

Master Document – Audit Program

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| Version 2.3, dated June 2012 | |
| B-1 | Planning Considerations |
| <p>This standard audit program was developed for planning and performing audits of a unique subject matter not provided for under other activity codes or standard audit programs. The risk assessment steps below are steps that should be performed during the performance of any audit; however, due to the unique nature of this activity code, the auditor must develop additional steps as needed to effectively assess risk, and determine the scope of the audit.</p> <p>Since standard audit steps cannot be provided related to the audit of a unique subject matter, the auditor must develop specific risk assessment steps and detailed audit steps to meet the unique objective of the audit. The audit program must reflect an understanding between the auditor and supervisor as to the scope required to complete an audit which satisfies the audit objectives and complies with generally accepted government auditing standards.</p> | |
| <p><i>The auditor should review CAM and other Agency Guidance for help in developing the effort for this assignment.</i></p> | |
| References | |
| CAM Chapter 2, Auditing Standards | |
| CAM Chapter 3, Audit Planning | |
| CAM Chapter 4, General Audit Requirements | |
| CAM Chapter 10, Sections 2 and 12 | |
| CAM Chapter 14, Other Contract Audit Assignments | |

| B-1 | Preliminary Steps | WP Reference |
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| <i>Auditor will develop additional steps.</i> | | |
| 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. | Review the permanent file for audit leads or prior audit findings that may affect the subject matter of the audit. Discuss with your supervisor how they will affect your audit and adjust the scope of the audit accordingly. | |
| 3. | 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 | |

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| <p>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> | |
| <p>4. 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>5. <i>SPECIFIC RISK ASSESSMENT STEPS MUST BE ADDED HERE</i></p> | |
| <p>6.</p> | |
| <p>7.</p> | |
| <p>8. Document the need for technical assistance and/or assist audits, and prepare the necessary request letters.</p> | |
| <p>9. 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 costs, 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. 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 the risk factors/indicators 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 (i.e., tailor (add/delete/modify) the audit steps). GAGAS 6.13(a)</p> <p>Communications 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> | |

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| <ul style="list-style-type: none"> • Handbook on Fraud Indicators for Contract Auditors, Section III, (IGDH 7600.3, APO March 31, 1993) located at http://www.dodig.mil/PUBS/igdh7600.doc • CAM Figure 4-7-3 <p>(To access the fraud handbook, copy and paste the web address shown above into the address block in Internet Explorer.)</p> | |
| <p>10. Using the framework and guidelines in WP B-2, obtain and document an understanding of the contractor’s internal controls that are relevant to the audit. With 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>11. When ICAPS have not been completed (e.g., non major contractor) or are not current (e.g., the system has not been audited in the last 4 years or there have been significant changes to the system since the last audit) and if the evidence to be obtained during the course of the audit is dependent on computerized information systems, document on W/P B-2 the audit work performed that supports reliance on the computer-based evidence. Specifically, document or reference one or more of the following in W/P B-2</p> | |
| <p>a. The audit assignment(s) where the reliability of the data was sufficiently established in other DCAA audits,</p> | |
| <p>b. The procedures/tests that will be performed in this audit to evaluate the subject matter in this audit that will support reliance on the evidence, and/or</p> | |
| <p>c. The tests that will be performed in this audit that will be specifically designed to test the reliability of the computer-based data.</p> | |
| <p>NOTE – When sufficient work can not be performed to determine reliability, qualify the report. (CAM 10-210.4j)</p> | |
| <p>12. Conduct an entrance conference.</p> | |
| <p>13. Discuss with your supervisor the results of the risk assessment and reach an agreement on the planned audit scope, including the detailed audit steps. Document and obtain supervisory approval of the risk assessment and the planned scope of examination W/P B and -1 W/Ps.</p> | |
| <p>14. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3.</p> | |

| C-1 | Detailed Steps | WP Reference |
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| | <i>Auditor will develop steps based on the risk assessment</i> | |

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| 1. | |
| 2. | |
| 3. | |

| A-1 | Concluding Steps | WP Reference |
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| 1. | Determine the status of any requested assist audits and/or requests for technical assistance. See CAM 10-210.4 for guidance on qualifying the report if the requested assistance has not been received. | |
| 2. | Summarize and document the results of audit. | |
| 3. | Obtain final supervisory/manager review of the working papers and audit results. | |
| 4. | Brief the requestor on the results of audit and invite to the exit conference. | |
| 5. | After management approval, conduct and document an exit conference with contractor representative in accordance with procedures specified in CAM 4-304. | |
| 6. | Draft audit report in accordance with CAM Sections 10-200 and 10-1200. | |
| 7. | Complete the administrative working papers. | |
| 8. | Update permanent file. | |
| 9. | Submit the working paper package and draft report to the supervisor/manager for final review and processing. | |