

AUDIT PLANNING CONSIDERATIONS AND PRELIMINARY AUDIT STEPS

Activity Code 23000	University Indirect Cost Allocation (F&A rate) Proposal
Version 4.0, dated Jan 2023	
B-1	Planning Considerations
Type of Service - Attestation Examination Engagement	
Audit Specific Independence Determination	
<p>Members of the audit team and internal specialists consulting on this audit must complete the Audit Specific Independence Determination (WP 34) prior to starting any work on this assignment.</p> <p><i>(Note: Because staff is sometimes added to on-going audits, supervisors should ensure that all individuals who are directing, performing audit procedures, or reporting on this audit as a member of the audit team who are performing as a consultant have signed this working paper. For example, an FAO may add additional auditors (e.g., technical specialists) to the audit assignment or may need to consult with an internal specialist (e.g., industrial engineers, and operations research specialists) as the audit progresses.)</i></p>	
Purpose and Scope	
<p>This standard audit program assists the auditor in planning and performing the audit of a University’s Facilities and Administration (F&A) rate proposal to evaluate the proposal for its acceptability in determining fair and reasonable rates and factors for the award, administration, modification, or re-pricing of Federal awards (e.g., contract, grants, cooperative agreements, and other instruments subject to negotiation) for F&A rates to be billed in subsequent years (and which also may be used for bidding purposes). The audit steps should be tailored, as appropriate, to the University’s specific circumstances based on preliminary review and risk assessment of the University’s proposal and should reflect an understanding among the audit team as to the scope required to meet auditing standards and DCAA objectives for the assignment. Portions of the audit covered in other assignments (e.g. incurred cost, disclosure statement, and internal control audits) should be referenced at the appropriate place in the audit program.</p> <p>Institutions that exceed \$10 million in total direct cost of work subject to 2 CFR 200 are required to use the standard (long form) method. Smaller institutions may elect to use either the long form or simplified method. Different sections of this audit program are applicable depending on whether the proposal was developed using the Standard Method (Long Form) or the Simplified Method:</p> <ul style="list-style-type: none"> • Long Form Method: complete all sections of this audit program except section I. • Simplified Method: complete sections A, B, C, and I (and J if deemed necessary during the risk assessment) of the audit program. If the F&A rates that result from using the Simplified Method result in inequitable distribution for either the Federal government OR the University, the audit team should test the proposal using the requirements for the Long Form Method. <p>The audit program can also be used when the University updates an initial submission during the year. The audit team should gain an understanding of the changes between the initial and the</p>	

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<p>revised submission and perform a risk assessment to tailor appropriate audit coverage. The audit team should focus on the updates, as an entire new audit may not be required. The audit team may only need to perform analytical procedures on the updated portion and combined with the tests of details performed in the audit of the initial proposal to support compliance with GAGAS.</p> <p>Auditors are reminded that transaction testing is only one form of tests of details. Testing the underlying assumptions supporting the budgetary amounts for reasonableness is also a test of details. F&A rate proposals are based on historical amounts (cost incurred during the base year), rather than estimates and transaction testing may be necessary if no other testing of the base-year amounts has been completed.</p>
<p>1. This audit program is designed to provide general guidance for evaluating whether the University's proposed indirect rates comply with 2 CFR 200, CAS, FAR, DFARS and other Agency Supplements, if applicable.</p>
<p>2. This audit program covers the audits of proposed F&A rates submitted for the purpose of establishing a formal rate agreement for use of the rates in subsequent years. Most universities request predetermined and/or fixed-rates in an F&A proposal. The negotiated rates can be used for multiple years and each type of rate poses a different level of risk. Definitions of these rates are as follows:</p>
<p>Predetermined Rate – Predetermined rates create more risk for both the government and the University because they are not subject to adjustment if actual results vary significantly from estimated costs. Predetermined rates are applicable to the specified current or future period. When predetermined rates are established, the University will not submit a final indirect cost rate or direct cost proposal for periods where the predetermined rate is applied (the CFAO may use the Single Audit report results or a closing statement audit to close out the award). Therefore, no adjustments or refunds are made to awards even if the actual rate is significantly higher or lower than the negotiated predetermined rate.</p> <p>Fixed Rate with carry-forward provisions – A fixed rate with carry-forward provision means an indirect cost rate that has the same characteristic as a predetermined rate, except that the variance between estimated costs and the actual costs for the period covered by the rate is carried forward as an adjustment to subsequent period rate computations. A direct cost proposal will be submitted for each fiscal year to determine the carry-forward amount for any years in which a fixed rate was negotiated.</p>
<p>3. The scope of audit will generally depend on individual circumstances and audit procedures must be tailored based on the results of the risk assessment, but as a minimum, the scope should include steps to determine the following:</p> <ul style="list-style-type: none"> a. rate computations are mathematically correct b. allocation bases and indirect costs are reasonable and consistent with the University's internal plans c. rate data are valid
<p>Other Planning Considerations</p>

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Prior to commencing the audit, review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.
References
1. CFR 200, including Appendix III FPRAs, and FAR 15.408, FAR Table 15-2, and FAR 42.1701, if applicable.
2. FAR/DFARS/Other Agency Supplements Parts 30 and 31, and CAS, if applicable.
3. CAM 8-103.1 – Educational Institutions - CAS
4. CAM Appendix B--- Specialist Assistance
5. CAM 10-200 – Audit Report Format and Contents (General)
6. Cost Allocation Services Best Practices Manual for reviewing Institutions of Higher Education Long-Form F&A Cost Rate Proposals – available through the DHHS website at https://rates.psc.gov/fms/dca/c%26u.html (copy and paste link into web browser and select link to “CAS Best Practices Manual”).

B-01	Preliminary Steps	WP Reference
Version 3.0, dated May 2022		
1.	Review the audit request to determine the nature and objective of the audit. Note any specific information requested and contact the requestor to obtain clarifications of the request, as well as to discuss any concerns that the cognizant federal agency officer (CFAO) might have.	
2.	Review the proposal package for adequacy using the appropriate Adequacy Checklist, included in the audit program as WP 33a for Long Form Method proposals and WP 33b for Simplified Method proposals. If you identify proposal inadequacies during the adequacy assessment, discuss them with the CFAO and recommend a course of action.	
3.	Coordinate with the University (and CFAO) and obtain a walkthrough of the proposal to gain an understanding of the basis for the proposed rates and to identify related supporting documentation. Invite the CFAO to attend the walkthrough. As part of this walkthrough, discuss any inadequacies identified and require the University to:	
	a. Explain the basis for significant pools, bases and cost elements	
	b. Explain the processes used to develop the proposed rates	
	c. Explain the internal controls/policies and procedures related to the development of the proposal and the underlying data	
	d. Demonstrate how the amounts for the significant pools, bases, cost elements and factors are derived	

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<p>e. Demonstrate how historical trend data was considered in the development of the proposed F&A rates</p>	
<p>f. Demonstrate that the homogeneity of pool costs and allocation bases used are appropriate if alternative allocation methodologies were used</p>	
<p>g. Request a listing of internal audits, special studies, or external reports that may be relevant to the subject matter. If an audit or study was performed that directly impacts the subject matter, request the University provide a copy of the relevant reports using the guidance in CAM 2-306.1</p>	
<p>h. Identify significant items that were updated or revised from the previous proposal, and the overall impact of the changes</p>	
<p>i. At the conclusion of the walkthrough, summarize with the University any additional items/data needed to perform the audit that were not furnished with the F&A rate proposal or were not provided during the walkthrough.</p>	
<p>4. Make a final determination of overall adequacy based on initial adequacy review and results of the walkthrough. If inadequate, discuss with the University and requestor and follow-up in writing identifying the specific concerns and recommend the CFAO return the proposal to the University.</p>	
<p>5. Notify the appropriate contracting officer of the start of the risk assessment and that the expected completion date will be provided in a formal acknowledgment once the risk assessment is complete. The acknowledgement process should be performed in accordance with CAM 4-104.</p>	
<p>6. Review briefs of the awards and contracts to determine the applicable criteria and if there are any special terms and conditions that need to be addressed in the audit procedures. If briefs have not been prepared, the auditor should consider preparing briefs for significant awards.</p>	
<p>7. If the University submits a disclosure statement (D/S-2), verify that the CFAO has determined the disclosure statement to be adequate and compliant and obtain a current copy of the approved D/S-2 for use in identifying material and relevant CAS to develop appropriate procedures to test for CAS compliance.</p>	
<p>8. Compare the last audited pool costs to the base-year costs used to develop the proposed F&A rates and identify significant increases/decreases between the audited and proposed amounts. Document the impact of any significant differences and modify the audit program to address the risk.</p>	
<p>9. Determine if the University used an alternative allocation base for administrative costs (See 2 CFR 200, Appendix III, Section C.9) and</p>	

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document the impact on the scope of this audit. Modify the audit program steps as necessary to address the impact.	
10. Document the materiality and sensitivity of the F&A rates by obtaining and analyzing the proposed dollar value of the pools and bases included in the significant rates (such as research costs) and summarize the impact on the audit scope of these factors in WP B, Section 1.	
11. Review the University’s governing board’s minutes related to major decisions that affect the organization and operations of the University and document any impact on the subject matter.	
12. Obtain and review any Memoranda of Understanding or advance agreements relevant to the proposal, and document the impact on the scope of audit.	
13. Internal Control	
a. Review the most recent results of recent Single Audit reports and document the impact of any internal control deficiencies that may have a material impact on the proposal.	
b. Obtain and document an understanding of University internal controls relevant to the audit. Auditors may obtain a significant portion of this understanding during the walkthrough.	
14. Review permanent files and prior/in-process audits to determine if previous audits included findings and recommendations that relate to the subject matter. a. Summarize the impact on audit scope of these factors in WP B. Items that may indicate significant and relevant inherent risk factors include, but are not limited to: • Audit leads, including University mandatory disclosures, if required by FAR 52.203-13(b)(3)(i) • Prior audit findings • Outstanding findings of noncompliance (2 CFR 200, FAR and CAS) • Cost avoidance recommendations from recent operations audits • Disclosed accounting practice changes • Planned or executed reorganizations, mergers, acquisitions, or divestitures • University cost savings or cost reduction initiatives • Memoranda of Understanding or Advance Agreements • Governing board’s minutes	

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<p>b. If there were findings or issues material to the subject matter, document this information in the risk assessment and perform the following procedures:</p> <p>(1) Ask University management if corrective actions were taken to address findings and recommendations that are relevant to the subject matter of audit. If yes, have the University explain the corrective actions taken and document any additional audit procedures needed to test the corrective actions, or document why no additional actions are necessary. (GAGAS 7.13)</p> <p>(2) Document the results of the inquiry and the impact of the corrective actions to the subject matter.t.</p>	
<p>15. Review permanent file to determine if the University has previously provided other studies or audits (e.g., summary listing of internal audits or external audit reports) that directly relate to the subject matter. If there are no other studies or audits, document that information in the working papers and perform the procedures below.</p> <p>a. Ask University management if internal audits were performed. If yes, request the University provide a summary listing of the internal audits that would assist us in understanding and evaluating the efficacy of the internal controls relevant to the subject matter of the audit.</p> <p>b. If the review of the perm file or discussions with the University identifies relevant internal audits (See CAM 4-202 for guidance related to obtaining and using internal audit reports):</p> <ul style="list-style-type: none"> • Determine if access to specific reports is necessary (i.e., there must be a nexus between the internal audit reports and the scope of this specific assignment) to complete the evaluation of the relevant internal controls to support the risk assessment or audit procedures related to the subject matter of the audit. Document the results of the determination in writing. • Request any necessary reports. The request should include information on how the internal audit report is relevant to the DCAA audit. Place a copy of the request in the assignment administrative working papers. • Document the results of the inquiries, including the University’s response received for any request for access to internal audit reports. (If access was not granted include the University’s rationale or justification for not granting access) <p>c. If the review of the perm file or discussions with the University identifies relevant other audits or studies:</p>	

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<p>(1) Obtain publicly available information for the other Government agency audits (e.g., websites for DoD IG or other IGs, service audit agencies, etc.).</p> <p>(2) Make appropriate adjustments to your risk assessment and plan procedures based on the reported findings.</p> <p>d. Determine if additional audit procedures are needed to respond to identified risk and modify the audit program accordingly.</p>	
<p>16. General Administrative Cost Rate Caps</p> <p>a. If the University did not request a waiver of capped administrative costs (26% of MTDC) pursuant to DFARS 231.303, for the total of General Administration and General Expenses, Departmental Administration, Sponsored Projects Administration, and Student Administration and Services, design audit procedures to test whether the University properly implemented the administrative cap.</p> <p>b. If the administrative costs were uncapped, adjust audit procedures on WP F-01 as appropriate considering materiality (e.g., the amount of questioned cost that would be material to impact the rate, consider high risk accounts and significant changes in pool dollars by account, etc.).</p>	
<p>17. Consider the Government participation in the proposed F&A rates. Determine if there are significant changes from the prior year F&A rate proposal, assess the materiality, and determine the impact on the scope of this audit.</p>	
<p>18. Perform a high level trend analysis at the total indirect pool/base level to assess the risk of ineffective controls over development of proposed F&A rates:</p>	
<p>a. Document the impact of any organizational structure changes, unusual events, or accounting changes where the base year data may not be appropriate or may require adjustment.</p>	
<p>b. Compare the total proposed pool and base costs and the resulting rates, to the actual pool, base, and resulting rates for a relevant historical period. (Consider how accurately the prior negotiated rates compared to the actual rates for the years the rates were used).</p>	
<p>19. Compare the cost step-down schedule to the schedule provided with prior year proposals to identify any significant indirect pools that require in-depth review.</p>	
<p>20. Review past proposals and audit files for both F&A rate and direct cost rate (incurred cost) proposals to obtain pertinent history and trend data on total indirect costs by indirect pool (building/equipment, depreciation, G&A, interest, etc.)</p>	

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<p>21. Determine if the University has made any changes in its cost accounting practices relevant to development of F&A rates and document the impact of the changes on the scope of audit and the necessary audit procedures.</p>	
<p>22. Document the impact that might result from University organizational structure changes or other unusual events experienced by the University during the period associated with the base-year costs.</p>	
<p>23. During the entrance conference, or other appropriate meeting, make specific inquiries of contractor management and other appropriate parties regarding the following:</p> <ol style="list-style-type: none"> a. Their knowledge of any actual, suspected, or alleged fraud or noncompliance with laws and regulations affecting the period of time corresponding to the subject matter under audit (AT-C 205.33) b. If any specialists (internal or external) were used in the preparation of the subject matter. If yes, have the contractor explain how the specialists were used in the preparation of the subject matter. (AT-C 205.16) c. Whether any investigations or legal proceedings, that are significant to the engagement objectives, have been initiated or are in process with respect to the period of time corresponding to the subject matter. (GAGAS 7.14) d. The existence of other audits and studies (performed by other than DCAA) that relate to the subject matter under audit. If yes, have the contractor explain the audits and studies performed, any related findings or recommendations, and any contractor corrective actions taken. (GAGAS 7.13) <p><i>Note: Specifically document in the working papers; the inquiries and the corresponding responses as well as how the responses affect the performance of the engagement.</i></p>	
<p>24. Based on the team's understanding of the criteria, subject matter, and the contractor and its environment, hold a planning meeting with the audit team (at a minimum, Supervisor and Auditor) to discuss and identify potential material noncompliances, whether due to error or fraud, that could affect the subject matter.</p> <p>The discussion should include:</p> <ul style="list-style-type: none"> • relevant prior audit experience (e.g., questioned cost, relevant reported accounting system deficiencies), • relevant aspects of the contractor and its environment, • risk of material noncompliance due to fraud (e.g., the extent of financial incentives, pressures to meet budgetary and contractual commitments, and opportunities to commit and conceal fraud). 	

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<p>Consider the DoD IG website Fraud Detection Resources for Auditors for common fraud risk factors. Copy link and paste into web browser,</p> <ul style="list-style-type: none"> • other known risk factors identified that could materially affect the subject matter, and • the audit team’s understanding of relevant key internal controls. <p>Document the factors identified that increase the risk of material noncompliance due to error or fraud that could affect the subject matter, and design audit procedures to respond to the increased risk of material noncompliance.</p> <p>Communication among audit team members should continue as needed throughout the audit regarding the risk of material misstatement and noncompliance due to error or fraud.</p>	
<p>25. Determine and document the need for assist audits on WP B-03. Coordinate, as necessary, with the Field Detachment to determine if assistance is needed.</p>	
<p>26. Determine and document the need for specialist assistance on WP B-03. If specialist assistance is deemed necessary, prepare a detailed request. (See CAM Appendix B). If specialist assistance is necessary to determine the reasonableness of compensation, coordinate with, and provide section U of the audit program to the DCAA Compensation team.</p>	
<p>27. From the information gathered in the preceding steps, assess the Government's risk associated with specific pools, bases, cost elements, etc. and tailor your audit scope accordingly. Provide an overall summary of the impact of the risk factors (materiality, sensitivity, fraud, and internal control) on the audit scope. Using this information, tailor the audit steps on the -01 working papers to reflect the audit procedures to be applied that are consistent with the unique circumstances at the University and the risk factors identified. Each -01 working paper should:</p> <ul style="list-style-type: none"> • Identify audit steps that are not applicable for this examination and the reason the step is not applicable; • Modify applicable existing audit steps to reflect the specific circumstances at the University location and the risk factors identified; and • Add audit steps to address the specific circumstances at the University location and the risk factors identified 	
<p>28. The team should discuss the results of the risk assessment and reach an agreement on the (i) planned audit scope, including the detailed audit steps (-01 WPs) to be performed, (ii) timeframe for completing the audit,</p>	

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<p>including the proposed delivery date which will be discussed with the requestor and mutually agreed-to, (iii) milestone plan to ensure timely completion of audit, and (iv) zero-based budget. Document and obtain supervisory approval of the risk assessment and the planned scope of audit for each cost element or F&A rate documented in WP B and -01 WPs.</p>	
<p>29. Contact the requestor and verbally discuss the proposed audit report delivery date to arrive at a mutually agreed-to date. If a wide disparity exists between the CFAO deadline and the amount of time the audit team needs to perform the work, the audit team needs to immediately discuss this disconnect in expectations with the requestor. If an agreed-to date cannot be reached, the audit team should elevate the concerns through the chain of command.</p>	
<p>30. Arrange and conduct an entrance conference with the University personnel who developed the F&A proposal (rates and factors). Confirm the audit team’s understanding of how the rates and factors were developed and discuss the availability of required data and personnel necessary to timely support the audit. Communicate a high-level version of the milestone plan with the University and the CFAO to develop a shared understanding of significant dates and responsibilities (DCAA, CFAO, and the University). If applicable, include a follow up with University management on:</p> <ul style="list-style-type: none"> a. corrective actions that address previous DCAA audit findings and recommendations, b. other studies or audits that impact the subject matter. 	
<p>31. send a final acknowledgment memorandum to the appropriate contracting officer to communicate the audit scope and the agreed-to date.</p>	
<p>32. Prepare and send a notification letter to the University in accordance with CAM 4-302.3.</p>	

C-01	Reconciliations and Analysis (Long Form Method)	WP Reference
Version 4.0, dated Jan 2023		
1.	Evaluate the University’s reconciliation of the proposal to the audited financial statements (including all supporting schedules used in the reconciliation process) and determine if the total costs, (direct and indirect F&A costs), included in the F&A cost proposal agree with the audited financial statements. (For example, reconcile CRIS reports to Oracle and Oracle to the audited Financial Statements.)	
2.	Evaluate if the proposed costs are consistent with the approved budget for the fiscal year. Identify any significant differences and evaluate the	

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<p>rationale for the differences. Design audit procedures to test significant differences as necessary in the appropriate section of the audit program.</p>	
<p>3. Determine if the proposal is mathematically accurate and that the amounts reconcile between schedules.</p>	
<p>4. Determine if the proposed costs are significantly different than actual costs incurred in the base year, evaluate the University’s methodology and rationale for determining the adjustments and any projected estimates or adjustments on future rates and perform the following:</p>	
<p>a. Evaluate the rationale for the adjustments for significant differences between base-year amounts and proposed amounts made during the University’s reconciliation of the financial statements to the F&A proposal.</p>	
<p>b. Verify the accuracy and evaluate the necessity for adjustments and determine if the adjustments include unallowable costs that should be excluded from the indirect cost pools or that should be included in the allocation bases.</p>	
<p>c. Determine if the adjustments are reasonable, well supported, and justified.</p>	
<p>5. Evaluate the University’s rationale for significant differences identified in the risk assessment (B-01, step 8). If additional testing is required, design audit procedures to test for appropriate allocation to appropriate F&A cost categories and reasonableness in the appropriate section of the audit program.</p>	
<p>6. Evaluate the reclassification of costs from the audited financial statements to the F&A cost categories and to the major functions for both direct and indirect cost (including that costs are consistently allocated as direct or indirect in similar circumstances):</p>	
<p>a. Determine if the reclassifications are consistent with the University's established/disclosed procedures and practices.</p>	
<p>b. Determine if the reclassifications are consistent with the requirements of 2 CFR 200, Appendix III.</p>	
<p>c. Reclassify costs that are not reasonably classified to appropriate F&A cost categories or major functions and adjust the base and pool amounts accordingly.</p>	
<p>7. Review the F&A accounts (e.g., perform a nomenclature review) to determine if unallowable costs (per 2 CFR 200 Subpart E) and costs resulting from unallowable activities are excluded from the F&A cost pools and are included in the Modified Total Direct Cost (MTDC)</p>	

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allocation base. Design audit procedures as necessary in the appropriate section of the audit program to test for allowability of cost	
8. Determine if costs covered by any Memoranda of Understanding or advance agreements are proposed in accordance with those agreements and that the agreements will be valid for the years the proposed rates will be used. Design audit procedures as necessary in the appropriate audit program section to test.	
9. Analyze significant costs by specific cost account and cost element. Compare the amounts proposed to historical experience and trends, and determine if the explanations for any significant increases or decreases are reasonable.	
10. Review cost transfers to identify potential changes in accounting practices or cost allocation methods and perform procedures to determine if the cost transfers are necessary and reasonable.	
11. Determine if the University appropriately excluded costs from the MTDC base (as defined in 2 CFR 200.1) and properly reclassified costs related to research to other activities.	
12. If any areas or accounts are identified that require further analysis, design audit procedures in the appropriate section of the audit program to perform testing.	
13. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
14. Summarize the results of audit procedures on WP C and modify the other sections of this audit program based on those results.	

D-01	Facilities and Administrative Rates (F&A Rates) – Long Form Method	WP Reference
Version 4.0, dated Jan 2023		
1. F&A Distribution Bases		
a.	Evaluate whether the methodology and rationale for the proposed allocation bases are consistent with the methodology and rationale used to develop prior F&A rate allocation bases, including the methodology and rationale for including future business in the allocation bases.	
b.	If there are significant variances between the proposed direct costs and the amounts incurred during the base year, have the University explain and support all significant variances and determine if the variances are reasonable.	
c.	Evaluate the reasonableness of the University’s rationale and methodology for determining its probability of obtaining additional work. (For example, bidding on new programs that are not considered	

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in the base, the use of the same or different methodology for estimating probabilities of winning new work compared to prior years, consideration of the amounts estimated to be won and the awards actually won in prior years, etc.) Coordinate with the CFAO, as necessary, to verify the potential for additional awards.	
d. Verify that all direct costs for each major function are included in the functional activity allocation bases for the rate computations.	
e. Analyze significant adjustments to the allocation bases for all major functional activities and determine if the adjustments are appropriate.	
f. Determine if the University appropriately identified and included all cost sharing requirements in the organized research functional activity MTDC allocation base.	
g. Determine if the final allocation base complies with the requirements for the MTDC base as defined in 2 CFR 200.1 and Appendix III, Section C.2.	
2. F&A Rate Calculations	
a. Verify the mathematical accuracy of the rate computations.	
b. Incorporate the results of audit procedures performed on the Facilities cost pool (section E), the Administration cost pool (section F), escalation factors (section G) and the space survey (section H) into the results of this section to calculate the audit adjusted F&A rates.	
3. Incorporate the results of any assist audits, specialist assistance, or FD reports, as appropriate, into the results of procedures performed.	
4. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
5. Based on the steps above, make any adjustments required to the proposed distribution bases and prepare an appropriate explanation for each adjustment for the working papers and the draft report.	

E-01	Facilities Cost – Long Form Method – 2 CFR 200, Appendix III, Section B	WP Reference
Version 4.0, dated Jan 2023		
Based on the risk assessment and other procedures performed in other parts of the audit program, determine if the facilities costs are allocated in accordance with the requirements of 2 CFR 200, Appendix III, and do not include unallowable cost per 2 CFR 200, Subpart E.		
General CFR 200.414 defines the “Facilities” indirect cost grouping as containing the following types of indirect costs: <ul style="list-style-type: none"> • depreciation on buildings, equipment and capital improvements, • interest on debt associated with certain buildings, • equipment and capital improvements, 		

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<ul style="list-style-type: none"> • operation and maintenance expenses, • library expenses, and • applicable cross-allocations from other pools. 	
<p>1. If the University used estimating procedures to propose any of the Facilities costs, consider performing regression analysis to determine the reasonableness of proposed pool costs (see Graphic & Regression Analysis Guidebook Chapter 4).</p>	
<p>2. Select a sample of items from significant, sensitive, or problematic accounts and cost elements (e.g., indirect labor, indirect material, payroll, building rearrangement costs, depreciation, rent, occupancy) and perform audit procedures as necessary to determine if the costs are appropriately allocated and are allowable per 2 CFR 200, Subpart E (2 CFR 200.400 through .476).</p>	
<p>3. Depreciation – Buildings - 2 CFR 200, Appendix III, Section B.2</p>	
<p>a. If the University recognized depreciation expense in the audited financial statements, verify the reconciliation of the asset costs from the audited financial statements to the F&A proposal and determine if the University identified the following:</p> <ul style="list-style-type: none"> • Calculation of cost subject to expense • Definitions of awards subject to expense • Reconciliation of proposed cost to the audited financial statements <p>Cumulative effect of expense and reserve transaction on proposed depreciation</p>	
<p>b. Compare the costs to historical information and determine if significant exceptions identified are reasonable and equitable.</p>	
<p>c. For purchased assets, determine if the cost basis of assets is the acquisition cost.</p>	
<p>d. For donated assets, determine if the cost basis is the estimated market value at the time of the donation.</p>	
<p>e. Evaluate the methodology for calculating capitalized interest cost for building and determine if it is reasonable and consistent with disclosed or prior practices. If necessary, select a sample of buildings or interest transactions to test.</p>	
<p>f. Determine if the amount proposed for purchase or construction cost is associated with buildings rather than land and determine if the basis for distributing the depreciation cost between building and land is reasonable and equitable.</p>	
<p>g. Determine if Federally-funded land and assets (or portions of assets purchased with Federal funds) have been eliminated from depreciation computations.</p>	
<p>h. Determine if assets acquired solely for use on nonFederally-funded awards have been excluded from depreciation pool costs.</p>	

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i. Determine if the methodology for including depreciation costs in the facilities pool that relate to idle facilities is reasonable and consistent with prior or disclosed practices.	
j. Determine if depreciation costs associated with lost or replaced assets have been eliminated from the facilities pool.	
k. Determine if the methodology for calculating depreciation cost relative to the useful life of the assets is reasonable.	
l. Determine if the University appropriately accounted for gains and losses on disposition of plant and other capital assets and adjusted the proposed depreciation expense accordingly.	
m. Compare the distribution of depreciation cost for buildings with the distribution of depreciation cost for Equipment and O&M. If there are significant differences, determine if the methodologies used to distribute the depreciation costs for the different assets are reasonable and result in an equitable distribution of cost.	
4. Depreciation cost - Equipment, 2 CFR 200, Appendix III, Section B.2	
a. If depreciation expense on equipment is recognized in the audited financial statements, analyze the University’s reconciliation of the asset cost of equipment to the F&A rate proposal and determine if the University appropriately identifies the following: <ul style="list-style-type: none"> • Calculation of cost subject to expense • Definitions of awards subject to expense • Reconciliation of proposed cost to the audited financial statements • Cumulative effect of expense and reserve transaction on the depreciation calculations. 	
b. Compare the costs to historical information and determine if significant exceptions identified are reasonable and equitable.	
c. For purchased assets, determine if the costs basis of assets is the acquisition cost.	
d. For donated assets, determine if the cost basis is the estimated market value at the time of the donation.	
e. Determine if equipment acquired with Federal funds has been excluded from the depreciation pool costs.	
f. Determine if assets acquired for use solely on nonFederally-funded awards have been excluded from the depreciation pool costs.	
g. Evaluate the methodology and rationale for calculating and distributing depreciation cost and determine if the results are reasonable to ensure an equitable annual distribution of cost based on the useful life of the equipment and is consistent with prior or disclosed practices.	
h. Determine if the University appropriately accounted for gains and losses on disposition of equipment and adjusted the proposed depreciation expense accordingly.	
5. Interest - 2 CFR 200, Appendix III, Section B.3	

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<p>a. Determine if State governments have assessed interest cost from bonds issued by the State for the University. This interest expense may be recorded at the State government level and, therefore, may not be included in the University’s financial records. If this occurs:</p>	
<p>(1) Determine if the interest costs charged to the University (e.g., amount included in an approved Statewide Cost Allocation Plan or in an approved cost allocation plan of a State Agency) is consistent with the approved allocation plan.</p>	
<p>(2) Determine if the procedures used to assign these costs to specific buildings is reasonable and equitable.</p>	
<p>b. For acquisition of buildings or renovation of existing facilities with debt arrangements over \$1 million, obtain the financing agreement, including the prospectus and schedule of loan payments, and determine if the distribution of interest cost to the building is reasonable and consistent with the debt agreement. (This presumes the debt arrangement is at arms-length. For agreements that are not at arms-length, see step 5e below.)</p>	
<p>c. Select and test a sample of buildings or interest cost transactions and determine if the proposed capitalized interest cost of buildings is reasonable.</p>	
<p>d. Evaluate the methodology and rationale for computing interest expense and determine if the resulting interest computations are reasonable.</p>	
<p>e. Identify loan agreements that are not at arms-length (i.e., from a third party independent lender rather than an affiliate). If significant in amount, test whether the terms and conditions of the loan agreement are reasonable.</p>	
<p>f. For leased facilities, evaluate the University’s rationale and analysis to support leasing the facility rather than purchasing the facility for facilities costing over \$500,000.</p>	
<p>6. Operation and Maintenance (O&M) Expenses – 2 CFR 200, Appendix III, Section B.4</p>	
<p>a. Obtain the following schedules/documents:</p> <ul style="list-style-type: none"> • Detailed breakout of O&M expenses by subpool, including a summary of any direct charge O&M expenses. • Schedule of reclassification of O&M expenses from the financial statements to the F&A rate proposal. • Schedule (or map) identifying the location of utility meters at the University. • University capitalization policies and procedures. • University telephone directory with location of staff assigned to phone numbers. 	
<p>(1) Determine if the University appropriately applied credits to the O&M pools.</p>	
<p>(2) Evaluate the methodology for calculating Utility Cost Adjustment (UCA) costs and determine if the calculations are mathematically accurate and if the resulting proposed costs are reasonable.</p>	

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<p>b. Evaluate departmental or department-paid O&M cost: (1) Compare a detailed listing of departmental O&M charges by object code or subaccount to the object codes or subaccounts used to charge Federally-funded projects and determine if there are any inconsistencies in direct charges between Federally-funded and nonFederally funded programs. (2) Determine if the same object codes or subaccounts are charged as either direct or indirect in similar circumstances.</p>	
<p>c. If the University allocates O&M costs based on overall square footage of the University’s buildings (rather than on a building by building basis) determine if there is a more precise method to allocate the O&M costs.</p>	
<p>7. Library Expenses – 2 CFR 200, Appendix III, Section B.8</p>	
<p>a. If the standard allocation methodology, as described in 2 CFR 200, Appendix III, Section B.8.2, was used, perform the following:</p>	
<p>(1) Identify any specialty libraries that should be allocated on a different basis than the MTDC base.</p>	
<p>(2) Evaluate the rationale and methodology used to calculate and allocate library costs and determine if the allocation is reasonable and equitable. The schedule of library cost allocations should include a full explanation of the methodology used to calculate the rates by category and identify the source of information.</p>	
<p>(3) Determine if library costs are allocated to all major functions using the following categories of users:</p>	
<p>(a) Professional employees. This category includes faculty members and other professional employees such as professional researchers and excludes administrative employees. Library cost related to this category of employees must be allocated to all major functions of the University based on the salary and wage ratio of the users to the benefiting functions. Select a sample of salary and wage amounts and trace to the supporting records.</p>	
<p>(b) Students. This category includes all individuals enrolled as students regardless of whether they earn credit toward a degree or certificate. The amount allocated for these users must be assigned to the Instruction function.</p>	
<p>(c) Other users. This category includes the general public and non-University users. The amount allocated for these users must be assigned entirely to the "other University" major activity.</p>	
<p>8. Incorporate the results of any assist audits, specialist assistance, or FD reports, as appropriate, into the results of procedures performed.</p>	
<p>9. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.</p>	
<p>10. Based on the steps above, make any adjustments required to the proposed pool costs and distribution bases and prepare the summary WP E to include appropriate explanation for each adjustment.</p>	

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F-01	Administration Costs – Long Form Method -2 CFR 200, Appendix III, Section B	WP Reference
Version 4.0, dated Jan 2023		
Based on the risk assessment and other procedures performed in other parts of the audit program, determine if the facilities costs are allocated in accordance with the requirements of 2 CFR 200, Appendix III, and do not include unallowable cost per 2 CFR 200, Subpart E.		
<p>General</p> <p>CFR 200.414 defines the “Administration” indirect cost grouping as containing the following types of indirect costs:</p> <ul style="list-style-type: none"> • General administration and general expenses • Director’s office • Accounting personnel • All other types of expenditures not listed specifically under one of the subcategories of “Facilities” • Cross allocations from other pools. 		
1. Select a sample of items from significant, sensitive, or problematic accounts and cost elements and perform audit procedures as necessary to determine if the costs are appropriately allocated to major functions and allowable per 2 CFR 200 Subpart E.		
2. If the University used estimating procedures to propose any of the Administration costs, consider performing regression analysis to determine the reasonableness of proposed pool costs (see Graphic & Regression Analysis Guidebook Chapter 4).		
3. General Administration and General Expenses – 2 CFR 200, Appendix III, Section B.5		
<p>a. To facilitate evaluating General Administration and General Expenses cost allocations obtain the following:</p> <p>(1) A list of accounts by title and amount included in the proposed General Administration and General Expenses cost pool.</p> <p>(2) Additional information on accounts that have vague or ambiguous titles.</p>		
b. If the University used an alternative method for claiming administration costs (see 2 CFR 200, Appendix III, Section B.5.b for details) determine if the methodology used is compliant with 2 CFR 200 and that the methodology results in an equitable allocation of cost.		
c. Perform tests to determine if unallowable costs are excluded from the proposed General Administration and General Expenses cost pool for Federally-funded programs.		
d. Determine if cost related to General Administration and General Expenses resulting from unallowable activities are excluded from the General Administration and General Expenses cost pool and are included in the MTDC allocation base for the Other Institutional Activities.		

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<p>e. Determine if costs included in the General Administration and General Expenses cost pool are appropriately assigned to activities not included in the University's financial statements (e.g., medical practice plans, hospitals, insurance companies, utility companies, printing companies, real estate companies, etc.).</p>	
<p>f. Evaluate the cost distribution to affiliate organizations (such as hospitals) for General Administration and General Expenses services and determine if the distribution method provides a reasonable and equitable measure of services rendered.</p>	
<p>g. Verify that General Administration and General Expenses are first grouped according to common major functions that benefit the services provided. Determine if the allocation process appropriately allocates costs that do not benefit all functions of the University.</p>	
<p>h. Offsets. Determine if the University properly classified reimbursements and other payments from the Federal government that were made to support solely, specifically, and directly, in whole or in part, any of the administration or service activities described in 2 CFR 200, Appendix III, Section B.2 through B.9. Determine if the University appropriately applied credits to the affected (F&A) cost grouping before allocation to benefitting functions.</p>	
<p>i. Determine if costs that are not recorded on the University's financial statements are included in General Administration and General Expenses pool. (Examples include costs allocated through a Statewide Cost Allocation Plan, a System-wide office cost allocation plan, a Chancellor's office or Board of Regent's cost allocation plan.) Determine if the costs are appropriately allocated, are allowable, and are not double-counted.</p>	
<p>j. Determine the percentage of unallowable costs (and voluntary deletions) in prior year audits (F&A proposal and incurred cost) and unaudited submissions and determine if proposed costs are properly adjusted for historical unallowable costs. If not, consider decrementing proposed pool costs for historical unallowable/not claimed costs.</p>	
<p>k. Determine if the University has implemented, or plans to implement, cost savings or reduction initiatives (such as pay freezes, plant shutdowns, etc.) and if the planned cost savings are reflected in the proposed pools and bases. Make adjustments as appropriate.</p>	
<p>4. General Administration Allocation Bases</p>	
<p>a. Determine if the allocation base is consistent with the requirements of 2 CFR 200, Appendix III, B.5.b. If an alternative method of allocation was used (2 CFR 200, Appendix III, A.2.d) determine if the method used results in reasonable and equitable distribution of cost.</p>	
<p>b. Verify that the proposed allocation base for General Administration and General Expenses reconciles to the total expenditures for the year and determine if General Administration and General Expenses are appropriately included in, or excluded from, the Modified Total Cost (MTC) base.</p>	

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<p>c. Verify the allocation base reasonably represents future firm and anticipated (non-firm) future business and programs that will end during the period the rates will be used.</p>	
<p>d. Verify that cross allocations are not included in the MTC allocation base.</p>	
<p>e. Determine if cost related to General Administration and General Expenses resulting from unallowable activities are included in the MTDC allocation base for the Other Institutional Activities.</p>	
<p>5. Departmental Administration - 2 CFR Part 200, Appendix III, Section B.6</p>	
<p>a. Review the listing of the personnel, along with their job titles, assigned to Deans' offices, and determine if the reconciliation and reclassification of costs related to dean's offices from the financial statements to the F&A proposal is accurate and reasonable.</p>	
<p>b. Verify the proposed salaries and fringe benefits attributable to the administrative work of faculty and other professional personnel conducting research and/or instruction included in the DA Pool is limited to the 3.6% of MTDC allowance.</p>	
<p>c. Determine if salaries for other administrative personnel, technical, and clerical salaries are treated consistently. Inconsistent costing exists when similar support costs are charged direct to Federally-funded activities and charged indirect to nonFederally-funded activities. Review records of labor charges to identify secretarial, technical, or administrative effort charged directly to Federally-funded projects and determine if the direct charging is appropriate.</p>	
<p>d. Evaluate the accounts for supplies and other non-labor expenses included in Deans Administration cost pool to identify departments that appear to be unusually high. If significant, test those departments' supplies and expense accounts to determine if costs include those that are strictly for instructional purposes.</p>	
<p>6. Sponsored Projects Administration (SPA) - 2 CFR 200, Appendix III, Section B.7 Expenses in this category are limited to those incurred by a separate organization established primarily to administer sponsored projects, including such functions as grant and contract administration, special security, purchasing, personnel, administration, and editing and publishing of research and other reports.</p>	
<p>a. Obtain a list of the organizational units in the SPA cost category and review the units to determine their functions and activities.</p>	
<p>b. Perform procedures to determine if costs included in the SPA pool include costs incurred only by the separate units established primarily to administer sponsored projects.</p>	
<p>c. Obtain a list of employees for each SPA and verify that their position descriptions and job titles are consistent with the SPA unit where their labor costs are assigned. Evaluate the percentage of employee's effort</p>	

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charged to the unit and determined if the allocation of employee cost to each SPA is reasonable.	
d. Determine if SPA costs exclude consultant fees for the development of special cost studies, indirect cost proposals, patent costs or environmental health costs.	
e. If costs related to Deans' Offices or General Administration and General Expense are included in the SPA pool, determine if the inclusion is reasonable and not double-counted.	
f. Determine if the base used to allocate SPA costs includes the modified total direct costs of all SPA projects (i.e., both Federal and non-Federal programs).	
7. Student Administration And Services - 2 CFR 200, Appendix III, Section B.9	
a. Determine if expenses in this category are assigned only to the Instruction function, in accordance with 2 CFR 200 Appendix III, B.9.b. If an alternative method of allocation was used (2 CFR 200 Appendix III, A.2.d) determine if the method used to these assign costs result in reasonable and equitable distribution of cost.	
b. Determine if the student service expenses charged to Organized Research are reasonable based on the benefit to Organized Research.	
c. Perform procedures to determine if the costs are allowable per 2 CFR 200 Subpart E.	
8. Incorporate the results of any assist audits, specialist assistance, or FD reports, as appropriate, into the results of procedures performed.	
9. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
10. Based on the steps above, adjust the proposed indirect cost pools and bases as needed and prepare the summary WP with appropriate explanations for each adjustment.	

G-01	Escalation Rates	WP Reference
Version 4.0, dated Jan 2023		
Considering the understanding of the base-year costs and the development of the proposed F&A rates documented in the risk assessment (WP B section), perform the following procedures:		
1.	Evaluate the University's methodology for selecting escalation factors and determine if the resulting escalation rates are reasonable.	
2.	Determine if the University grouped costs into logical categories to which escalation rates can be calculated and applied.	
3.	Compare proposed escalation rates to the University's historical cost trends for each rate component and determine if the proposed rates are reasonable based on past experience.	
4.	Determine if the University assigned the proposed costs for each period in which the escalation is expected to be incurred. Evaluate the methodology	

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for assigning cost through time-phasing and determine if it is consistent with the performance periods over which the escalation factors will be used.	
5. Determine if the University selected an appropriate basis for developing the escalation factors (i.e., locally developed versus general economic escalation index) for each cost category where escalation is applied.	
6. Evaluate the reasonableness of any locally developed information used to select the escalation factors. Locally developed information might include: labor union agreements, rental agreements, depreciation schedules, etc. Determine if the factors are accurate and reasonable based on the locally developed information.	
7. Determine if the indices and time periods used to develop the escalation rates are reasonable when compared to economic forecasts (e.g., through Global Insight or an independent survey used by the University). If significantly different, consider whether any differences should be questioned. (See DCAAP 7641.74.).	
8. Incorporate the results of any assist audits, specialist assistance, or FD reports, as appropriate, into the results of procedures performed.	
9. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
10. Summarize the audit results on summary WP G and incorporate the results into the results for sections E and F.	

H-01	Space Survey	WP Reference
Version 4.0, dated Jan 2023		
Considering your understanding of the base-year costs and the development of the proposed F&A rates documented in the risk assessment (WP B section), perform the following procedures:		
<p>General</p> <p>The space study should be adequately documented and well supported. To facilitate evaluating the reasonableness of the rationale and methodology for completing the space survey, obtain the following documents:</p> <ul style="list-style-type: none"> • Space use survey instructions, survey forms, functional definitions, and survey policies and procedures. • Detailed results of the space use survey by room/room type summarized by both building and department. • Blue print of the buildings, room and space floor plans. • Campus map. 		
1. Evaluate the space survey to determine the following:		
a. If the space survey is current and accurate and has been updated to reflect changes in use, movement of facilities/components, new facilities, and renovations.		
b. If the written instructions, policies and procedures are adequate to appropriately complete the space use survey. Ensure the definitions of		

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facilities, buildings, capital assets and equipment are in compliance with 2 CFR 200 definitions.	
c. If the functional space assigned to organized research is consistent with the costs in the MTDC base used to allocate costs for organized research. Verify that building/rooms coded to organized research are identified for both Federally-sponsored and non-Federally sponsored programs that fund the organized research performed in the location.	
d. If costs related to space used for a single function are allocated only to that function.	
e. If all activities that use joint space receive an equitable allocation of the cost related to that space.	
2. Evaluate the actual use of space:	
a. Compare the current space survey with the previous space survey to identify any significant changes and discrepancies. Evaluate the reasons for significant discrepancies and determine if the current assignment of space is reasonable based on the circumstances.	
b. Interview users of space or persons knowledgeable about the use of space and determine if the space survey is a reasonable representation of the actual use of space.	
c. Conduct a physical observation of the space to identify significant inconsistencies between actual usage and usage as reported in the space study and determine if the space survey is a reasonable representation of the actual use of space.	
d. Perform other testing as necessary (e.g., measurements, tracing cost from the space survey to the F&A cost groupings, etc.) to determine if costs associated with space are reasonable and equitably allocated.	
3. Incorporate the results of any assist audits, specialist assistance, or FD reports, as appropriate, into the results of procedures performed.	
4. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
5. Summarize the results of the audit procedures and complete the H summary WP. Prepare an exhibit and audit report notes suitable for inclusion in the audit report as applicable.	

I-01	Simplified Method – 2 CFR 200, Appendix III, Section D	WP Reference
Version 4.0, dated Jan 2023		
The simplified method for developing F&A rates may be used by smaller educational institutions that receive \$10 million or less in direct federal funding. However, if the allocations resulting from use of the simplified method appear to be inequitable to either the Federal Government or the institution, the F&A rates should be determined using the sections for evaluating the standard/regular method proposals (Sections D, E, F, G, H, and I) of this audit program should be completed.		

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Considering the understanding of the base-year costs and the development of the proposed F&A rates documented in the risk assessment (WP B section) and results of other analysis (WP C section), perform the following procedures:	
1. General	
a. Determine if the classifications of cost as direct or indirect costs are consistent with the University's established/disclosed procedures and practices.	
b. Determine if the proposed F&A pool costs exclude unallowable costs per 2 CFR 200 Subpart E.	
2. F&A Distribution Bases	
a. If costs included in the F&A rate proposal have been audited by the FAO(s) cognizant of the costs, document and incorporate results of associated audits.	
b. Determine if the allocation base includes both Federally-funded and nonFederally funded programs.	
c. Determine if the proposed allocation base is consistent with the requirements of 2 CFR 200 and provides for an equitable distribution of F&A costs.	
d. (1) If the University used direct salaries and wages as the distribution base, verify that salaries and wages are excluded from the F&A cost pool.	
e. (2) If the University used the modified total direct cost base, determine if the allocation base included all of the University's direct functions.	
3. Facilities and Administration Costs	
a. Determine if costs for student administration and services, student activities, student aid, scholarships, fellowships, and tuition remission are excluded from the pool.	
b. Determine if costs for operation and maintenance of physical plants and buildings, and related depreciation exclude depreciation costs applicable to nonFederally funded programs.	
c. Determine if Deans' Office Administration costs are limited to 20 percent (20%) of the total salaries and expenses for all deans' offices and heads of departments.	
d. Select a sample of cost and determine if the proposed costs are allowable per the 2 CFR 200 cost principles identified in 2 CFR 200, Subpart E.	
4. Incorporate the results of any assist audits, specialist assistance, or FD reports into the results of audit procedures as appropriate.	
5. If the audited results indicate the allocation of cost is not equitable to either the Federal government or the University, perform the audit procedures for audits of proposals submitted using the Long Form Method (Sections D, E, F, G and H (and J if necessary) of this audit program).	
6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	

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7. Summarize the results of the audit procedures on summary WP I. Prepare an exhibit and audit report notes suitable for inclusion in the audit report as applicable.	
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U-1	Agency Compensation Team: Compensation Reasonableness and 2 CFR 200 Allowability Cap	WP Reference
Version 4.0, dated Jan 2023		
If specialist assistance is necessary to determine the reasonableness of compensation, coordinate with, and provide section U of the audit program to the DCAA Compensation team.		
1. Up Front Communication and Planning		
<p>a. Review the FAO’s request and accompanying data. Then discuss the request with the requesting audit team. Verify that all required information is available now or will soon be provided, including:</p> <ul style="list-style-type: none"> • Position descriptions, • Market pricing surveys, • Outside consultant studies, • Compensation policies and procedures, etc. <p>If data is incomplete, make inquiries to determine when the data will be provided. If the data is unavailable, document the explanation and discuss with your supervisor the implications on the planned audit procedures.</p>		
<p>b. Review all FAO-prepared risk documentation including inquiries, analytical analyses, etc. Coordinate with the FAO to clarify your understanding of risk, collaborate with the FAO to fine tune the risk conclusions, and document the rationale for the positions selected for further evaluation.</p>		
<p>c. Document your understanding of the University’s basis for proposed compensation, including justifications for setting compensation higher than market mean (e.g., qualitative factors).</p>		
<p>2. Evaluate Compensation Using 2 CFR 200 Limits</p> <p>Determine applicable 2 CFR 200 Compensation Limitations. For each individual selected, identify the applicable Cap, determine whether the proposed amounts comply with the compensation limitations, and classify costs in excess of the Cap prior to proceeding with the reasonableness testing.</p>		
3. Evaluate Compensation Reasonableness		
<p>a. Thoroughly read each position description and determine whether it is sufficiently described to match a survey description. If inadequate, obtain other documents describing the position’s duties and functions. If it remains inadequate or altogether absent, document this fact, and discuss with your supervisor whether additional procedures are required to effectively match the position to survey data.</p>		

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<p>b. Identify the best-fit compensation survey for each selected job/position, finding the best match of the University’s revenue, industry, geographic location (area from which employees are recruited and lost), and participation by universities not performing Federal awards. Adjust these factors considering the skill and complexity of each tested position (e.g., advanced engineers are often recruited nationally while entry level engineers are not).</p> <p>c. Select the appropriate survey for each position classification and document your rationale.</p>	
<p>d. Determine if the University is following its established policy or procedure for issuing bonuses and that the bonus was actually awarded.</p>	
<p>e. Determine if the University’s allowable fringe benefits are below market level. If below market, consider the prevailing circumstances before adding an “offset” equal to the difference between the University’s allowable fringe benefits and the market fringe benefits.</p>	
<p>f. Determine if the University is claiming Long Term Incentive (LTI) compensation, or whether the circumstances call for an LTI offset. Ensure any LTI is evaluated for allowability and reasonableness. No offset consideration is necessary if LTI plans or LTI awards are not prevalent under the University’s circumstance.</p> <p>If LTI compensation is deemed appropriate, ensure it:</p> <ul style="list-style-type: none"> • Only includes allowable cost components, and • Is funded using a reasonable base salary. 	
<p>g. For each selection, compare the proposed compensation to the reasonable compensation level and question the difference.</p>	
<p>4. Summarize and Communicate Results</p>	
<p>a. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.</p>	
<p>b. For each selection, document the conclusion, basis of proposed cost, and audit evaluation. Provide the FAO the documentation necessary to understand the evaluation, and to meet our professional standards.</p>	
<p>c. Communicate the results with the FAO audit team and discuss the findings with the University as appropriate. Address questions and University rebuttals as necessary through the FAO. If significant exceptions, offer to attend negotiations.</p>	

<p>A-01 Concluding Steps</p>	<p>WP Reference</p>
<p>Version 4.0, dated Jan 2023</p>	
<p>1. Summarize and document the audit results.</p>	
<p>2. The supervisory auditor and appropriate management members of the team should perform a final review of the working papers and audit results.</p>	

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A-01 Concluding Steps	WP Reference
3. After management approval, conduct and document an exit conference with University representatives in accordance with procedures specified in CAM 4-304.	
4. Draft audit report in accordance with CAM 10-200, 10-300, and any special circumstances that affect the report.	
5. Hold a discussion with the CFAO upon completion of our audit and document the communication in the audit working papers. The discussion should include the following, at a minimum:	
a. Brief the requestor/CFAO on significant questioned, unsupported, unresolved costs or other significant and/or complex findings/issues.	
b. Discuss with the CFAO if inclusion of detailed explanatory notes in our report would serve a useful purpose when there are no findings.	
6. Complete the administrative working papers.	
7. If the evaluation disclosed major or recurring cost estimating deficiencies, a report on such deficiencies should be drafted immediately and submitted to the University for comment. This procedure will provide for issuing the deficiency report at the same time or shortly after the proposal audit report is issued. (CAM 9-310).	
8. Related CAS noncompliance reports, if any, should be referenced in the audit report, and should be issued generally at the same time as the proposal audit report, if possible. (See CAM 10-806).	
9. Update permanent file.	
10. Submit the working paper package and draft report to the supervisor/manager for final review and processing.	