

<b>Activity Code 17850</b>		<b>CPRs, C/SSRs, and CFSRs</b>
<b>Version 3.0, dated April 2004</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 Cost Performance Reports (CPRs), 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 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. Those steps not required should be marked "not applicable" (N/A), lined through, or deleted, as appropriate for your FAO. Portions of the audit which are covered in other assignments (e.g., audits of billing system, budgeting system, 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 Contractor Compliance with DoD Program Management Systems Reporting Requirements.

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
1.	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.	
2.	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.	
3.	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.	
4.	Contact the contract management office/program office and discuss the planned audit.	
5.	Document the need for technical assistance. Request any required technical assistance	
6.	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.	
7.	Understanding and Evaluating the Contractor’s Internal Control Structure	
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.	
b. If the contractor is classified as non-major (where ICAPS have not been completed) and if the evidential matter to be obtained during the audit is highly dependent on computerized information systems, document on working paper B-2 the audit work performed that supports reliance on the computer-based evidential matter. Specifically, document or reference one or more of the following in working paper B-2:	
(1) the audit assignment(s) where the reliability of the data was sufficiently established in other DCAA audits,	
(2) the procedures/tests that will be performed in this audit to evaluate the incurred costs that will also support reliance on the evidential matter, and/or	
(3) the tests that will be performed in this audit that will be specifically designed to test the reliability of the computer-based data.	
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.	
8. 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:	
<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> </ul>	
<ul style="list-style-type: none"> <li>• CAM Figure 4-7-3</li> </ul>	
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.	
9. 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.	
10. Arrange and conduct an entrance conference with the contractor's personnel responsible for the CPR,C/SSR, and CFSR reports.	
11. Summarize the results of the risk assessment and preliminary audit steps and clearly identify the planned scope of audit.	

C-1	Policies and Procedures	WP Reference
<b>Version 3.0, dated April 2004</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.		

D-1	Evaluation of Reports	WP Reference
<b>Version 3.0, dated April 2004</b>		
1. Review the CPRs, C/SSRs, and/or CFSRs selected for evaluation and verify the mathematical accuracy.		
2. Review the selected reports for compliance with contractual requirements, such as reporting due dates, format, and content.		

E-1	Reconciliations	WP Reference
<b>Version 3.0, dated April 2004</b>		
1. 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.		
2. Reconcile the CPR or C/SSR to the CFSR(if these reports are required) using the guidance in “CPR-CSSR–Reconciliation of Cost Reports” document located in Other Audit Guidance.		
3. 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.		
4. Request the contractor to explain any differences between the CPR or C/SSR, the CFSR, the cost ledgers, and the other reports. Differences that cannot be explained are indicators of significant internal control deficiencies in the cost accounting system and/or the performance measurement system.		
5. Immediately advise the contractor and the contract administration office of any system deficiencies and report the condition using the guidance in CAM 11-304.4 (for audits of CPRs),CAM 11-305.4 (for audits of C/SSRs), and CAM 11-303.5 (for audits of CFSRs).		

F-1	Estimated Cost at Completion (EAC)	WP Reference
<b>Version 3.0, dated April 2004</b>		
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.	
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:	
<p>Note: DCMA frequently evaluates reported EACs using similar trend analysis techniques. Do not duplicate analyses available from the CMO or Program Office.</p>		
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 Other Audit Guidance).	
b.	Project the EAC using Cost Performance Indices (CPI)s and Schedule Performance Indices (SPI)s as explained in "CPR-CSSR-Trend Analysis" document located in Other Audit Guidance.	
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.	

<b>G-1</b>	<b>Variance Analysis</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</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 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.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
<b>Version 3.0, dated April 2004</b>		
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 11-202.5 for CFSR audits, 11-304.4 for CPR audits, and/or 11-305.4 for C/SSR audits).	

<p>a. The report should fully describe any significant unresolved deficiencies together with recommendations for their correction.</p>	
<p>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).</p>	
<p>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).</p>	
<p>6. Supervisory Review.</p>	
<p>7. Complete administrative working papers and update permanent files (ICAPS, MAARs, CAS, etc.).</p>	
<p>8. 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,</p>	

<p>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 “-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</p>	

iRIMS at this time. See CAM 4-407f for filing instructions.	
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