

**Master Document – Audit Program**

<b>Activity Code 11020</b>	<b>Budget and Planning System and Related Internal Controls</b>
<b>Version 3.0, dated April 2004</b>	
<b>B-1</b>	<b>Planning Considerations</b>
<b>Purpose and Scope</b>	
The major objectives of this audit are to:	
<ul style="list-style-type: none"> <li>• Obtain a sufficient understanding of the contractor's Budget and Planning System and related internal control (including both manual and computerized activities) to plan related contract audit effort. This requires that the auditor assess the adequacy of the contractor's policies and procedures, whether they have been implemented, and if they are working effectively.</li> </ul>	
<ul style="list-style-type: none"> <li>• Document the understanding of the Budget and Planning System internal control in working papers and permanent files (see CAM 5-100).</li> </ul>	
<ul style="list-style-type: none"> <li>• Test the operational effectiveness of Budget and Planning System internal controls.</li> </ul>	
<ul style="list-style-type: none"> <li>• Assess control risk as a basis to identify factors relevant to the design of substantive tests.</li> </ul>	
<ul style="list-style-type: none"> <li>• Report on the understanding of the Budget and Planning System internal control and assessment of control risk and the adequacy of the system for Government contracts.</li> </ul>	
<p>This audit is limited to the examination of the Budget and Planning System and related internal controls for major contractors, nonmajor contractors where the system is considered significant, and other contractors with substantial negotiated firm-fixed price contracts. Only those controls directly related to the contractor's Budget and Planning System, as defined below, will be audited under this assignment. Controls for interrelated audit concerns regarding the adequacy of the contractor's other major systems (i.e., labor, estimating, etc.) will be audited under separate assignments. While the controls for these areas are not part of this audit, the results of all audits of these interrelated controls must be considered in forming an overall audit conclusion on the Budget and Planning System internal control. The results of this audit should be commented on in reports on related audit areas.</p>	
<p>When performing an update or follow-up examination, the audit steps should be adjusted and tailored accordingly. To the extent possible, prior audit effort should be used as a basis for validating the contractor's internal control.</p>	
<p>Before beginning this examination, the auditor should be alert for internal control evaluations performed by the contractor, or its external auditor, relating to this audit area. In those cases where internal control evaluations have been performed, the auditor should follow the guidance contained in CAM 4-1000, Relying Upon the Work of Others.</p>	

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<p>Before performing any examination of internal controls, the auditor should determine that the system or functional area contemplated for examination is material to the Government. Once it is determined that the system is material to the Government, the auditor should reassess the materiality of each section in the internal control audit before performing any audit steps in that section. The scope of any audit depends on individual circumstances. The auditor is expected to exercise professional judgment, considering vulnerability and materiality, in deciding the scope of audit to be performed.</p>
<p>The use of computers of all kinds in a contractor’s accounting and management systems is so pervasive it is unlikely any audit of them could be performed adequately without an examination of the internal controls over their automated aspects. Therefore, the auditor should become familiar with guidance contained in the Information System (IS) Auditing Knowledge Base that is contained on DCAA’s Intranet, prior to the initiation of this audit. In addition in some instances, the assistance of IT specialists may be required to adequately evaluate the automated aspects of the internal controls. In these cases, auditors should contact their regional offices to obtain the necessary expertise.</p>
<p>The internal control matrix (see BDGT-ICM in “Other Audit Guidance” folder) shows the interrelationships among the control objectives, control activities, and audit procedures used in this audit program. The control objectives and the audit procedures have been fully integrated into this audit program; therefore, the matrix is not needed unless it is desirable to see the associated control activities and the interrelationships in a matrix format.</p>

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
1.	<b>Research and Planning</b>	
	a. Become familiar with applicable sections of CAM 5-500 and any recent Headquarters guidance not incorporated in the CAM.	
	b. Determine the extent and results of the contractor’s self-governance activities, internal and external audits, coordinated audits, etc., related to the Budget and Planning System. In those cases where internal or external audits have been performed, the auditor should follow the guidance contained in CAM 4-1000, Relying Upon the Work of Others. Document your evaluation.	
	c. Review the permanent file for:	
	(1) Existence of contractor Budget and Planning System policies and procedures.	
	(2) Organization charts depicting the functional areas	

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responsible for the processing of Budget and Planning System data.			
(3) Budget and Planning system flowcharts providing a pictorial overview of all manual and computerized processing steps.			
(4) Information systems documentation:			
(a) Pertinent record layouts of files created and/or used during the processing of budget and planning related transactions.			
(b) Database table definitions.			
(c) Source documents.			
(d) Information on the conversion of documents to computer media.			
(e) Subsidiary or master files affected by the system.			
(f) Relevant reports, journals, and ledgers produced in the flow of information to the Budget and Planning System reports.			
(5) Listings of current Government contracts.			
(6) Previous system audits performed. Check if the system is applicable, and if applicable, determine if it is relevant to the current system audit:			
	<b>System</b>	<b>Applicable?</b>	<b>Relevant?</b>
	Accounting		
	Billing		
	Budget (Planning)		
	Compensation		
	IT		
	Estimating		
	Indirect/ODC		
	Labor		
	Material		
	Purchasing		
(7) Audit lead sheets.			
(8) The analysis of the control environment and the results of any other audits, for internal control weaknesses that may			

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<p>impact this audit.</p>	
<p>d. Discuss the planned evaluation of the Budget and Planning System internal controls with the administrative contracting officer and, if appropriate, other customers to identify, understand, and document any concerns they may have or areas which should be evaluated.</p>	
<p>e. In planning and performing the examination, review the fraud risk indicators specific to the audit. The principal sources for the applicable fraud risk indicators are:</p> <ul style="list-style-type: none"> <li>• Handbook on Fraud Indicators for Contract Auditors, Section II (IGDH 7600.3, APO March 31, 1993) located at <a href="http://www.dodig.osd.mil/PUBS/index.html">www.dodig.osd.mil/PUBS/index.html</a>, and</li> <li>• CAM Figure 4-7-3.</li> </ul> <p>Document in working paper B any identified fraud risk indicators and your response/actions to the identified risks (either individually, or in combination). This should be done at the planning stage of the audit as well as during the audit if risk indicators are disclosed. If no risk indicators are identified, document this in working paper B.</p>	
<p><b>2. Entrance Conference and Preparation</b></p>	
<p>a. Prepare a written memorandum to the contractor to arrange for an entrance conference, covering the areas highlighted in CAM 4-302 and any specific data or pertinent information not yet provided.</p>	
<p>b. Conduct an entrance conference as outlined in CAM 4-302, with particular emphasis on:</p>	
<p>(1) Requesting the contractor to provide, if applicable a demonstration of the Budget and Planning System transaction flow including data input, data processing, data output, and related internal controls.</p>	
<p>(2) Any changes in the budget and planning processing job stream since the last audit.</p>	
<p>(3) The contractor’s monitoring process to ensure that established manual and computerized controls are functioning as intended.</p>	
<p>(4) Any identified weaknesses which may have been reported and related follow-up actions taken.</p>	

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<b>3. Other Preliminary Steps</b>	
a. Determine the budget and planning process employed by the contractor and to what degree a computerized system is used.	
b. Perform a high level cursory assessment to determine if the following exist:	
(1) A functional organization with defined organizational responsibilities.	
(2) A written description of the work flow in the material process.	
(3) Policies and procedures for effectively controlling the process.	
<b>4. Initial Risk Assessment</b>	
Using the information obtained in steps 1, 2, and 3, prepare an initial risk assessment to determine the scope of the examination (W/P B).	

<b>C-1</b>	<b>Control Environment</b>	<b>WP Reference</b>
	<b>Version 3.0, dated April 2004</b>	
	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. The auditor should obtain a sufficient understanding of the control environment to determine the impact that it may have on the overall effectiveness of the Budget and Planning System internal controls.	
1	Obtain a copy of the most recently completed ICAPS for the Control Environment and Overall Accounting controls. Evaluate the rationale behind any moderate or high-risk assessment ratings and determine the impact, if any, on the effectiveness of the Budget and Planning System internal controls.	
2	If an examination of the control environment has not been recently performed, review all documented prior audit experience with the contractor, including permanent files, relevant audit reports and workpapers, suspected irregular conduct (SIC) referrals and	

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discussions with prior auditors. Obtain an understanding of the following factors:	
<ul style="list-style-type: none"> <li>• Integrity and ethical values.</li> </ul>	
<ul style="list-style-type: none"> <li>• Commitment to competence.</li> </ul>	
<ul style="list-style-type: none"> <li>• Board of directors and/or audit committee participation.</li> </ul>	
<ul style="list-style-type: none"> <li>• Management’s philosophy and operating style.</li> </ul>	
<ul style="list-style-type: none"> <li>• Organizational structure.</li> </ul>	
<ul style="list-style-type: none"> <li>• Assignment of authority and responsibility.</li> </ul>	
<ul style="list-style-type: none"> <li>• Human resource policies and procedures.</li> </ul>	
3 Document the overall assessment of the control environment and the impact that it has on the examination of the Budget and Planning System.	

<b>D-1</b>	<b>Contractor Risk Assessment</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
The auditor should develop a sufficient understanding of the risk assessment process currently employed by the contractor in terms of its identification, analysis, and management of risks relevant to the preparation of contract cost data.		
1. Meet with responsible personnel to obtain an overview of the various risk factors considered by management.		
2. Once the various risk factors are identified, obtain an understanding of how management identifies the risks, estimates the significance of risks, assesses the likelihood of their occurrence, and relates them to contract reporting.		
3. If applicable, obtain an overview of any plans, programs, or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of specific risks, management may elect to accept a given risk due to costs or other considerations.		
4. Document your overall understanding of the contractor’s risk assessment practices.		

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E-1	Information and Communications	WP Reference
<b>Version 3.0, dated April 2004</b>		
<p>Information and communication processes consist of the methods and records established to record, process, summarize, and report contract cost data. The auditor should develop a sufficient understanding of the contractor’s information and communication processes (relevant to contract cost data) to identify significant classes of transactions and how they are initiated, processed, controlled, and reported.</p>		
<p>1. Since the accounting and IT systems are integral components of information and communication processes, obtain a copy of the most recently completed Internal Control Audit Planning Summaries for the Environment and Overall Accounting Controls and the IT System General Internal Controls. Evaluate the rationale behind any moderate or high-risk assessment ratings and determine the potential impact, if any, on the effectiveness of the Budget and Planning System internal controls. Document your evaluation.</p>		
<p>2. Review relevant permanent files, prior audit working papers, and any prior contractor demonstrations of its Budget and Planning System information and communication processes. Document your review.</p>		
<p>3. Determine if the contractor has made changes to the information and communication processes in its Budget and Planning System since the last demonstration. Evaluate the changes. If no prior systems demonstration was performed, have the contractor provide one. Contractor representatives providing the demonstration should possess a detailed knowledge of the Budget and Planning System. The demonstration provides the auditor an opportunity to query contractor personnel regarding internal controls and how they are monitored. The auditor should ensure that the demonstration addresses the internal control activities outlined in CAM 5-506.</p>		
<p>4. The contractor should include appropriate manual and computerized controls in its information processing that check for accuracy, completeness, and proper authorization for the Budgeting and Planning System. Have the contractor identify and demonstrate controls related to each of the areas listed in a through e below. Compare the contractor disclosed controls with the generic access control listing contained in the referenced CAM section and identify any controls not incorporated in the application. Verify the existence and adequacy of the contractor disclosed controls. Discuss any apparent deficiencies with the contractor.</p>		
<p>a. Access (CAM 5-1406.1)</p>		
<p>b. Input (CAM 5-1406.2)</p>		
<p>c. Processing (CAM 5-1406.3)</p>		

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d. Error Correction and Resubmission (CAM 5-1406.4)	
e. Output (CAM 5-1406.5)	
5. Selectively trace budgeted amounts through the Budget and Planning System to validate your understanding of the information and communication processes in the Budget and Planning System. Discrepancies between your understanding and the contractor’s demonstration should be resolved prior to completing the remainder of this examination.	
6. Document your confirmed understanding of the contractor’s Budget and Planning System information and communication processes and obtain a written confirmation from the contractor indicating that they agree with this understanding. This documentation will typically take the form of system flowcharts or narrative descriptions and can be prepared by the auditor or consist of documentation prepared by the contractor (see CAM 5-106).	

<b>F-1</b>	<b>Monitoring</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
Monitoring is a process that assesses the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. The auditor should develop a sufficient understanding of the contractor’s ongoing monitoring activities and/or separate evaluations related to the Budget and Planning System internal controls. The auditor should recognize those aspects of the contractor’s Budget and Planning System that are automated and should ensure that the related control activities adequately address this automation by performing the audit procedures set forth below.		
1. Determine if ongoing monitoring procedures are incorporated into the normal recurring activities of the contractor’s organization. These procedures should include regular management and supervisory activities.		
2. Where applicable, determine the extent of internal audit involvement in performing monitoring functions through separate evaluations.		
3. Determine and document the extent of monitoring activities being performed by external parties.		
4. Document your overall understanding of the monitoring activity being performed at the contractor’s location and determine the impact it will have on our examination of the Budget and Planning System.		

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G-1	Functional Organization	WP Reference
<b>Version 3.0, dated April 2004</b>		
<p>The auditor should obtain an understanding of the contractor's control activities (policies and procedures) for each relevant Budget and Planning System control objective (section G, H and I). A detailed understanding of control activities is essential to the assessment of control risk for each objective. Budget and Planning system primary control objectives and examples of control activities, as they relate to U.S. Government contracts, are provided in the Internal Control Matrix (ICM-BILL). The audit procedures in this section, organized by control objective, are also included in the attachment.</p>		
<p>The auditor should evaluate contractor internal and/or external audits to determine if any control activities have already been evaluated and if reliance can be placed on such evaluations.</p>		
<p>The auditor should recognize those aspects of the contractor's Budget and Planning System that are automated and should ensure that the related control activities adequately address this automation by performing the audit procedures in section E above as well as those set forth below.</p>		
<p>In performing the following audit procedures to understand the contractor's control activities, the auditor should recognize that while obtaining an understanding of the other components of internal control (control environment, contractor risk assessment, information and communications, and monitoring), he/she is likely to have obtained some level of knowledge about control activities. The auditor should utilize this knowledge in determining the additional time needed to obtain a sufficient understanding of the contractor's control activities.</p>		
<p>The contractor should have a logical budget and planning organization, which includes the formal assignment of duties and responsibilities, a system description, and written policies and procedures.</p>		
<p>1. Review policies and procedures, organizational charts, job descriptions, and other relevant documentation to identify the major aspects of the planning and budgeting processes and the organizational units that perform them.</p>		
<p>2. Review the contractor's placement of critical planning and budgeting activities to determine if they are assigned to logical organizational units.</p>		
<p>3. Review the contractor's system description to determine if it adequately describes the flow of work in the budget and planning process.</p>		

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4. Review the contractor's policies and procedures for key planning and budgeting areas to determine if they describe major planning and budgeting duties in sufficient detail to provide an overall understanding of the operation of these systems.	
5. Interview selected employees involved in the budget and planning process to determine if the contractor's system description accurately describes the flow of work in the Budget and Planning System.	
6. During the remainder of this examination, the auditor should be alert for any instances where the contractor's actual practices are inconsistent with established policies and procedures.	

<b>H-1</b>	<b>Strategic and Long-Range Planning</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
The auditor should obtain an understanding of the contractor's control activities (policies and procedures) for each relevant Budget and Planning System control objective (section G, H and I). A detailed understanding of control activities is essential to the assessment of control risk for each objective. Budget and Planning system primary control objectives and examples of control activities, as they relate to U.S. Government contracts, are provided in the Internal Control Matrix (ICM-BILL). The audit procedures in this section, organized by control objective, are also included in the attachment.		
The auditor should evaluate contractor internal and/or external audits to determine if any control activities have already been evaluated and if reliance can be placed on such evaluations.		
The auditor should recognize those aspects of the contractor's Budget and Planning System that are automated and should ensure that the related control activities adequately address this automation by performing the audit procedures in section E above as well as those set forth below.		
In performing the following audit procedures to understand the contractor's control activities, the auditor should recognize that while obtaining an understanding of the other components of internal control (control environment, contractor risk assessment, information and communications, and monitoring), he/she is likely to have obtained some level of knowledge about control activities. The auditor should utilize this knowledge in determining the additional time needed to obtain a sufficient understanding of the contractor's control activities.		
The contractor should have a strategic and long-range planning process to develop the long-term goals and objectives that impact Government contracts.		

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1. Review the contractor's policies and procedures to determine if they require the development of strategic and long-range planning information for all areas which impact Government contracts.	
2. Review strategic and long-range planning information for the current and prior periods to determine if the contractor establishes strategic objectives in all areas relevant to Government contracts.	
3. Review the contractor's policies and procedures to determine if they require adequate documentation of strategic and long-range plans. This documentation is required for management to assess the reasonableness of the underlying assumptions and to facilitate the communication of key information to personnel responsible for preparing related budgets.	
4. Selectively evaluate recent strategic and long-range planning documentation to determine if it complies with established documentation requirements.	
5. Review the contractor's policies and procedures to determine if they provide for adequate distribution of strategic and long-range planning information to personnel responsible for preparing related budgets.	
6. Interview selected budgeting personnel to determine if they have access to relevant strategic and long-range planning information and use the information in preparing related budgets.	

<b>I-1</b>	<b>Preparation of Budgets</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
The auditor should obtain an understanding of the contractor's control activities (policies and procedures) for each relevant Budget and Planning System control objective (section G, H and I). A detailed understanding of control activities is essential to the assessment of control risk for each objective. Budget and Planning system primary control objectives and examples of control activities, as they relate to U.S. Government contracts, are provided in the Internal Control Matrix (ICM-BILL). The audit procedures in this section, organized by control objective, are also included in the attachment.		
The auditor should evaluate contractor internal and/or external audits to determine if any control activities have already been evaluated and if reliance can be placed on such evaluations.		
The auditor should recognize those aspects of the contractor's Budget and Planning System that are automated and should ensure that the related control activities adequately address this automation by performing the		

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audit procedures in section E above as well as those set forth below.	
In performing the following audit procedures to understand the contractor's control activities, the auditor should recognize that while obtaining an understanding of the other components of internal control (control environment, contractor risk assessment, information and communications, and monitoring), he/she is likely to have obtained some level of knowledge about control activities. The auditor should utilize this knowledge in determining the additional time needed to obtain a sufficient understanding of the contractor's control activities.	
The contractor should prepare accurate and timely budgets that are approved by an appropriate level of management and distributed to appropriate personnel.	
1. Review the contractor's policies and procedures to determine if they require the preparation of budgets in time periods and areas that significantly impact Government contracts.	
2. Selectively review recent budget information to determine if they cover all areas outlined in the policies and procedures.	
3. Review the contractor's policies and procedures to determine if they provide for adequate control of the budget process to ensure that budgets are prepared in a timely manner.	
4. Selectively interview personnel involved in the budget preparation process for the current period to determine if they are aware of specific budget preparation milestones.	
5. Selectively review budgets from recent budget periods to determine if they were prepared in a timely manner.	
6. For selected budget areas, interview individual managers to determine when they received final, approved budgets for the current budget period, and for several prior budget periods.	
7. Review the contractor's policies and procedures to determine if they require consistency between budgetary objectives and strategic and long-range plans.	
8. Reconcile significant planning assumptions used in selected budgets with strategic planning and long-range plans.	
9. Determine that program budgets and contract estimates to complete are an integral part of the contractor's overall budgeting system.	
10. Selectively evaluate budget documentation from the most recent budgetary period to determine how recommended management adjustments were made and the adjusted budget was resubmitted for final approval.	
11. Review the contractor's policies and procedures to determine if they	

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provide adequate controls to ensure that established budgets are meaningful and attainable.	
<ul style="list-style-type: none"> <li>Selectively review budgeted amounts from the most recently completed budgetary period to determine if they were prepared in accordance with established policies and procedures.</li> </ul>	
12. Review the contractor's policies and procedures to determine if they require an appropriate level of management review and approval of final budgets.	
13. Selectively review budget documents distributed to individual managers to determine if:	
<ul style="list-style-type: none"> <li>There is evidence of management approval.</li> </ul>	
<ul style="list-style-type: none"> <li>Management had a reasonable amount of time to review the budgets before approval.</li> </ul>	
14. Review the contractor's policies and procedures to determine if they provide for controls over the distribution of relevant budget information to individual managers responsible for meeting budgetary objectives and monitoring personnel.	
15. Selectively interview individual managers and monitoring personnel to determine if they received information necessary to perform their duties.	

<b>J-1</b>	<b>Budget Performance Monitoring</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
The auditor should obtain an understanding of the contractor's control activities (policies and procedures) for each relevant Budget and Planning System control objective (section G, H and I). A detailed understanding of control activities is essential to the assessment of control risk for each objective. Budget and Planning system primary control objectives and examples of control activities, as they relate to U.S. Government contracts, are provided in the Internal Control Matrix (ICM-BILL). The audit procedures in this section, organized by control objective, are also included in the attachment.		
The auditor should evaluate contractor internal and/or external audits to determine if any control activities have already been evaluated and if reliance can be placed on such evaluations.		
The auditor should recognize those aspects of the contractor's Budget and Planning System that are automated and should ensure that the related control activities adequately address this automation by performing the		

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audit procedures in section E above as well as those set forth below.	
In performing the following audit procedures to understand the contractor’s control activities, the auditor should recognize that while obtaining an understanding of the other components of internal control (control environment, contractor risk assessment, information and communications, and monitoring), he/she is likely to have obtained some level of knowledge about control activities. The auditor should utilize this knowledge in determining the additional time needed to obtain a sufficient understanding of the contractor’s control activities.	
The contractor should have controls to ensure performance against budgets is monitored on a regular basis.	
1. Review the contractor's policies and procedures to determine if they provide adequate controls to identify and report potentially significant variances.	
2. Evaluate selected variance reports to determine if they:	
a. Comply with established guidelines.	
b. Were distributed to appropriate managers in a timely manner.	
3. Review the contractor's policies and procedures to determine if they require analysis of causes of variances and follow-up actions to control variances.	
4. Selectively evaluate significant variances from prior and current analysis reports. Interview budget department personnel and individual managers to determine if follow-up actions are being attempted prior to revising budgets, in a manner consistent with established policies and procedures.	
5. Verify that significant operating budget variances are promptly reflected in revised forward pricing direct labor and indirect expense rates and in revised contract estimates to complete.	

<b>K-1</b>	<b>Budget Revisions</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
The auditor should obtain an understanding of the contractor's control activities (policies and procedures) for each relevant Budget and Planning System control objective (section G, H and I). A detailed understanding of control activities is essential to the assessment of control risk for each objective. Budget and Planning system primary control objectives and examples of control activities, as they relate to U.S. Government contracts, are provided in the Internal Control Matrix (ICM-BILL). The audit procedures in this section, organized by control objective, are also		

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included in the attachment.	
The auditor should evaluate contractor internal and/or external audits to determine if any control activities have already been evaluated and if reliance can be placed on such evaluations.	
The auditor should recognize those aspects of the contractor’s Budget and Planning System that are automated and should ensure that the related control activities adequately address this automation by performing the audit procedures in section E above as well as those set forth below.	
In performing the following audit procedures to understand the contractor’s control activities, the auditor should recognize that while obtaining an understanding of the other components of internal control (control environment, contractor risk assessment, information and communications, and monitoring), he/she is likely to have obtained some level of knowledge about control activities. The auditor should utilize this knowledge in determining the additional time needed to obtain a sufficient understanding of the contractor’s control activities.	
The contractor should have controls over budget revisions to ensure that all revisions are justified and made in a timely manner.	
1. Review the contractor's policies and procedures to determine if management has established a policy that emphasizes attempted follow-up actions before budget revisions are requested.	
2. Review the contractor's policies and procedures and budgeting practices to determine if they provide adequate controls to ensure that budget revisions are requested, evaluated, and approved in accordance with management's policy.	
3. Review the contractor's policies and procedures to determine if they establish specific controls to ensure that budget revisions are justified and made in a timely manner. Determine if controls are also in place to ensure that changes to contract EACs are justified and made timely.	
4. Selectively evaluate budget revision requests to determine if they were requested, evaluated, and approved or rejected in accordance with the criteria defined in the contractor's policies and procedures or otherwise established by management.	
5. Selectively evaluate budget revision requests to determine if they were approved and communicated to individual managers in a timely manner.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
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<b>1. Assessment Of Control Risk</b>	
a. Considering all five components of internal control, assess control risk for each of the relevant control objectives. For each of the objectives, summarize the characteristics, which support the assessed level of control risk and specifically identify any internal control weaknesses or system deficiencies.	
b. Determine if the system is adequate to reasonably assure proper pricing, administration, and settlement of Government contracts in accordance with applicable laws and regulations.	
c. Based on the assessments above, determine the impact on the scope of other audits.	
d. Update the Internal Control Audit Planning Summary (see CAM 3-305)	
e. Coordinate the results of audit with the supervisor. The supervisor and the FAO manager should review and initial the ICAPS before the exit conference is performed. If it is determined that additional audit steps are needed, any additional planned audit effort should be accomplished as part of this examination or immediately thereafter. Any delays in completion of this audit effort should be documented and approved by management.	
<b>2. Summary Steps</b>	
a. Prepare a draft audit report in accordance with CAM 10-400.	
b. Conduct an exit conference with the contractor in accordance with CAM 4-304.	
c. Finalize the audit report incorporating the contractor's response and audit rejoinder.	
d. If the contractor has EVMS covered contracts, provide comments in the audit report on whether any findings are likely to impact the contractor's EVMS (10-1204.5b). Discuss findings and recommendations relating to the EVMS with the Contract Administration Office EVMS Monitor prior to issuance of the report. Immediately evaluate the impact of these findings on specific EVMS covered contracts and provide the details in flash EVMS surveillance reports (11-209.2.e).	
e. Update the permanent file in accordance with CAM 4-405.1.b (MAAR #3).	

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<b>3. Closing Actions</b>	
<p>Closing actions should be performed in accordance with FAO procedures. These procedures may require either auditors or administrative personnel to perform various closing steps. Completion of these closing actions should be documented (e.g., by initials and date on the CD or working paper folder, etc.) and should include:</p>	
<p>a. The title, author, and keywords fields of the file properties in the audit report must be completed (for the audit report only) prior to final filing.</p>	
<p>b. Review the APPS exe file for size. APPS-generated executable files that are over 10 megabytes in size should be reviewed to ensure that the format and content justify the size. Supervisors are responsible for reviewing or designating someone to review these files for content and format.</p>	
<p>c. Review the APPS exe file for temporary files. These files can be recognized by the “~\$” or “~WRL” at the beginning of the file name. Once the APPS exe file is complete and there is NO ACTIVITY to be completed on any of the files contained within the exe file, any temporary files should be deleted so there are no unintentional versions of working papers and/or reports. NOTE: This should be done prior to invoking the Export/Archive Option in APPS.</p>	
<p>d. Once an audit report is signed, the electronic document should immediately be modified to indicate who signed it, and it should be password protected. The electronic file should then be renamed according to the convention “01 DCAA Report [RORG-ASSIGNMENT NO.] – Final.doc” and changed to a read-only file. Only this file should be stored, transmitted, or otherwise used for official purposes. For Memorandums the word “Report” would be replaced by “MFF” or “MFR” in the naming convention as appropriate.</p>	
<p>e. When the audit report is transmitted electronically to the requestor, the transmission email should be saved as a txt file (this will ensure the attachments are not saved again). Saving delivery or read receipts is optional. If saved, the naming convention should distinguish them from transmittal emails.</p>	
<p>f. Once the report is signed, the signature page of the audit report must be scanned in accordance with Agency standard scanning instructions. For audit packages, the scanned signature page file should be named the same as the audit report (see above) with</p>	

**Master Document – Audit Program**

<p>“-sig” added (i.e., 01 DCAA Report 01101-2002X10100389-Final-sig.pdf). There is no requirement to make the file a part of the APPS generated executable file and it must be included separately in the iRIMS folder. There is no need to scan the signature page of a Memorandum unless it is distributed outside of DCAA.</p>	
<p>g. Ensure an electronic copy of the final draft audit report containing the supervisory auditor’s initials and date, cross-referenced to the working papers, is included in the working paper package. The final draft report should include all substantive changes made to the original draft, with cross-referencing updated as necessary. It should differ from the final report only due to minor administrative changes (spelling, format, etc.) made during final processing.</p>	
<p>h. Ensure all working paper files are "read only" and, if necessary, compressed for final storage. Generally, current Agency software should be used to automatically modify all electronic files for storage.</p>	
<p>i. Two complete sets of electronic working papers should be filed. One set (official) will be filed in iRIMS. A second set (backup) will be stored on removable media in the hard copy working paper folder. The new APPS naming convention (ex: 01701-2003A10100001_Archive_093003.exe) will be used for both. If there will be a short-term need to access the working papers, a third, or "working" set should be stored so as to be available for reference, generally on the LAN. This set should be deleted when no longer needed.</p>	
<p>j. Verify using a separate machine, that electronic files stored on removable media are not corrupted and can be unarchived. Indicate the test was successful by placing tester initials and date prominently on the CD label.</p>	
<p>k. Securely enclose the “backup” set of electronic files (CD) and any “official” set of hard copy in the hard copy folder.</p>	
<p>l. File the “official” set of electronic files in iRIMS (see iRIMS User Guide).</p>	
<p>m. <b><u>Do Not File Sensitive Audits in iRIMS:</u></b> Sensitive audits include but are not limited to classified work, suspected irregular conduct, hotline or DCAA Form 2000 related files. These audits should not be filed in iRIMS at this time. See CAM 4-407f for filing instructions.</p>	