

MASTER DOCUMENTS

AUDIT PLANNING CONSIDERATIONS AND PRELIMINARY AUDIT STEPS

Activity Code 23300	Restructuring Proposal
Version 5.0, 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 was developed for planning and performing audits of a unique subject matter not provided for under other activity codes or standard audit programs. The risk assessment steps below are steps that should be performed during the performance of any audit; however, due to the unique nature of this activity code, the auditor must develop additional steps as needed to effectively assess risk, and determine the scope of the audit.</p> <p>Since standard audit steps cannot be provided related to the audit of a unique subject matter, the auditor must identify the relevant audit criteria, develop specific risk assessment steps and detailed audit steps to meet the unique objective of the audit. The audit program must reflect an understanding between the auditor and supervisor as to the scope required to complete an audit which satisfies the audit objectives and complies with generally accepted government auditing standards.</p>	
Other Planning Considerations	
<p>Prior to commencing the audit, review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.</p>	
References	
CAM Chapter 2, Auditing Standards	
CAM Chapter 3, Audit Planning	
CAM Chapter 4, General Audit Requirements	

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CAM Chapter 10
CAM Chapter 14, Other Contract Audit Assignments
Selected Areas of Cost Guidebook, Chapter 63, Restructure Costs

B-1	Preliminary Steps	WP Reference
Version 5.0, dated Jan 2023		
1.	Review the permanent file to identify any audit leads affecting the subject matter of the audit. If there are applicable audit leads discuss with the team how they will affect the scope of the audit (e.g., the nature, timing, and extent of testing).	
2.	<p>Review permanent file to determine if previous audits included findings and recommendations related to the subject matter under audit. If there were findings material to the subject matter, document this information in the risk assessment and perform the following procedures:</p> <p>a. Ask contractor management if corrective actions were taken to address findings and recommendations reported in previous DCAA audits (e.g., questioned costs, business system deficiencies, CAS audits) that are relevant to the subject matter of audit. If yes, have contractor explain corrective actions taken and determine if additional audit procedures should be included in the fieldwork to test the corrective actions. (GAGAS 7.13)</p> <p>b. Document the results of the inquiry and the impact of the corrective actions to the subject matter under audit.</p>	
3.	<p>Review permanent file to determine if the contractor 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 under audit. If there are no other studies or audits, document that information in the working papers and perform the procedures below.</p> <p>a. Ask contractor management if internal audits were performed. If yes, request contractor 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 the contractor identifies relevant internal audits:</p> <ul style="list-style-type: none"> • Determine if access to these reports is necessary 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. There must be a nexus between the internal audit reports and the scope of this specific assignment. 	

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<ul style="list-style-type: none">• Document the results of the determination in writing.• If assignment is at a major contractor location, coordinate with the CAD or FAO point of contact (POC) for internal audit reports to request the contractor provide access to the reports.• If assignment is at a non-major contractor and the FAO does not have a designated POC, the auditor should request the contractor provide access to the internal audit reports. <p>c. 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.</p> <ul style="list-style-type: none">• If the review of the perm file or the contractor identifies relevant other audits or studies:• Obtain publicly available information for the relevant other Government agency audits (e.g., websites for DoD IG or other IGs, service audit agencies, etc.).• Make appropriate adjustments to your risk assessment and planned procedures based on the reported findings. <p>d. Document the results of the inquiries including the response received from the contractor for any request for access to internal audit reports. (If access was not granted this should include the contractor's rationale or justification for not granting access).</p> <p>e. Determine if additional audit procedures are needed to respond any identified risk.</p>	
<p>4. During the entrance conference, or other appropriate meeting, make specific inquiries of contractor management and other appropriate parties regarding the following:</p> <ul 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	

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<p>contractor explain the audits and studies performed, any related findings or recommendations, and any contractor corrective actions taken. (GAGAS 7.13)</p> <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>5. Contact the contracting officer to ascertain any known concerns that will impact the audit and adjust the audit scope and procedures accordingly.</p>	
<p>6. Notify the appropriate contracting officer of the commencement of the risk assessment and that the expected completion date will be provided in the formal acknowledgement once the risk assessment is complete. The acknowledgement process should be performed in accordance with CAM 4-104.</p>	
<p>7. <i>ADD SPECIFIC RISK ASSESSMENT STEPS HERE</i></p>	
<p>8. Document the need for specialist assistance and/or assist audits, and prepare the necessary request letters.</p>	
<p>9. 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 estimating or 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 budget or contractual commitments, and opportunities to commit and conceal fraud). Consider the DoD IG website Fraud Detection Resources for Auditors for common fraud risk factors. Copy link and paste into web browser, • other factors identified that increase the risk of material noncompliance with laws and regulations, 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>	

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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..	
10. Obtain and document an understanding of contractor internal controls relevant to the audit. Auditors may obtain a significant portion of this understanding during the walkthrough.	
11. Conduct an entrance conference.	
12. Discuss with your supervisor the results of the risk assessment and reach an agreement on the planned audit scope, including the detailed audit steps. Document and obtain supervisory approval of the risk assessment and the planned scope of examination WP B and -1 WPs.	
13. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3. If applicable, include a follow up with contractor management on: <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 	

C-1 Detailed Steps	WP Reference
Version 5.0, dated Jan 2023	
<i>Auditor will develop steps</i>	
1.	
2.	
3.	

A-1 Concluding Steps	WP Reference
Version 5.0, dated Jan 2023	
1. Summarize and document the audit results by major element or restructure activity as proposed.	
2. Obtain supervisory/management review of the working papers and audit results.	
3. After management approval, conduct and document an exit conference with contractor representative in accordance with procedures specified in CAM 4-304.	

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A-1 Concluding Steps	WP Reference
4. Auditors should document and communicate with the contracting officers upon the completion of our audit: <ul style="list-style-type: none">a. Brief the requestor/contracting officer on significant questioned, unsupported, unresolved costs or other significant and/or complex findings/issues.b. Coordinate with the contracting officer to find out and determine if inclusion of detailed explanatory notes in our report would serve a useful purpose when there are no findings.	
5. Draft audit report in accordance with CAM 10-200 and any special circumstances that affect the report.	
6. Complete the administrative working papers.	
7. If the proposal evaluation disclosed a material weakness/significant internal control deficiency, open a Business System Deficiency (Activity Code 11090) assignment to report the deficiency and submit it to the contractor for comment. This procedure will provide for issuing the business system 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 text of the proposal report, and should be issued prior to the proposal audit report if possible.	
9. Update permanent file.	
10. Submit the working paper package and draft report to the supervisor/manager for final review and processing.	