

MASTER OTA PERFORMANCE AUDIT PROGRAM

Activity Code 29000	OTA Performance Audit
B-1 Planning Considerations	Version 1.0 dated July 2020

Type of Service - Performance Audit
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., 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>
<p>Prior to commencing the audit, review Agency guidance that may impact the audit and contact the Policy Auditing Standards Division for additional information related to conducting performance audits. Adjust the audit scope and procedures appropriately.</p> <p>Review the requirements in the 2018 GAGAS Revision, which are effective for performance audits started on or after July 1, 2019.</p>
References
2018 GAGAS Revision, Chapters 1 through 5 and Chapters 8 and 9

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<i>Auditor will develop steps, however, the following steps must be addressed, at a minimum.</i>	
1. Contact the agreements officer to understand any known concerns relevant to the subject matter that impact the audit and adjust the audit scope and procedures accordingly.	
2. Send an acknowledgement memorandum to the AO/Buying Command notifying them 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 the procedures in CAM 4-104.	
3. Obtain an understanding of the nature of the program and the potential use of the audit results. See 2018 GAGAS 8.36 for considerations in gaining this understanding. Document your understanding and the impact of this understanding on the subject matter.	
4. Using the framework and the guidelines in WP B-2, obtain an understanding of the contractor's internal controls that are relevant to the subject matter and determine if internal control is significant to the audit objectives. In obtaining an understanding of internal control significant to the audit objectives, evaluate the impact of information systems controls on the subject matter and document whether information systems (IS) controls are significant to the audit objectives. Modify the audit program as necessary to address the impact of IS controls on the performance of the audit.	
<p>5. 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. 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 8.27 – 8.29 b. 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 8.30. <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>	

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<p data-bbox="203 254 1133 428">6. 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, Technical Specialist and Auditor) to discuss and identify potential material noncompliances, whether due to error or fraud, that could affect the subject matter.</p> <p data-bbox="253 449 646 478">The discussion should include:</p> <ul data-bbox="313 506 1162 1045" style="list-style-type: none"><li data-bbox="313 506 1162 575">• relevant prior audit experience (e.g., questioned cost, relevant reported estimating or accounting system deficiencies),<li data-bbox="313 596 1044 625">• relevant aspects of the contractor and its environment<li data-bbox="313 646 1162 869">• risk of material noncompliance due to fraud (e.g., financial incentives, pressures to meet budget or contractual commitments, and opportunities to commit and conceal fraud). (Consider the fraud risk factors and scenarios presented in the DoD OIG's webpage: Fraud Detection Resources for Auditors (copy link and paste into web browser)).<li data-bbox="313 890 1032 959">• other known factors that increase the risk of material noncompliance with laws and regulations, and<li data-bbox="313 980 1057 1045">• the audit team's understanding of relevant key internal controls. <p data-bbox="258 1066 1133 1205">Document risk factors identified that could materially affect the subject matter and design specific audit procedures to respond to the increased risk of material noncompliance, whether due to error or fraud.</p> <p data-bbox="203 1226 1133 1331">Communication among audit team members about the risk of material misstatement due to error or fraud should continue as needed throughout the audit.</p>	

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<p>7. Review permanent file to determine if previous audits included findings and recommendations that relate to the subject matter. If there were findings material to the subject matter, document this information in the risk assessment and perform the following procedures:</p> <ul style="list-style-type: none">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 8.30)b. Document the results of the inquiry and the impact of the corrective actions to the subject matter.	

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| <p>8. Review the permanent file for any information the contractor has provided about 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 contractor management if internal audits were performed. If yes, request a summary listing of the internal audits to 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.• Document the results of the determination in writing.• If assignment is at a major contractor location, coordinate with the CAC 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.• 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>c. If the review of the perm file or the contractor identifies relevant other audits or studies:</p> <ul style="list-style-type: none">• 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 contractor's 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 to identified risk.</p> | |
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B-1 Preliminary Steps	WP Reference
9. Identify and document the need for technical assistance based on the understanding of the subject matter under audit. Considering risk and materiality, prepare a detailed request for specialist assistance if required, and document on WP B-03.	
10. Document your preliminary assessment of risk on WP B.	
11. Review and discuss with your supervisor the overall results of the risk assessment and the audit scope planned in response, including the detailed audit steps to meet the audit objectives. Modify the standard audit program as necessary to obtain sufficient appropriate evidence to provide a reasonable basis for findings and conclusions that will be reported.	
12. Obtain and document supervisory approval of the risk assessment and planned scope of the audit for each significant component of the subject matter identified in WP B, B-01, and other -01 WPs.	
13. Prepare and send a final acknowledgement memorandum to the requestor.	
14. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3.	

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C-1 Detailed Steps	WP Reference
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<i>Auditor will develop steps</i>	
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A-1 Concluding Steps	WP Reference
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1. Summarize and document the audit results. Develop the Exhibit for the findings and conclusions.	
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 specific in CAM 4-304.	
4. Auditors should document and communicate with the requestor upon the completion of the audit, brief the requestor on significant and/or complex findings	
5. Draft the audit report in accordance with CAM 10-200 and any special circumstances that affect the report. Carry-forward the paragraphs developed for reporting the Audit Objectives (WP A-01), Scope of Audit (WP B), and Methodology (WP A).	
6. Complete the administrative working papers.	
7. Update the permanent file	
8. Submit the working paper package and draft report to the supervisor/manager for final review for processing.	