WP B-2, obtain and document an understanding of the contractor's internal controls that are relevant to the audit. With the proper planning auditors should be able to obtain and document a major portion of this understanding during a walk-through of the contractor's assertion.</p>	
<p>When sufficient work is not performed to determine reliability (i.e., reduce audit risk to an acceptable level), qualify the audit report in accordance with CAM 10-210.4 and 10-1204.4.</p>	
<p>10. Hold a planning meeting with the audit team (e.g., RAM, Manager, Supervisor, Auditors) to discuss the risk of fraud and other noncompliances with applicable laws and regulations that could have a material effect on the assertion. The discussion should include relevant prior audit experience (e.g., questioned cost, relevant reported estimating or accounting system deficiencies), relevant aspects of the contractor’s environment (e.g., the extent of incentives, pressures and opportunities to commit fraud and the propensity to rationalize misstatements), other known risk factors, and the audit team’s understanding of relevant internal controls (see W/P B-2). The team should also review and discuss the general and other relevant sections of the IG Handbook on Fraud Indicators for Contractors as well as the relevant fraud indicators in CAM Figure 4-7-3. See “Principal Sources of Fraud Indicators” below.</p> <p>Based on the team discussion and other risk assessment procedures the team should document on W/P B, Section 4 the risk factors/indicators</p>	

<p>identified and design audit procedures to meet the audit objectives and provide reasonable assurance of detecting fraud and other noncompliances with applicable laws and regulations that could have a material effect on the proposal (i.e., tailor (add/delete/modify) the audit steps). GAGAS 6.13(a)</p> <p>Communication among audit team members about the risk of material misstatement due to fraud should continue as needed throughout the audit.</p> <p>Principle Sources of Fraud Indicators:</p> <ul style="list-style-type: none"> <li>• Handbook on Fraud Indicators for Contract Auditors, Sections I and III, (IGDH 7600.3, APO March 31, 1993) located at: <a href="http://www.dodig.mil/PUBS/igdh7600.doc">http://www.dodig.mil/PUBS/igdh7600.doc</a>.</li> <li>• CAM Figure 4-7-3.</li> </ul> <p>(To access the fraud handbook, copy and paste the web address shown above into the address block in Internet Explorer.)</p>	
<p>11. For an audit of CPR, C/SSR, and CFSR policies and procedures and testing of report data, select the sample of contract cost reports to test.</p>	
<p>12. Arrange and conduct an entrance conference with the contractor's personnel responsible for the CPR, C/SSR, and CFSR reports.</p>	
<p>13. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3.</p>	
<p>14. Summarize the results of the risk assessment and preliminary audit steps and clearly identify the planned scope of audit.</p>	

<b>C-1</b>	<b>Policies and Procedures</b>	<b>WP Reference</b>
<b>Version 4.4, dated June 2012</b>		
NOTE: This section only applies if the annual program plan risk assessment determines that an evaluation of policies and procedures is required.		
If not previously evaluated and accepted, evaluate the contractor's policies and procedures for developing and reporting actual and projected costs in the CPRs, C/SSRs, and CFSRs to ensure the system will produce accurate data that complies with contractual reporting requirements.		

<b>D-1</b>	<b>Evaluation of Reports</b>	<b>WP Reference</b>
<b>Version 4.4, dated June 2012</b>		

1. Review the CPRs, C/SSRs, and/or CFSRs selected for evaluation and verify the mathematical accuracy.	
a. From the lowest levels, work packages, or cost accounts, summarize the budgeted and actual costs (accrued expenditures for the CFSR) of selected Work Breakdown Structure (WBS) elements through the WBS to the contract level and the CPR, C/SSR, or CFSR. This should be done for both the current month and cumulative to date amounts.	
b. Verify that the Budgeted Cost of Work Scheduled (BCWS) and the Budgeted Cost of Work Performed (BCWP) on the CPR or C/SSR were computed in accordance with the Performance Measurement Baseline for the contract.	
c. Verify amounts are summations from the lowest points of accumulation without intermediate allocations.	
d. Verify that the indirect and labor rates applied are the originally planned rates for work scheduled (BCWS) and work accomplished (BCWP). Also, verify that acceptable rates are used for actual costs (e.g., the rates are calculated and applied in accordance with the contractor’s usual/disclosed cost accounting practices).	
2. Review the selected reports for compliance with contractual requirements, such as reporting due dates, format, and content.	
3. Obtain and review the contractor’s reconciliation of the CPR, C/SSR, and/or CFSR to the contractor’s cost ledgers. Selectively trace the reported data to the contractor’s job cost ledgers.	
4. Immediately advise the contractor and the contract administration office of any system deficiencies and report the condition using the guidance in CAM 11-305.	

<b>E-1</b>	<b>Reconciliations</b>	<b>WP Reference</b>
<b>Version 4.4, dated June 2012</b>		
1.	Reconcile the CPR or C/SSR to the CFSR (if these reports are required) using the guidance in the “CPR-CSSR – Reconciliation of Cost Reports” document located in Other Audit Guidance (OAG).	
2.	Reconcile the CPR, C/SSR, and/or CFSR to reports prepared by the contractor for other purposes, such as quarterly limitation on payment statements, progress payment requests, and public vouchers.	
3.	Request the contractor to explain any differences between the CPR or C/SSR, the CFSR, the cost ledgers, and the other reports. Verify significant contractor assertions to supporting documentation.	

Differences that cannot be explained and verified are indicators of significant internal control deficiencies in the cost accounting system and/or the performance measurement system.	
4. Immediately advise the contractor and the contract administration office of any system deficiencies and report the condition using the guidance in CAM 11-305.	

F-1	Estimated Cost at Completion (EAC)	WP Reference
<b>Version 4.4, dated June 2012</b>		
NOTE: Because of the importance of estimated cost at completion to both the contractor and the Government, the auditor should perform a critical evaluation of the contractor’s proposed amount. Coordination with technical personnel is necessary to properly evaluate the EAC and preclude duplication of effort.		
1. Determine whether the EAC used by the contractor was a "bottoms-up" EAC or was formula driven. Refer to the contractor's system description document to determine the required frequency of "bottoms-up" EACs. Confirm the contractor is updating its EAC in accordance with the requirements of its system description.		
2. Confirm that data utilized in the EAC was prepared and approved by the responsible individual as defined in the system description document. Normally, someone such as the Cost Account Manager prepares the data.		
3. Verify that reasons for revisions to the EAC are fully documented and based on verifiable data.		
4. Determine if the EAC appears reasonable when compared to projections using trend analysis techniques:		
Note: DCMA frequently evaluates reported EACs using similar trend analysis techniques. Do not duplicate analyses available from the CMO or Program Office.		
a. Graphically plot the cumulative to date Budgeted Cost of Work Scheduled (BCWS), Budgeted Cost of Work Performed (BCWP), and Actual Cost of Work Performed (ACWP), from the CPR or C/SSR on a monthly basis. Compare to identify unusual fluctuations (positive and negative) and trace to the cost account level to identify the underlying reasons (see “CPR-CSSR – Trend Analysis” document located in OAG).		
b. Project the EAC using Cost Performance Indices (CPI)s and Schedule Performance Indices (SPI)s as explained in “CPR-CSSR – Trend Analysis” document.		

c. Significant differences between the EACs projected using the CPI and SPI and the contractor's "bottoms-up" ETC/EAC may indicate serious problems in the contractor's estimates and/or system and must be thoroughly investigated.	
d. Discuss these differences with the contractor, the surveillance monitor, and the program office, and request an explanation for the difference.	
e. If the difference is not explained to the satisfaction of the auditor, request a technical evaluation on the items in question.	
5. Evaluate the reasonableness of the contractor's "bottoms-up" ETC/EAC using the guidance in CAM 9-300.	
a. Verify that the contractor has been consistent in its ETC/EAC preparation.	
b. Verify that the contractor has used appropriate rates and factors.	
c. Review the quantitative and qualitative aspects of the EAC for reasonableness utilizing Government technical assistance if considered necessary (see CAM D-300). For example, review the kinds, quantities and estimated cost of material items; estimated labor hours, rates, and categories; and kinds, quantities, and estimated cost of other direct cost items.	
6. Consider the impact of any unreconciled differences between the EAC reported in the CPR or C/SSR, and other reports prepared by the contractor for other purposes, such as contractor cost data reports (CCDR), quarterly limitation on payment statements (QLOP), progress payment requests, and public vouchers (see W/P Section E).	
7. Compare the EAC with recent projections used to prepare financial statements and tax returns, where available (see CAM 11-203.4d(3)(b)).	
8. Consider the impact of known cost or schedule variances on the evaluation of the EAC (see W/P Section G). Request technical assistance, as necessary.	
9. Immediately advise the contractor and the contract administration office of any system deficiencies and report the condition using the guidance in CAM 11-305.	

<b>G-1</b>	<b>Variance Analysis</b>	<b>WP Reference</b>
<b>Version 4.4, dated June 2012</b>		
To ensure timely and responsible actions are taken by the contractor to identify causes and minimize the impact on contract performance:		

1. Review schedule and cost variances disclosed in the CPRs (Format 5) or C/SSRs and contractor comments on significant problem areas, reasons for those variances, their impact on the program, and corrective action taken or to be taken.	
2. If appropriate, coordinate with the surveillance monitor, Government program manager, technical specialists, etc., to assess impact of schedule slippage and problems in technical performance.	
3. On a sampling basis, select areas of significant cost variances and trace to the required action level.	
4. Determine if narrative descriptions provided by the contractor are valid and adequate. Discuss causes and proposed remedies with the contractor to assess responsiveness of proposed actions.	
5. Determine if the impact of any existing variances are reflected in the estimate to complete the contract.	
6. Immediately advise the contractor and the contract administration office of any system deficiencies and report the condition using the guidance in CAM 11-305.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
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1.	Discuss the audit findings with the supervisor and hold an exit conference (follow the guidance in CAM 4-304.4).	
2.	Discuss the findings with the ACO to ensure all pertinent information has been considered.	
3.	Complete indexing and cross-reference working papers	
4.	Draft Report (CAM 10-1200 and 11-305).	
	a. The report should fully describe any significant unresolved deficiencies together with recommendations for their correction.	
	b. When an assist audit and/or a technical evaluation is necessary, and is not obtained, the Qualifications paragraph should be used to qualify the results of audit for the nonreceipt of such reports (CAM 10-1204.4).	
5.	If the auditor has encountered information that constitutes evidence or raises suspicion that fraud or other illegal acts have occurred, refer such suspicion by completing a DCAA Form 2000 (see CAM 4-702.4 and 5).	
6.	Supervisory Review.	
7.	Complete administrative working papers and update permanent files	



(ICAPS, MAARs, CAS, etc.).	
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