

Master Document – Audit Program

Version 2.9, dated April 2016	
B-1	Planning Considerations
Audit Specific Independence Determination	
<p>Members of the audit team and internal specialists consulting on this audit must complete the Audit Specific Independence Determination (w/p 34) prior to starting any work on this assignment.</p> <p><i>(Note: Because staff is sometimes added to on-going audits, supervisors should ensure that all individuals who are directing, performing audit procedures, or reporting on this audit as a member of the audit team who are performing as a consultant have signed this work paper. For example, an FAO may add additional auditors (e.g. FAO technical specialist) to the audit assignment or may need to consult with an internal specialist (e.g., industrial engineers, and operations research specialists) as the audit progresses.)</i></p>	
<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 identify the relevant audit criteria, 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>Prior to commencing the audit, review guidance that may impact the audit and adjust the scope and procedures appropriately. Guidance to review includes CAM, open MRDs, FAQ training material, guidebooks, etc. available on the DCAA Intranet.</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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<p><i>Auditor will develop additional steps.</i></p>	
<p>1. Review guidance that may impact the audit and adjust the scope and procedures appropriately. Guidance to review includes CAM, open MRDs, FAQ training material, guidebooks, etc. available on the DCAA Intranet.</p>	
<p>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.</p>	
<p>3. Review permanent file to determine if previous audits included findings and recommendations that impact the subject matter under audit (GAGAS 5.06). If there were findings, auditors should document this information in the risk assessment and perform the following procedures:</p> <ol style="list-style-type: none"> a. During the entrance conference, ask contractor management if corrective actions were taken to address findings and recommendations reported in previous DCAA audits (e.g., questioned costs, business system deficiencies, CAS audits) that are relevant to the subject matter of audit. If yes, have contractor explain corrective actions taken and determine if additional audit procedures should be included in the fieldwork to test the corrective actions. b. Document the results of the inquiry and the impact of the corrective actions to the subject matter under audit. (Note: The purpose of this question is to follow up with contractor on relevant prior DCAA audit findings that could have a material effect on the subject matter of audit.) 	
<p>4. Review permanent file to determine if the contractor has previously provided other studies or audits (e.g., summary listing of internal audits or external audit reports) that directly relate to the subject matter under audit (GAGAS 5.06). If there are no other studies or audits, document that information in the work papers and perform the procedures below. (If you do not perform the following procedures, you must document your justification for the departure.)</p> <ol style="list-style-type: none"> a. During the entrance conference: <ul style="list-style-type: none"> • Ask contractor management if internal audits were performed. If yes, request contractor provide a summary listing of the internal audits that would assist us in understanding and evaluating the efficacy of the internal controls relevant to the subject matter of the audit. • Ask contractor management if other types of audits or studies were performed by other than DCAA (e.g., other Government audit agencies, consultants, Independent Public 	

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<p>Accountants, etc.) that would impact the subject matter under audit. If yes, have contractor explain what type of audits or studies were performed, if there were any related findings or recommendations, and any contractor corrective actions taken as a result.</p> <p>b. If the review of the perm file or the contractor identifies relevant internal audits:</p> <ul style="list-style-type: none"> • Determine if access to these reports is necessary to complete the evaluation of the relevant internal controls to support the risk assessment or audit procedures related to the subject matter of the audit. There must be a nexus between the internal audit reports and the scope of this specific assignment. • Document the results of the determination in writing. • If assignment is at a major contractor location, coordinate with the CAC or FAO point of contact (POC) for internal audit reports to request the contractor provide access to the reports. • If assignment is at a non-major contractor and the FAO does not have a designated POC, the auditor should request the contractor provide access to the internal audit reports. • The request, issued by the CAC, FAO POC or auditor, should include information on how the internal audit report is relevant to the DCAA audit. Place a copy of the request in the assignment administrative work papers. <p>c. If the review of the perm file or the contractor identifies relevant other audits or studies:</p> <ul style="list-style-type: none"> • Obtain publicly available information for the relevant other Government agency audits (e.g., websites for DoD IG or other IGs, service audit agencies, etc.). • Make appropriate adjustments to your risk assessment and planned procedures based on the reported findings. <p>d. Document the results of the inquiries including the response received from contractor’s for any request for access to internal audit reports. (If access was not granted this should include the contractor’s rationale or justification for not granting access).</p> <p>e. Determine if additional audit procedures are needed to address any identified risk. (Note: The purpose of this question is to discover any new audit leads that could affect the scope of current audit.)</p>	
<p>5. Contact the contracting officer to ascertain any known concerns (including risk related to the contractor’s financial condition) that</p>	

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<p>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>	
<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. <i>SPECIFIC RISK ASSESSMENT STEPS MUST BE ADDED HERE</i></p>	
<p>8. Document the need for specialist assistance and/or assist audits, and prepare the necessary request letters.</p>	
<p>9. During the entrance conference, or other appropriate meeting, make inquiries of contractor management regarding knowledge of any fraud or suspected fraud affecting the subject of this audit, managements awareness of allegations of fraud or suspected fraud affecting this audit, and management’s understanding about the risks of fraud relevant to this audit. Note: This discussion and any data submitted should be documented in the working papers.</p>	
<p>10. Based on the team's understanding of the criteria, subject matter, and the contractor and its environment, hold a planning meeting with the audit team (at a minimum, Supervisor and Auditor) to discuss and identify potential noncompliances, due to error or fraud, that could materially affect the subject matter.</p> <p>The discussion should include:</p> <ul style="list-style-type: none"> • relevant prior audit experience (e.g., questioned cost, relevant reported estimating or accounting system deficiencies), • relevant aspects of the contractor and its environment, • risk of material noncompliance due to fraud (e.g., the extent of incentives, pressures and opportunities to commit and conceal 	

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<p>fraud, and the propensity to rationalize misstatements),</p> <ul style="list-style-type: none"> • other known risk factors, • the audit team’s understanding of relevant internal controls, ▪ inquiries to the contractor regarding its fraud management plans and controls. <p>Document fraud risk factor/indicators (see - Sources of Fraud Risk Factors below) that are present and could materially affect the subject matter. If Fraud risk factors are present, document specific audit procedures designed to address the increased risk of material noncompliance due to fraud.</p> <p>Communication among audit team members about the risk of material misstatement due to error or fraud should continue as needed throughout the audit.</p> <p>Sources of Fraud Indicators:</p> <ul style="list-style-type: none"> • GAGAS Appendix Section A.10 – Examples of Indicators of Fraud Risk (http://gao.gov/products/GAO-12-331G) • AU-C 240.A75 (Appendix A)- Consideration of Fraud in a Financial Statement Audit, Examples of Fraud Risk Factors (http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-C-00240.pdf) • DoDIG’s Contract Audit Fraud Scenarios and Resources website (http://www.dodig.mil/resources/fraud/resources.html) <p>(To access the Sources of Fraud Indicators, copy and paste the web address shown above into the address block in Internet Explorer.)</p>	
<p>11. 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>12. 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>	

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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	
c. The tests that will be performed in this audit that will be specifically designed to test the reliability of the computer-based data.	
NOTE – When sufficient work can not be performed to determine reliability, qualify the report. (CAM 10-210.4j)	
13. Conduct an entrance conference.	
14. 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.	
15. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3. If applicable, include a follow up with contractor management on: a. corrective actions that address previous DCAA audit findings and recommendations (step 3), b. other studies or audits that impact the subject matter under audit (step 4).	

C-1	Detailed Steps	WP Reference
	Version 2.9, dated April 2016	
	<i>Auditor will develop steps based on the risk assessment</i>	
	1.	
	2.	
	3.	

A-1	Concluding Steps	WP Reference
	Version 2.9, dated April 2016	
	1. Determine the status of any requested assist audits and/or requests for specialist 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.	

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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.	