

**Master Document – Audit Program**

<b>Activity Code 28500</b>	<b>Single Process Initiative</b>
<b>Version 2.0, dated April 2004</b>	
<b>B-1</b>	<b>Planning Considerations</b>
<b>Purpose and Scope</b>	
The purpose of the evaluation is to:	
<ul style="list-style-type: none"> <li>• provide procedures to evaluate whether the contractor's SPI cost benefit analysis provides a reasonable general dollar magnitude estimate of implementation costs and related savings, and</li> <li>• ensure that the impact of the approved SPI process change is reflected in the contractor's estimating system and forward pricing.</li> </ul>	
The evaluation will be an agreed-upon procedures engagement performed in accordance with applicable Government Auditing Standards and the AICPA Professional Standards.	
<b>References</b>	
<ol style="list-style-type: none"> <li>1. CAM 1-807, “Management Councils, Single Process Initiative (SPI), and Cost Benefit Analysis”</li> <li>2. DCMA Directive 1, Contract Management “One Book” Chapter 7.2.6, Single Process Initiative available at <a href="http://home.dcma.mil/onebook/7.0/7.2/7.2.6/CMI.htm">http://home.dcma.mil/onebook/7.0/7.2/7.2.6/CMI.htm</a></li> <li>3. DCMA Single Process Initiative Concept Paper Guidebook available at <a href="http://home.dcma.mil/onebook/7.0/7.2/7.2.6/SPIguidebook-preparing_concept_papers.htm">http://home.dcma.mil/onebook/7.0/7.2/7.2.6/SPIguidebook-preparing_concept_papers.htm</a></li> <li>4. CAM 9-207 – Application of Agreed-UpOn Procedures</li> <li>5. CAM 10-1000 – Report Narrative (Agreed-UpOn Procedures)</li> </ol>	

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 2.0, dated April 2004</b>		
1. Evaluate the request for special requirements and scope limitations. Coordinate with the ACO to gain a complete understanding of the		

## Master Document – Audit Program

concept paper and the appropriate DCAA services required to meet the needs of the request. Confirm your understanding of the agreed-upon procedures in the working papers and in writing with the ACO, as necessary.	
2. Assess the concept paper submitted by the contractor to gain an understanding of the proposed change.	
3. If a Government technical review has not already been initiated, request technical support if needed. If the technical review has been requested, contact the Government technical representative to determine their areas of review and if their results will be available to incorporate into the report.	
4. Look at permanent files and prior evaluations to obtain background information.	
5. Hold an entrance conference.	

<b>C-1</b>	<b>Detailed Procedures</b>	<b>WP Reference</b>
	<b>Version 2.0, dated April 2004</b>	
	1. Perform the steps agreed upon with the ACO (Step B-1), which should include the following (CAM 1-807h) to determine if the contractor's cost-benefit analysis is a reasonable general dollar magnitude estimate of implementation costs and related savings:	
	a. Determine if the cost-benefit analysis is adequate. Attributes of an adequate cost-benefit analysis are as follows:	
	(1) The cost-benefit analysis should include an analysis of: <ul style="list-style-type: none"> <li>(a) Implementation costs,</li> <li>(b) Estimated savings on existing contracts, and</li> <li>(c) Estimated annual future savings to reflect in forward pricing.</li> </ul>	
	(2) The annual future savings should be forecasted for the period covered by the contractor's indirect expense rate forecast (usually five years).	
	(3) The cost-benefit analysis should identify both direct and indirect implementation costs and savings. Estimated implementation costs and savings should be broken down by the contractor's normal direct and indirect costs elements.	
	(4) The cost-benefit analysis should include the rationale to support significant estimates of implementation costs and	

**Master Document – Audit Program**

savings.	
(5) The cost-benefit analysis should identify recurring versus non-recurring implementation costs and savings.	
(6) All applicable existing contracts should be considered in the analysis.	
b. If essential cost-benefit analysis elements are missing, then conduct fact-finding with the contractor to obtain the information or the reasons why the information is not relevant. If the fact-finding does not result in obtaining the necessary information, request, in writing, the assistance of the ACO.	
c. Evaluate the contractor's estimating rationale for the implementation costs and savings to determine its reasonableness.	
d. Evaluate the supporting computations to determine their accuracy.	
2. Perform the following steps to ensure that the impact of the approved process change is reflected in the contractor's estimating system and forward pricing.	
a. Determine whether the contractor has adequate internal controls and estimating system procedures for incorporating the future savings associated with Management Council approved process changes into its forward pricing.	
b. If the contractor does not incorporate the impact of approved process changes into forward pricing and the impact is significant, consider issuing an estimating system deficiency flash report (see CAM 9-310).	
c. Prepare audit lead sheets to document the estimated forward pricing impact of the approved process change and any estimating system deficiencies for use in future forward pricing and estimating system audits.	
d. Perform other procedures as requested.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
	<b>Version 2.0, dated April 2004</b>	
	1. Summarize results of applying agreed-upon procedures.	
	2. If the estimating system controls are inadequate to assure incorporation of the change, schedule an ICAPS examination of affected areas.	
	3. Discuss the results with your supervisor.	

**Master Document – Audit Program**

4. Conduct exit conference with contractor and document results.	
5. Draft the report following the guidance in CAM 10-1000.	
6. 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:	
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.	
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.	
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.	
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.	
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.	
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-	

**Master Document – Audit Program**

<p>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>	