

**Master Document – Audit Program**

<b>Activity Code 19100</b>		<b>Compliance of Initial Disclosure Statement</b>
<b>Version 2.0, dated April 2004</b>		
<b>B-1</b>	<b>Planning Considerations</b>	
<b>Purpose and Scope</b>		
To provide general objectives to be considered in auditing an initial D/S for compliance with the CAS standards. Compliance of actual performance will be tested later in accordance with the routine audit planning cycle and is not covered by this program.		
NOTE: This program does not replace individual auditor judgment and therefore, should be tailored to the audit scope of the particular assignment. The revised audit program 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.		
<b>References</b>		
1. CAM, Chapter 10, Section 8		
2. CAM, Chapter 8		
3. CAS Board Rules, Regulations, and Standards		
4. DoD CAS Working Group Guidance Papers 76-6, and 77-20		
5. 48 CFR 9903.202		

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
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1. Upon receipt of an initial D/S, the auditor will generally audit the disclosure statement for adequacy prior to compliance. The compliance audit should be scheduled for completion with 60 days after the cognizant Federal agency official (CFAO) has made a determination of adequacy (CAM 8-303.2). Advise the CFAO of the compliance audit in accordance with CAM 4-103. Advise the CFAO of any delays encountered during the audit.		
2. If the organization being examined is a joint venture, teaming arrangement, or contractor wholly-owned subsidiary or division, read CAM 7-1800.		

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a. Determine the need for a CAS Disclosure Statement in accordance with CAM 7-1810.2.	
b. Determine the actual relationship between the contracting organizations using the criteria in CAM 7-1807.	
c. Determine if the contractor is proposing to and/or is accumulating and allocating costs consistent with the actual relationship, e.g., if the actual relationship more closely resembles that of a prime contractor/subcontractor then costs should be allocated consistent with this type of relationship.	
3. Request assist audits, if needed.	
4. Materiality is a prime consideration in determining the degree of audit effort needed to assure compliance. If an area is not being audited in depth because of materiality considerations, the workpapers should document the restricted scope.	
5. In planning and performing the examination, review the fraud risk indicators in CAM Figure 4-7-3 for applicability to this audit. Document in working paper B any identified fraud risk indicators and your response/actions to those 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.	
6. 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:	
a. The audit assignments(s) where the reliability of the data was sufficiently established in other DCAA audits,	
b. 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	
c. 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 10-20.4a and 10-805.4.	

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C-1	Evaluation of Compliance	WP Reference
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1.	Prepare a list of CAS applicability dates for each standard affected by the audit.	
2.	Survey the D/S to identify practices, which appear to be obviously noncompliant with an applicable standard or acquisition regulation.	
3.	Prepare a schedule listing apparent noncompliance(s). Also, list sensitive or critical areas requiring in-depth audit. Perform risk analysis and assign audit priorities.	
4.	Audit for compliance with each applicable standard those described accounting practices involving significant costs or sensitive issues. Limit the scope of the audit to compliance of described practices with the CAS. Compliance of actual performance will be tested later in accordance with the routine audit planning cycle. Document findings, conclusions, and observations.	
5.	Coordinate significant or unusual issues with the supervisor and the FAO technical specialist	
6.	If a noncompliance issue is identified and supported, a separate assignment should be established to report and resolve the noncompliance (activity code 19200; APNONCOMP; and CAM 8-208)	

A-1	Concluding Steps	WP Reference
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1.	Summarize the result of audit	
2.	Discuss results with the supervisor and the FAO technical specialist.	
3.	Prepare draft audit report in accordance with CAM 10-805. Noncompliance issues should be reported separately in accordance with CAM 10-808.	
4.	Hold an exit conference with the contractor and provide a draft report to the contractor for comments in accordance with CAM 4-304.	
5.	Finalize audit report incorporating the contractor's response and audit rejoinder, if applicable.	
6.	Update the permanent files, e.g., ICAPS or ICQ, and Mandatory Annual Audit Requirements (MAARs) schedules, as appropriate.	

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<p>7. 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 “-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</p>	

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signature page of a Memorandum unless it is distributed outside of DCAA.	
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.	
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.	
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.	
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.	
k. Securely enclose the “backup” set of electronic files (CD) and any “official” set of hard copy in the hard copy folder.	
l. File the “official” set of electronic files in iRIMS (see iRIMS User Guide).	
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.	