

**Master Document – Audit Program**

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| <b>Activity Code 19200</b>   |                                | <b>Noncompliance Audit</b> |
| <b>Version 2.3, dated April 2010</b>   |                                |                            |
| <b>B-1</b>   | <b>Planning Considerations</b> |                            |
| <b>Purpose and Scope</b>   |                                |                            |
| <p>A noncompliance audit represents only additional effort to <b>report</b> and <b>resolve</b> a noncompliance issue after it is identified and its existence is fully supported as part of an incurred cost, price proposal, CAS compliance, or any other type of audit. This includes:</p>   |                                |                            |
| <ul style="list-style-type: none"> <li>• preparing and issuing the noncompliance audit report;</li> </ul>  |                                |                            |
| <ul style="list-style-type: none"> <li>• providing audit support to the cognizant Federal agency official (CFAO), who is usually the ACO;</li> </ul>   |                                |                            |
| <ul style="list-style-type: none"> <li>• counseling procurement officials during conferences; and</li> </ul>   |                                |                            |
| <ul style="list-style-type: none"> <li>• other actions necessary to resolve the issue.</li> </ul>  |                                |                            |
| <p>The audit 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 generally accepted government auditing standards and DCAA objectives. The program steps are intended as general guidance and should be tailored as determined necessary.</p>                 |                                |                            |
| <p>Generally, when there are noncompliances with more than one CAS, separate noncompliance audit reports should be issued for each noncompliance. However, when the noncompliances are related or inseparable, noncompliances with two or more standards should be issued in the same report. Noncompliances are related or inseparable if the resolution of one resolves the other.</p> |                                |                            |
| <b>References</b>  |                                |                            |
| 1. CAM Chapter 8   |                                |                            |
| 2. CAM Chapter 10, Section 800   |                                |                            |
| 3. 48 CFR Part 9900, Cost Accounting   |                                |                            |
| 4. FAR Part 31   |                                |                            |

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| <b>B-1</b>                             | <b>Preliminary Steps</b> | <b>WP Reference</b> |
| <b>Version 2.3, dated April 2010</b>   |                          |                     |
| 1. Coordinate with the cognizant CFAO. |                          |                     |

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| <p>2. Evaluate the assessment of the contractor's internal control structure performed in the originating audit assignment. Incorporate only the section on "the Audit Report paragraph on Accounting System and Internal Controls" from working paper B of that assignment. This paragraph is needed in the noncompliance audit report (CAM 10-808.3). For all other items in the risk assessment working paper, simply make reference to the applicable working papers of the originating audit assignment.</p> |  |
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| <b>C-1</b>                           | <b>Evaluation of Noncompliance</b>  | <b>WP Reference</b> |
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| <b>Version 2.3, dated April 2010</b> |   |                     |
| 1.                                   | Evaluate working papers and audit report of the audit assignment that disclosed the noncompliance.  |                     |
| 2.                                   | Reference the originating audit assignment and incorporate working papers that specifically describe the noncompliance  |                     |
| 3.                                   | Document the materiality of the noncompliance using the materiality criteria in 48 CFR 9903.305. If this step was performed in the originating audit assignment, incorporate applicable working papers. |                     |
| 4.                                   | Prepare the draft statement of conditions and recommendations in accordance with CAM 10-808.5(c).   |                     |
| 5.                                   | Discuss results with the supervisor or the FAO technical specialist. Coordinate noncompliance matters with the CFAO and CAC at the earliest possible opportunity.                                       |                     |
| 6.                                   | Discuss noncompliance issue with the contractor and provide a copy of the draft statement of conditions and recommendations for comments in accordance with CAM 4-304.6.                                |                     |
| 7.                                   | Obtain the contractor's response for inclusion in the final audit report. Prepare appropriate comments if the contractor disagreed with the auditor's conclusions and recommendations.                  |                     |

| <b>A-1</b>                           | <b>Concluding Steps</b>  | <b>WP Reference</b> |
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| <b>Version 2.3, dated April 2010</b> |  |                     |
| 1.                                   | Discuss the final audit position with the contractor.  |                     |
| 2.                                   | Finalize audit report incorporating the contractor's reaction and auditor's comments in accordance with CAM 10-808.5(d). |                     |

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| 3. Update the permanent files, i.e. ICAPS or ICQ, and Mandatory Annual Audit Requirements (MAARs) schedules, as appropriate. |  |
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