

## MASTER PROGRAM

<b>Activity Code 28500</b>	<b>Single Process Initiative</b>
<b>B-1 Planning Considerations</b>	<b>Version 3.0, dated July 2020</b>

<b>Agreed-Upon Procedures Engagement</b>
<b>Audit Specific Independence Determination</b>
<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., FAO technical specialist) 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>
<b>Purpose and Scope</b>
<p>The purpose of the engagement is to:</p> <ul style="list-style-type: none"> <li>• apply specific procedures to report whether the contractor's SPI cost benefit analysis provides a reasonable general dollar magnitude estimate of implementation costs and related savings, and</li> <li>• determine if that the impact of the approved SPI process change is reflected in the contractor's estimating system and forward pricing.</li> </ul>
<p>The engagement will be performed as an agreed-upon procedures engagement performed in accordance with applicable Government Accepted Government Auditing Standards (GAGAS) and applicable AICPA Professional Standards. An agreed-upon procedures engagement can be performed when (1) the subject matter or assertion to which the procedures are to be applied is subject to reasonably consistent measurement, (2) the requestor and DCAA agree on the nature, timing, and extent of the procedures to be applied, including the criteria to be used and (3) the requestor acknowledges in writing, prior to application of the procedures, that the procedures agreed-to are appropriate for the intended purpose.</p>
<b>References</b>
1. CAM 1-804, "Management Councils, Single Process Initiative (SPI), and Cost Benefit Analysis"
2. DCMA Guidebook, Single Process Initiative available at <a href="http://guidebook.dcmamil/20/guidebook_process.htm">http://guidebook.dcmamil/20/guidebook_process.htm</a>
3. DCMA Single Process Initiative Concept Paper Guidebook available at <a href="http://guidebook.dcmamil/onebook/20/SPIguidebook-preparing_concept_papers.htm">http://guidebook.dcmamil/onebook/20/SPIguidebook-preparing_concept_papers.htm</a>
4. CAM 14-1000 Application of Agreed-Upon Procedures

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<b>B-1 Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 2.7, dated July 2020 7</b>	
1. Review the request to identify requestor requirements and any restrictions.	
2. Notify the appropriate contracting officer the commencement of the agreed-upon procedures engagement and the agreed-to due date (CAM 2-303). The acknowledgement process should be performed in accordance with CAM 4-104.	
3. Assess the concept paper submitted by the contractor to gain an understanding of the proposed change.	
4. 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.	
5. Look at permanent files and prior evaluations to obtain background information.	
6. Hold an entrance conference.	
7. If the requestor has not provided the specific procedures to be performed, develop the procedures to be applied to the subject matter, based on the needs of the requestor and the scope of the engagement, and obtain written acknowledgement from the requestor that the procedures to be performed are appropriate to meet the intended purposes.  <i>Note: The auditor must receive the written acknowledgement prior to applying the procedures to the subject matter.</i>	
8. Issue a notification letter to the contractor regarding the engagement in accordance with CAM 4-302.3.	

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<b>C-1 Detailed Procedures</b>	<b>WP Reference</b>
<b>Version 2.7, dated July 2020</b>	
1. Perform the procedures agreed-to with the ACO (Step B-1), which should include the following (CAM 1-804.3) 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: (a) Implementation costs, (b) Estimated savings on existing contracts, and (c) Estimated annual future savings to reflect in forward pricing.	
(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 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. Determine if the supporting computations are accurate.	
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.	
3. 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.	
4. If the contractor does not incorporate the impact of approved process changes into forward pricing and the impact is significant, consider opening an assignment to evaluate the condition (follow the guidance in CAM 9-310).	
5. Prepare audit lead sheets to document the calculated forward pricing impact of the approved process change and any estimating system deficiencies for use in future forward pricing and estimating system audits.	
6. Perform other procedures as agreed-to.	

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<b>A-1 Concluding Steps</b>	<b>WP Reference</b>
<b>Version 2.7, dated July 2020</b>	
1. Summarize results of applying the agreed-upon procedures.	
2. Brief the contracting officer on the results of the application of the agreed-to procedures and document the communication in the working papers..	
3. Conduct and document an exit conference with contractor.	
4. Prepare the draft report in accordance with CAM 14-1003 for agreed-upon procedures. Ensure that the agreed-upon procedures report is drafted consistently with the guidance in GAGAS 7.84.	