



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PAS 730.3.B.2.4

August 8, 2012
12-PAS-020(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA
HEADS OF PRINCIPAL STAFF ELEMENTS, HQ, DCAA

SUBJECT: Audit Guidance on the One Audit Approach – When FAOs Incorporate Audit Procedures Performed by Other FAOs without an Assist Audit Report

SUMMARY

The purpose of this memorandum is to provide guidance on using the One Audit Approach (OAA). The OAA promotes DCAA's One Agency Concept by allowing one FAO (requesting office) to incorporate audit procedures performed by another FAO (assisting office) into its working papers without a traditional assist audit. This approach can be used when an audit covers multiple locations within the same contractor organization (e.g., business segments, related divisions, offsite locations, etc.) with similar operations and business systems and where the assist portion of the audit is material to the requesting office's submission or system being evaluated.

To support the development of a comprehensive understanding of contractor operations, which are often geographically dispersed yet operating under one control environment, FAOs have already started to employ the OAA to effectively complete complex audits for which FAOs had traditionally requested an assist audit. The major benefits of the OAA approach include a more comprehensive understanding of contractor organizations by the audit staff; improved communication and coordination among FAOs; more efficient assessment of risk, materiality and audit scope; reductions in management and quality reviews; and timelier reporting of audit results. Upfront and continuous communication and cooperation is key to a successful implementation of the OAA.

FAOs should consider using the OAA as the **preferred method** on ALL assignments where a portion of an audit needs to be performed by another office. However, FAOs should **not** use the OAA on subcontractor assist portions of an audit when an evaluation of the subcontractor's submission is necessary (e.g., for price proposals where, based on the factors in CAM 9-104.2, the Government is not relying on the prime contractor's price or cost analysis). In deciding when to use the OAA, auditors should use judgment in applying the factors identified in the Guidance section of this MRD to the specific circumstances of the audit with emphasis on achieving the objectives of the audit in the most efficient manner. Additional supporting guidance can be found in the Frequently Asked Questions enclosure to this MRD.

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The CAC network is an environment in which the OAA can work well. The CAC has a “big picture” understanding of the contractor and its components, has a network for greater coordination and participation among audit offices and, as such, has the capability and perspective to make appropriate judgments on planning, supervision and sufficiency of evidence. However, the OAA is not limited only to the CAC environment.

The need for a “big picture” understanding of the contractor and its components can be just as important, if not more so, where there is not a CAC network. Many contractors without a CAC network have geographically dispersed yet integrated business systems in which FAOs must gain a sufficient understanding of the operations and associated risks. By using the OAA approach, FAOs will have a thorough understanding of the contractor’s systems resulting in a more accurate assessment of risks and focused audit procedures.

BACKGROUND

The OAA has been and is frequently used for Mandatory Annual Audit Requirements (MAAR) 6 and 13 assignments. Out of the need for a more comprehensive understanding of contractor operations, this approach has recently been expanded to include more complex audits for which FAOs have traditionally requested an assist audit.

An assist audit provides a level of assurance to the requesting office that the assist portion was designed, executed, and reported in accordance with GAGAS. Also, in an assist audit, the planning and supervision decisions associated with assessing inherent and control risk factors, and obtaining an understanding of the relevant internal controls for that particular location, are performed by the assisting FAO. In contrast, when using the OAA, these decisions generally are the responsibility of the requesting FAO, in consultation with the assisting office.

The OAA works well for MAAR 6 and 13 since these assignments are limited to specific areas covering similar operations and controls at all locations involved. The audit evidence generally is objective in nature and the procedures require very little judgment by the assisting office. However, the introduction of the OAA to more complex audits has caused some confusion on expectations and uses and disagreements among the participating FAOs. Many of the disagreements were due to differences in priorities, opinions about audit judgments, and working paper expectations. Following the guidance in this MRD should minimize these disagreements and provide a framework for communication and collaboration between FAOs.

GUIDANCE

The attestation standards, which are incorporated into GAGAS by reference, require the auditor to adequately plan the work and properly supervise any assistants (AT 101.42). To accomplish this requirement using the OAA, the requesting office should consider the nature, timing and extent of the work to be performed at the assisting location to ensure that it accomplishes the audit objectives. The OAA’s single risk assessment perspective can result in a more efficient audit design while improving quality through increased collaboration among

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FAOs. It must be remembered that while each FAO has its own workload, the Agency's mission is dependent on all FAOs communicating and working together to support the warfighter and protect the taxpayer.

Using the OAA

The OAA promotes DCAA's One Agency Concept by allowing one FAO (requesting office) to incorporate audit procedures performed by another FAO (assisting office) into its working papers without the traditional assist audit. FAOs should consider using the OAA as the **preferred method** on ALL assignments within the same contractor organization (e.g., business segments, related divisions, offsite locations, etc.) where a material portion of an audit needs to be performed by another office and there are commonalities between the contractor locations. However, in making the determination about whether to use the OAA, the emphasis should always be on achieving the objectives of the audit in the most efficient manner. Factors that may impact this decision are:

- The degree to which the specified compliance requirements apply at the different contractor locations or business segments (e.g., when performing business system audits);
- The similarity of operations over compliance for the different locations (e.g., business segments, related divisions, offsite locations, etc.);
- Judgments about materiality;
- The degree of centralization of records;
- The effectiveness of the control environment (i.e., particularly management's direct control over the exercise of authority delegated to others and its ability to supervise activities at various locations effectively); and
- The nature and extent of operations conducted at the various locations (e.g., business segments, related divisions, offsite locations, etc.).

FAOs should not use the OAA on subcontractor assist portions of an audit when an evaluation of the subcontractor's submission is necessary (e.g., for price proposals where, based on the factors in CAM 9-104.2, the Government is not relying on the prime contractor's price or cost analysis).

OAA Assignment Creation

As indicated in MRD 12-OWD-16(R), dated April 13, 2012, DMIS Version 5.2 was updated to include two new fields that provide FAOs the ability to link the audit assignment with assist or subassignments. The new fields are called "Parent/Child" and "Parent FAO/Assignment." In using the OAA, the requesting office will be able to set up its assignment using the "Parent" attribute in DMIS and the assisting office will use the "Child" attribute. This will allow each office to manage the audits within their own FAOs. See MRD 12-OWD-16(R) for further guidance on these new attributes.

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OAA Planning Process

FAO Communications

The requesting office should communicate with the assisting office(s) as early as possible to adequately assess the use of the OAA and the efficient and effective use of resources. Generally, these initial discussions would take place at the Supervisory Auditor (SA) and Auditor levels. If the FAOs decide to use the OAA, the requesting FAO should prepare an Instruction/Confirmation Memorandum that should be signed and subsequently confirmed by the cognizant assisting FAO Managers/Resident Auditors (see enclosure). The memorandum also should include or refer to any agreed-to audit steps, due dates and other relevant information. The complexity of the assignment will determine the frequency of communications required throughout the audit.

Contractor and Contracting Officer Communications

Generally, there will be only one formal entrance conference, exit conference, and notification letter that will be conducted or issued by the requesting FAO. Depending on the materiality and complexity of the assisting portions of the audit, it may be necessary, in some cases, for the assisting FAO to issue a separate notification letter to the assisting office's contractor location and attend the formal entrance and exit conference.

Generally, the requesting FAO will address all official Agency correspondence (Acknowledgment Letters, Audit Reports, etc.) to the contracting officer responsible for the subject matter of the audit. However, contracting officers cognizant over assist portions of the audit should be included on distribution. To facilitate this, the assisting FAO should include the assisting contracting officer's information in its confirmation to the Instruction/Confirmation Memorandum. Assisting FAOs should continue to communicate directly with cognizant assisting contracting officers to make them aware of the audit's objectives and address possible concerns. These communications should be documented in the working papers and discussed with the receiving office to be considered in the overall risk assessment.

Other Preliminary Audit steps

Under the OAA, the audit effort at the assisting office does not represent a separate examination engagement, resulting in a single primary risk assessment that establishes an overall strategy for the expected conduct and scope of the audit. This would include the requesting FAO holding planning meetings with the assisting audit team members to discuss the risk of material misstatement due to error or fraud. These communications should be documented in the working papers and considered in the overall risk assessment. Auditors should keep in mind that significant efficiencies can be gained from considering risk and materiality from an overall audit perspective, rather than in parts, which can result in more effective detailed audit procedures.

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OAA Detailed Audit Steps

The requesting FAO will have final responsibility of ensuring that the assisting FAO working papers support the overall audit opinion. As part of this responsibility, the requesting FAO should approve the detailed audit steps performed by the assisting office. Generally, there is no need for the assisting office to generate an APPS package since the working paper structure/format should be provided by the requesting office. The determinations on working paper formats should be established early in the audit process with the assisting FAO to allow for efficient consolidation into a final audit package. See the Working Paper Best Practices enclosure for information related to working paper structure/format.

Both offices should be alert to conditions encountered during the performance of the fieldwork that may impact previous assessments about risk. Such conditions may require the requesting office to reevaluate whether the current audit procedures will gather sufficient evidence to render an overall opinion. Changes to any audit procedures by the assisting office, which occur after the Instruction/Confirmation Memorandum or approval of the detailed audit steps but prior to the completion of the audit, should be coordinated with the requesting office. The changes can be coordinated informally but should be documented in the working papers.

The assisting FAO will perform a supervisory review of its working papers to ensure that the working papers contain sufficient appropriate audit evidence to support the conclusions reached and achieve the stated objectives prior to submission to the requesting FAO. Once completed, working papers provided by the assisting office should not be changed by the requesting office. If changes are needed prior to the completion of the audit, the changes should be coordinated with the assisting office and the documented concurrence should be included in the working papers.

In addition, the OAA's single risk assessment approach considers risk and materiality from an overall audit perspective. When considering materiality from this perspective, the requesting FAO has the benefit of knowing when assist portions of the audit under consideration and the findings at each individual location by themselves may not be material, but when considered in aggregate with the findings of all of the assist portions, could be material. Therefore, using the OAA may result in less testing to get the same level of audit coverage then would be required if the testing was performed separately at each location.

OAA Concluding Audit Steps

Transmission of Results

In using the OAA, the assisting offices will **not** issue an audit report or memorandum to the requesting office. Rather, the assisting office will send a transmission e-mail to the requesting office with the final audit results and will transmit all the working papers (including administrative) to the requesting office. See the Working Paper Best Practices enclosure for an example of a transmission e-mail. The requesting office's final report should include the assisting FAOs and any cognizant assisting contracting officers in the Distribution section.

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Filing in Livelink

In using the OAA, both offices must file the final assignment audit package in Livelink. The requesting office is responsible for filing ALL final audit materials (including the assisting office's portion) into Livelink under the "Parent" assignment number. The assisting office should file only its working papers transmitted in Livelink under the "Child" assignment number.

Other OAA Issues

Disagreements

The OAA initially may create a potential for disagreements between offices, especially for complex audits. Generally, the disagreements are the result of differences of opinion about auditor judgment, working paper documentation, communications with assisting office's contractor representatives, resource priorities, risk assessments, and sampling plans.

Disagreements can reduce the efficiencies gained from the use of the OAA and, therefore, must be resolved quickly and at the lowest level possible. The Auditors/SAs of the two offices should attempt to resolve the disagreement and if disagreements still exist, the FAO Manager/Resident Auditors of the two offices should get involved to resolve the differences. If disagreements continue to exist, both offices may need to elevate the disagreements to their respective Regional Deputy Director.

The most effective way to limit disagreements is to ensure full and open communication between all parties. Communication should take place early in the audit process to ensure the FAOs have a good understanding of the audit objectives and the expectations of the OAA approach. Upfront and continuous communication and cooperation is the key to a successful implementation of the OAA.

FAO personnel should direct questions regarding this memorandum to their regional offices and regional personnel should direct any questions to Auditing Standards Division at (703) 767-3274 or e-mail: DCAA-PAS@dcaa.mil.

/Signed/
John C. Shire
Deputy Assistant Director
Policy and Plans

Enclosures: 3

DISTRIBUTION: E

ONE AUDIT APPROACH FREQUENTLY ASKED QUESTIONS

Question 1: What are the benefits of using the One Audit Approach?

Answer: The One Audit Approach (OAA) provides for a more comprehensive understanding of contractor organizations by the audit staff, improved communication and coordination among audit offices, more efficient assessment of risk and audit scope, and reductions in regional and quality reviews and audit cycle time.

Contractor business systems have become more comprehensive and complex. The OAA provides a framework for the auditor to obtain a more comprehensive understanding (through coordination with the assisting office) of how these complex systems are integrated and operate among the various locations (business segments, related divisions, offsite locations, etc.). As a result, the OAA's single risk assessment approach allows the requesting office to design more efficient and effective audit procedures and focus on the risk of material misstatement that is relevant to the subject matter of the audit. In addition, the OAA's single risk assessment improves the quality of the audit through increased cooperation among FAOs. This approach also can reduce audit cycle time and the number of regional and quality reviews since, under the OAA, these reviews will generally be performed at the requesting office level.

However, applying the OAA may not be effective or efficient in all cases. Especially in cases where the assisting portion represents the majority of the audit and/or there are significantly dissimilar operations and business systems between organizations. The factors for using the OAA (see MRD) should be applied on a case-by-case basis to the specific circumstances of the audit.

The CAC network is an environment in which the OAA can work well. The CAC has a "big picture" understanding of the contractor and its components, has a network for greater coordination and participation among audit offices and, as such, has the capability and perspective to make appropriate judgments on planning, supervision and sufficiency of evidence. However, the OAA is not limited only to the CAC environment.

The need for a "big picture" understanding of the contractor and its components can be just as important, if not more so, where there is not a CAC network. Many contractors without a CAC network have geographically dispersed yet integrated business systems in which FAOs must gain a sufficient understanding of the operations and associated risks. By using the OAA approach, FAOs will have a thorough understanding of the contractor's systems resulting in a more accurate assessment of risks and focused audit procedures.

Question 2: My FAO has been asked by another FAO to participate in the One Audit Approach as an assisting office. Who is responsible for planning and supervising the audit?

Answer: In all assignments, the FAO initiating the audit (requesting FAO) is ultimately responsible for proper planning and supervision and determining the overall sufficiency and appropriateness of the evidence as a basis for the audit opinion, including the work of the assisting office. Under the OAA, the requesting FAO is responsible for understanding the risks of material misstatement (inherent and control) and the design of audit procedures to obtain sufficient and appropriate evidence that supports the overall opinion.

ONE AUDIT APPROACH FREQUENTLY ASKED QUESTIONS

Although the requesting office has the ultimate responsibility for planning and supervision, assisting FAOs have specific knowledge and experience relevant to the audit. During the planning and performing phases, pertinent knowledge and experience of the assisting contractor's organization is shared with the requesting FAO so it can sufficiently understand the contractor's operations and environment and ensure the appropriate design of audit procedures. The assisting FAOs also have the responsibility to perform the day-to-day supervisory functions for its offices. The assisting FAO also will perform a supervisory review of its working papers and communicate matters, as necessary, to ensure that the working papers contain sufficient appropriate audit evidence to support the conclusions reached and achieve the stated objectives prior to submission to the requesting FAO.

The requesting FAO will review the assisting FAO's work to the extent necessary to understand how it supports the overall audit opinion.

Question 3: Why not use the One Audit Approach on subcontractors?

Answer: Subcontractors are separate companies and likely will have completely different business operations, systems and controls. Therefore, each FAO would be required to develop its own understanding of the contractor's internal control and processes negating the benefit of the OAA. In addition, given the factors for determining whether to use the OAA (see MRD), for subcontractors, the requesting office would generally not be able to effectively and efficiently plan and supervise the audit. There also may be an increased risk of unauthorized disclosure of proprietary information.

Question 4: When can FAOs use the One Audit Approach on interdivisional price proposals?

Answer: Using the OAA on interdivisional price proposals should be decided on a case-by-case basis depending on the circumstances of the audit.

In some cases, interdivisional price proposals (21000) are a completely separate assertion based on the sum of cost/price elements (direct and indirect) that are generated from completely different business systems and environments. Therefore, given the factors for determining whether to use the OAA (see MRD), it would be difficult for the requesting office to effectively and efficiently plan and supervise the audit.

However, there may be cases where the OAA can be effectively and efficiently used on interdivisional price proposals. For example, based on the assessed risk, the requesting FAO only may need parts of an interdivisional price proposal examined. Also, the interdivisional price proposals may have similar estimating systems and control environments. In making the determination about whether to use the OAA, the emphasis should always be on achieving the audit objectives in the most efficient manner.

ONE AUDIT APPROACH FREQUENTLY ASKED QUESTIONS

Question 5: I am about to start an audit using the OAA. My supervisor has tasked me with determining which offices to ask for help. One of the offices is a Field Detachment (FD) office. Can FD participate in the OAA?

Answer: It depends. While it is expected that the OAA process will be routinely used by all regions, the OAA will be considered on a case-by-case basis by FD FAOs due to the inherent limitations associated with the nature of the work.

Question 6: The MRD states that the requesting FAO should prepare an Instruction/Confirmation Memorandum and that it should be signed by the FAO Manager/Resident Auditor. Does the assisting office sign this letter?

Answer: Yes. After the appropriate coordination between the offices, the assisting FAO Manager/Resident Auditor will sign this memorandum indicating their acknowledgment of audit procedures and responsibilities.

Question 7: Does the requesting office determine the due dates and budgets for the assisting office?

Answer: Due dates need to be coordinated between FAOs to ensure that the audit meets its objective, satisfies the requestor's needs and is delivered in a timely manner. If the assisting office cannot make a previously committed date, they need to communicate this to the requesting office as soon as they become aware of it. Disagreements about due dates should be elevated as soon as possible.

The assisting FAO will manage its own work and establish its own budget for the assisting effort. However, budgets have important implications when planning the audit and coordinating due dates. Therefore, the requesting FAO should be made aware of initial budgets and budget revisions that could impact its milestone plan.

Question 8: What if an assist MAAR 6 included a significant number of employees in Afghanistan and the requesting office is stateside?

Answer: The OAA works well with MAAR 6 and 13 assignments at offsite locations since these engagements are limited to specific areas and usually require very little judgment by the assisting office. Generally, the offsite location's timekeeping and materials controls are similar and the requesting FAO can readily obtain an understanding of the assist location's operations and environment. Generally, the evidence obtained is objective in nature, such as completed questionnaires or material verification sheets. This makes it easy to evaluate whether sufficient evidence has been obtained and how it impacts the overall audit opinion.

ONE AUDIT APPROACH FREQUENTLY ASKED QUESTIONS

However, if an assist MAAR 6 included a significant number of employees in Afghanistan and the requesting office is stateside, then inherent and control risk factors between locations can be, and likely are, significantly different. In this case, the Afghanistan Branch Office (ABO) would need to provide substantial input into planning and performing the engagement for that location. One approach would be for the ABO to prepare separate risk assessment steps for approval by the requesting FAO. Another approach might be that due to its significance and dissimilar environments, the requesting FAO may decide that a traditional assist audit and report is more effective and efficient. Using the OAA should be decided on a case-by-case basis depending on the circumstances of the audit.

Question 9: How are the Instruction/Confirmation Memorandum, engagement and acknowledgment letters, and entrance and exit conferences process handled when using the OAA?

Answer: FAOs generally should follow existing guidance. Depending on the nature and complexity of the engagement, there can be primary and secondary letters and conferences at both the requesting and assisting FAOs. FAOs should be flexible and stay focused on achieving the audit objectives in the most effective and efficient manner as well as maintaining open lines of communication with all parties involved.

Question 10: Which FAO establishes the working paper format?

Answer: It is important for the FAOs to have a mutual understanding related to working paper formats. Early working paper determinations on formats and locations will allow for efficient consolidation into a final audit package.

Generally, the working paper formats for the assignment will be provided by the requesting FAO. Formatting includes headers, footers, summary working paper formats, etc. Working paper file names and descriptions at the requesting office level should adequately distinguish working papers from different sites without opening each individual working paper (e.g., Z-02 LM Atlanta FAO-Contract Debts, Demand Letters and Refunds.xls). The assisting FAO's working papers should include its own subsections for administrative matters, such as correspondence, supervisory guidance, etc. (e.g., Z-07 LM Atlanta FAO-Correspondence.doc).

Encapsulating all the effort related to a particular assist portion into specific APPS sections can become very important on complex audits. Refer to the Working Paper Best Practices Enclosure for specific examples. These examples are samples of best practices but are not meant to be "all-inclusive" or "inflexible."

ONE AUDIT APPROACH FREQUENTLY ASKED QUESTIONS

Question 11: Who should file the Instruction/Confirmation Memorandum?

Answer: The Instruction/Confirmation Memorandum should be filed by the requesting office in the administrative (numerical) portion of the working papers (see Working Paper Best Practices Enclosure).

Question 12: What audit number is to be placed in the assisting offices working paper headers?

Answer: There is only one audit when using the OAA. The assisting FAO's working papers are incorporated into the requesting FAO's APPS. The requesting office's audit number (Parent) is required on the assisting office's working paper headers. The assignment number at the assisting office (Child) is for charging time and planning purposes.

Question 13: What are the requirements for the audit team planning meeting to be conducted with the assisting offices?

Answer: The audit team should hold a planning meeting with the assisting office's audit team (e.g., Branch Manager, Supervisor, Auditors) to consider how and where the subject matter (e.g., contractor's books and records) being audited might be susceptible to material noncompliances due to error or fraud. The discussion among the audit team members should emphasize the need to maintain a questioning mind and to exercise professional skepticism in gathering and evaluating evidence throughout the audit. The planning meeting or meetings (depending on the complexity of the audit) should be documented in the working papers by the requesting FAO and considered in the overall risk assessment.

Question 14: How are the results transmitted to the requesting office?

Answer: The OAA process does not require a memorandum or report to be issued by the assisting office. The assisting FAO will send an e-mail to the requesting office to transmit their results (working papers). Supervisory Auditors should send results directly to the Supervisory Auditor and/or Auditor. However, in order to assure delivery, this e-mail should be sent to the FAO Mailbox as well. The assisting FAO should attach ALL working papers to the transmission e-mail (compressed, if appropriate). The transmission e-mail should include:

- Points of contact and contact information (FAO Manager/Resident Auditor, SA, and Auditor, at a minimum),
- Requesting and assisting office assignment numbers,
- Special arrangements between offices related to execution or reviewing,
- "For Official Use Only" markings, and
- Appropriate cautionary language.

ONE AUDIT APPROACH FREQUENTLY ASKED QUESTIONS

The requesting office should include a copy of this e-mail into the final working paper package. Refer to the Working Paper Best Practices enclosure for a transmittal e-mail example.

Question 15: What is the process if a disagreement occurs between the requesting office and the assisting office?

Answer: Disagreements can reduce the efficiencies gained from the use of the OAA and, therefore, must be resolved **quickly and at the lowest level possible**. While the OAA process may initially have a greater potential for disagreements between offices, the MRD does **not** create a new process for resolution of disagreements. FAOs should follow existing guidance on disagreements and elevate matters through their respective chains of command.

Question 16: What does an FAO do if the assist work from another office is not going to be completed in time?

Answer: Audits performed using the OAA are presumed to require a higher degree of coordination and issues like this should become evident early on. DCAA is “One Agency” and FAOs should work together to meet their commitments. The guidance set forth in 12-PPS-001(R) on the development and use of a milestone plan can help. Not getting assist effort in a timely fashion should be treated with the same importance as a disagreement and elevated as quickly as possible.

If absolutely necessary, the requesting office can proceed with issuing the audit report (without the assisting procedures) but should follow existing guidance and either qualify or disclaim an opinion due to a reservation about the engagement (AT 101.72). The requesting FAO would then follow up with a supplemental report (CAM 10-214) that incorporates the completed work of the assisting office, if it would serve a useful purpose.

Question 17: I received a traditional assist audit request from another FAO. My FAO has successfully used the OAA on other audits and believes this request could be more efficiently accomplished using the OAA. What should I do?

Answer: If the assisting office has concerns about the requested approach, the assisting FAO’s supervisory auditor should contact the requesting FAO’s supervisory auditor to inquire about their rationale and explain why the assisting office believes using the OAA would be effective. Ultimately, the requesting FAO is responsible for deciding whether to use the OAA. However, the requesting FAO should be able to explain the rationale for selecting the traditional approach to the assisting FAO. Both offices should keep in mind that regardless of the approach, there should be dialogue between the offices in order to gain a sufficient understanding of the contractor’s operations and the associated risks that are relevant to the subject matter of the audit.

ONE AUDIT APPROACH
INSTRUCTION/CONFIRMATION MEMORANDUM

MEMORANDUM FOR DEFENSE CONTRACT AUDIT AGENCY, ABC BRANCH OFFICE,
ADDRESS,

ATTENTION: [Identify Branch Manager/Resident Auditor and Supervisory Auditor]

SUBJECT: Request for Audit Assistance Using the One Audit Approach in
Connection With Our [Identify Audit Assignment No. and Title] of
[Contractor-Division]

This memorandum will be prepared by the requesting office after it has designed, in coordination with the assisting office, the nature, timing, and extent of the procedures to be performed.

As part of our subject audit referenced above and based on discussions with [identify who you discussed this with] of your office, we have identified specific audit procedures that are required to be performed at [identify the assisting contractor-division] under your cognizance. We request the assistance of your office to complete the attached audit program steps. *[Depending on the complexity of the audit, auditors may choose to list the steps below.]*

[Optional] We have enclosed the working paper templates, BlankWithHeader.doc and BlankWith.Header_XLS.xls, for your use in creating working papers for this assignment.

We discussed the objectives of the procedures to be performed and matters that affect the nature, timing, and extent of such procedures. As a result, our offices will provide access to relevant audit documentation and discuss significant matters that could impact the audit results. In addition, please inform us if your office encounters matters arising from applying these procedures to determine whether it is necessary to coordinate additional audit effort.

Our FAO is responsible for proper planning and supervision of the audit and determining the overall sufficiency of the evidence as a basis for the audit opinion, including the work of your FAO. Your FAO will perform a supervisory review of the working papers and ensure that they contain sufficient appropriate audit evidence to support the conclusions reached and achieve stated objectives prior to submission to our FAO.

Please acknowledge our request by signing and returning this memorandum within [number of days] and provide the working papers to support the performance of the identified audit procedures by [insert due date]. If you have any questions pertaining to this memorandum or disagree with any procedures listed above, please contact [identify POC] immediately. Our e-mail address is dcaa-fao[RORG]@dcaa.mil.

John Doe
XYZ Branch

Enclosure 2
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ONE AUDIT APPROACH
INSTRUCTION/CONFIRMATION MEMORANDUM

Confirmation of Instruction:

Name:
Title:

Signature:
Date:

Assisting Office's Cognizant Contracting Officer:

Name:
Address:
Phone Number:

ONE AUDIT APPROACH - WORKING PAPER BEST PRACTICES

Working Paper Example (Floor Check Spreadsheet):

The key to the One Audit Approach (OAA) request is to be as specific as you can be on working paper format expectations to ensure smooth incorporation of results. Below is an example of the header information that may be provided (in a spreadsheet format) by the requesting office on a floor check request.

A	B	C	D	E	F	G	H	I	J	K	L	M	N
See On-Page-Note	Attribute 1		Attribute 2		Attribute 3		Attribute 4		Attribute 5		Attribute 6		Attribute 7
	Employee Physically Located (Identity Verified)		Employee Completing Timesheet		Timesheet Current		Timesheet Not Completed In Advance		Timesheet Corrections Adequate		Employee Timesheet Signature Or Electronic Confirmation (As Required)		Employee Time Charges Supported
Employee Name	<i>W/P Ref.</i>		<i>W/P Ref.</i>		<i>W/P Ref.</i>		<i>W/P Ref.</i>		<i>W/P Ref.</i>		<i>W/P Ref.</i>		<i>W/P Ref.</i>
Imnot Current	Yes		Yes		No		Yes		N/A		N/A		Yes

Working Paper Format Example:

Under the OAA, the assisting office will be asked to perform some portion(s) of the audit. For ease of referencing, reviewing, incorporating, and maintaining the working papers (WPs), this should be a predefined working paper section(s) or some portion thereof. When an entire WP section is requested, the assisting office may use the predefined WP reference (e.g., “D”) from the APPS package. However, in many cases only a portion of a WP section will be requested of the assisting office. In these cases, the offices may agree to use some WP reference outside the predefined APPS templates (e.g., “Z”).

The goal of the file naming conventions is to ensure the ease of incorporation of the assisting office working papers and to encapsulate them into the final package. Here is an example:

- WP Z Lead (with exhibits and explanatory notes)
- WP Z-01 Planning (Audit program steps)
- WP Z-02 Detailed
- WP Z-02a,b,c, etc. Supporting working papers
- WP Z-03 Correspondence
- WP Z-03a Government
- WP Z-03a-1 Acknowledgment
- WP Z-03b Contractor
- WP Z-04 Contractor submission
- WP Z-05 Peer Review
- WP Z-06 SA Review

Note: The working paper list above is presented as a best practice example and is not meant to be “all-inclusive” or “inflexible.”

ONE AUDIT APPROACH - WORKING PAPER BEST PRACTICES

Transmission E-mail Example:

As stated in the MRD, the requesting office should include this e-mail (excluding attachments due to the impact on the overall file size) in its working paper packages to be filed in Livelink. While this e-mail can be sent directly to the Supervisory Auditor and/or Auditor, in order to assure delivery, this e-mail should be sent to the FAO Mailbox at a minimum. Below is an example e-mail that might be drafted to the requesting office from an assisting office in response to an OAA request:

Subject: OAA Related to *[Contractor Name]* for *[Supervisory Auditor Name]*

In the Body of the E-mail:

TO: Inedit Noww, Branch Manager, Anywhere USA
FROM: Frantic Fred, Branch Manager, Somewhere Else, USA
POCs: I. M. Ahammer, Supervisory Auditor and CQ Sustained, Auditor
Requesting Assignment Number: *[include RORG]*
Assisting Assignment Number: *[include RORG]*

Our OAA effort for your FAO is now complete and the final working papers have been attached *[compressed if appropriate]* to this e-mail.

Should you have additional questions or comments, please contact the above POCs. For transmission questions, contact *[administrative professional at FAO and phone number]*.

FOR OFFICIAL USE ONLY

IMPORTANT: This e-mail, including all attachments, constitutes Federal Government records and property which may contain information that is privileged, confidential, or otherwise protected from disclosure under applicable law. If you are not the intended recipient or the employee or agent responsible for delivering the transmission to the intended recipient, you are hereby notified that any dissemination, distribution, copying or use of this e-mail or its contents is strictly prohibited. If you have received this e-mail in error, please notify the sender by responding to the e-mail and then delete the e-mail immediately.