DCAA Contract Audit Manual (CAM)
(DCCAM 7640.1)

Chapter 10
Report Writing

September 03, 2026

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10-000 Preparation and Distribution of Audit Reports **

10-001 Scope of Chapter **

This chapter discusses the importance of DCAA audit reports and provides guidance in preparing quality reports. It describes the elements common to all audit reports. The audit report templates are the standard report formats to be used for each audit activity code. Additional pro forma language is included in the report shell, working paper A-00, and working paper A-01 available on the intranet.

10-100 Audit Report Quality **

This section emphasizes the importance of audit report quality and describes the characteristics of a quality audit report.

10-101 Introduction **

a. Users should recognize that the "standard" report language is provided as an example and is generally not mandatory wording. Some sections like the Management and Auditor Responsibility paragraphs must adhere to the assigned template language based on the type of opinion being issued. The audit team should exercise judgment in tailoring report language to the situation being reported.

b. The written audit report is presented in a way that complies with our professional standards and is necessary to make the auditor's findings and recommendations less susceptible to misunderstanding. A written report:

- communicates our results to responsible Government officials and occasionally to higher levels in the Department of War,
- is used in negotiation proceedings, and
- facilitates follow-up to determine whether appropriate measures have been taken in response to the auditor's findings and recommendations.

10-102 Characteristics of a Quality Audit Report **

The DCAA audit report must satisfy Generally Accepted Government Auditing Standards (GAGAS) as outlined in Chapter 2. A good report will present the scope and results of a quality audit in an objective, concise, complete, and easy to understand manner. Reported findings and conclusions must be accurate, reasonable, and supported by sufficient objective evidential matter, while not being unfair or misleading. The report should also reflect common sense and good judgment in dealing with materiality, the level of detail provided, and the requestor’s needs.

10-102.1 Timeliness of Reports **

a. To be useful, the audit report must be timely. Reports are to be issued on or before the dates specified and, in any event, as promptly as possible. The audit team should realize that every day of delay in issuing an overdue report may diminish its value. Therefore, the audit team should plan and conduct the work with the objective of reporting the results by the agreed upon due date.

b. The auditor should communicate significant matters to appropriate officials during the course of the audit. While this is not a substitute for a final written report, it does alert officials to matters needing correction at an earlier date.

10-102.2 Report Content **

a. The audit report should be easily understood. The audit report should clearly identify the subject matter which can be the cost element, area, system or the proposal being audited or having agreed-upon procedures applied. The audit report should also identify the audit criteria used to evaluate the subject matter and present the auditor's findings and conclusions objectively and completely, with appropriate support for positions taken. The overall results of the audit are conveyed in the audit opinion. It should also provide recommendations for improvement, whenever appropriate.

b. The audit team should ensure they produce reports that contain no errors of fact, logic, or reasoning during each stage of report preparation, review, and processing. Reports must be accurate, fair and impartial to assure readers that the information is reliable (i.e., one inaccuracy can cast doubt on the validity of an entire report and can divert attention from the substance of the report). Reports should be concise but still provide all the necessary information to support the findings, conclusions or recommendations. They should also provide convincing, but fair, presentations with proper perspective. A sufficient amount of background information should also be included, as the reader may not possess all the facts that the auditor has. The auditor should state conclusions or opinions clearly and specifically as all audit findings must be presented so they can be easily understood.

10-103 Techniques for Effective Audit Reports **

A very important aspect of performing a quality audit is communicating the results of that audit. Good fieldwork and analysis may be misunderstood if the audit report does not effectively communicate audit conclusions. Our customers are interested in a clear and concise audit opinion, with supporting data that is easily understood.

10-103.1 Planning the Audit Report **

a. Planning the report begins with the receipt of a request for audit and/or establishment of the engagement. The report will not be effective unless the needs of the requestor are clearly understood and addressed. If there is any confusion regarding the request or the special needs of the requestor, the auditor should call the requestor immediately for clarification.

b. Auditors should determine what is required for the audit report early in the audit process. The detailed summary provided on each lead working paper should be used to draft the report. This will save time since the structured notes to the audit report can be written at the same time the audit is being performed.

10-103.2 Drafting the Audit Report **

Pro forma language contained in the templates is intended to incorporate all required elements into the report. However, any report language example should be modified as appropriate. Since the pro forma reports are for general use, the language must be tailored to reflect each audit. For reports not available in pro forma format, the auditor must ensure that all required elements are included.

10-103.3 Tone **

The tone of the report should be objective, professional, and courteous. Use conversational English, which is a relaxed, professional style. Report writing can be somewhat informal in tone yet remain professional and businesslike. Keep in mind that the goal is to get a favorable reaction. Avoid using accusatory, inflammatory language. This is likely to cause defensiveness and opposition. When presenting problem areas, the report should emphasize improvements needed. Auditors should keep in mind that audit reports are persuasive documents that offer and support an opinion.

In addition, as a Government agency, we are governed by the Plain Writing Act of 2010. This law requires that federal agencies use "clear Government communication that the public can understand and use". Information on the law can be found at http://www.plainlanguage.gov/.

10-103.4 Final Steps **

a. Before submitting the report for supervisory approval, ensure the report complies with Headquarters' guidance. The draft report should be cross-referenced to the working papers. This ensures that the audit conclusions are supported and easily found.

b. Be sure to use the Spelling Check function prior to submitting the report for supervisory review; however, do not rely solely on this function to find all errors within the report.

c. If the supervisor requires the report to be modified, ensure that the change is reflected throughout the entire report. If significant changes are made to exhibits and schedules, go back and request the peer reviewer to check both the "carry" of numbers from schedules to text and the mathematical accuracy of the report.

10-104 After the Report is Issued **

While the audit report is the final product of our work, it is not necessarily the final step in the audit process. Once the report is issued, we should still remain in contact with the requestor to determine if our report met his or her needs. We also may be required to assist the requestor at negotiations.

10-200 Audit Report Format and Contents (General) **

10-201 Introduction (Reports-General) **

a. This section discusses DCAA requirements governing audit report content; details the general administrative and format requirements of audit reports; lists and defines the elements of audit reports in their order of appearance; summarizes DCAA policy regarding protection of report information; and provides guidance on audit report distribution. It also explains the circumstances under which supplemental audit reports should be issued and describes the recommended format for these reports.

b. The guidance included in this section is general in nature and applies regardless of the type of audit report being prepared. Specific report preparation requirements for various types of audit engagements are discussed in the chapter pertaining to that audit type and the pro forma report. Pro forma reports, working paper A-00 and A-01, which include standard paragraphs applicable to specific reports, are available on the DCAA Intranet.

c. The pro forma report templates generated for each assignment code are the principal source for matters like font type and sizes, spacing within reports, margin sizes, etc. A report cue sheet can also be found on the CASD SharePoint site.

10-202 Reporting Standards (Reports-General) **

To satisfy Government reporting standards, there must be a written record of the results of each engagement. Normally, when performing an audit this requirement is satisfied by issuing an audit report. However, certain situations may call for preparation of a Memorandum for Record (MFR) (refer to DCAAM 5020.1, Correspondence Manual) rather than an audit report. Under no circumstances will audit reports be addressed "to the file" or "for the record"

10-203 Report Administrative Requirements (Reports-General) **

10-203.1 Electronic Distribution of Reports **

a. The final version of the report to be issued must be digitally signed and secured. All final audit reports will be converted to PDF format and must be secured and digitally signed by the Branch Manager (or their designee) using the Adobe Acrobat software. Only auditors with appropriate signature authority (DCAAI 5600.1, "Delegation of Signature Authority for Audit Reports and Other Related Documents") may sign audit reports. Any spreadsheets that are included in an audit report need to be protected before report distribution. The instructions on how to perform this action are on the last page of the Report Cue sheet on the CASD SharePoint site.

b. To the maximum extent possible, all written correspondence and audit reports should be transmitted electronically to requestors and customers via e-mail. DCAA e-mail to DoW components will be sent only through Defense Information Systems Agency (DISA) supported communications channels to ".mil" addresses. Procedures for electronic communications with non-DoW customers should be determined on a case-by-case basis after consultation with the customer but should use only official US Government email addresses. Transmission of "CUI" material using private and commercial service providers is prohibited.

c. It is critical to communicate with customers to determine the version and brand of software they are using. Based on customer requirements, choose the appropriate format and version that provides the best opportunity for the customer's efficient use of the audit report and any accompanying files or attachments. If the customer requires the use of compression technologies, specific arrangements should be made to ensure delivery. The possibility exists that the e-mail will not be delivered to the recipient as many networks strip compressed files from incoming e-mails because of virus concerns. The IT staff should be consulted if problems arise while preparing files for transmission or during the electronic transmission.

d. Cover e-mail messages for audit reports should have "CUI" banner markers at the top and bottom of the email and include only administrative-type information. Cover message subjects will include contractor name, customer reference number (if any), and engagement subject (e.g., XYZ Company-DCMA Case No. 05E100005 CAS 410 Noncompliance). An example cover message, which would be placed between "CUI" banner markers, is as follows:

> *This email serves as transmittal of content containing CUI. It is marked as CUI and carries applicable markings in the email body and attached document.*

[Note: do not include the following statement on e-mails related to Field Detachment reports] If the attached audit report includes findings, please e-mail the Price Negotiation Memorandum (PNM), Contracting Officer Final Determination (COFD), or other applicable disposition information to dcaa.belvoir.hq.mbx.dcaa-owd-pnm@mail.mil.

Attached is subject audit report [provide file name] which is prepared in [specify the specific version of Adobe Acrobat]. The attached report is Controlled Unclassified Information. The attached electronic audit report includes a digital signature. A digital signature addresses security concerns by providing greater assurances of document integrity, authenticity and non-repudiation. As the recipient of the report you can verify that the content of the electronic report has not been altered since the signature was applied (integrity). If desired, you can also validate document authenticity by verifying a signer's digital identity. The individual who has signed the document cannot deny the signature (non-repudiation). Signature validation may require acceptance of the issuing authority.

The report was compressed using [specify the software used and whether the file was saved as a self-extracting file or not]. To extract (decompress) the report [provide specific steps to the user on how to extract the file].

The report is incomplete [provide reasons why (e.g., hard copy forthcoming) the report is incomplete to the customer].

If you have difficulty opening the audit report document or have other questions, please contact [provide points of contact to the customer, including telephone number and e-mail address].

IMPORTANT: This e-mail, including all attachments, constitutes Federal Government records and property that is intended only for the use of the individual or entity to which it is addressed. It also may contain information that is privileged, confidential, or otherwise protected from disclosure under applicable law. If the reader of this e-mail transmission is not the intended recipient or the employee or agent responsible for delivering the transmission to the intended recipient, you are hereby notified that any dissemination, distribution, copying or use of this e-mail or its contents is strictly prohibited. If you have received this e-mail in error, please notify the sender by responding to the e-mail and then delete the e-mail immediately.

10-203.2 Citations of Legal Opinions **

Audit guidance is based on Generally Accepted Accounting Principles (GAAP), applicable Government regulations (e.g., FAR, CAS, & DFARS), and rulings of Boards of Contract Appeals and Federal courts. Often the authoritative source of the guidance (e.g., a board or court case) is cited in CAM, DCAA Audit Guidebooks, and/or specific audit guidance provided by Headquarters in support of the recommended audit conclusion. The guidance stated in CAM and specific audit guidance, including relevant legal citations, should be employed in the audit and explained in the audit report to the extent necessary to support the audit conclusions. When the audit team believes it is necessary to include in the audit report a legal citation not discussed in CAM or Headquarters guidance, the citation must be formally coordinated, through the applicable Directorate, with the Contract Audit Standards and Assurance (CASA) group at Headquarters. The Headquarters division responsible for the audit issue will coordinate with OGC and the branch office to ensure that the citation is relevant and properly applied.

10-203.3 Immaterial Amounts/Costs Subject to Penalty/Elimination of Cents **

a. Only material amounts of questioned costs should be displayed in audit reports. Noncompliances are material if individually or in the aggregate, they could reasonably be expected to influence relevant decisions of intended users that are made based on the audited information. For DCAA, the intended users are generally contracting officers. Materiality has a quantitative component (a purely mathematical consideration of the volume of dollars) and a qualitative component (any other consideration that would influence a contracting officer's decision.) A quantitatively immaterial amount may be qualitatively material if it relates to indicators of fraud, sensitive accounts, or cost elements where a contracting officer expressed particular concern. It is also important to consider noncompliances in the aggregate. For example, questioned costs on one G&A account may be immaterial, but when combined with questioned costs on other G&A accounts may result in material questioned G&A costs.

b. When unallowable costs are identified during the audits that are subject to penalties, they must be communicated to the ACO regardless of materiality. The communication of the expressly unallowable costs needs to be documented and provide the ACO sufficient information to make the penalty determination pursuant to FAR 42. If the expressly unallowable costs result in a material reservation about the subject matter and we question the costs, the communication would be provided in the report. If the expressly unallowable costs do not result in a material reservation about the subject matter and we do not question the costs in the report, the communication can be documented through either e-mail or memorandum to the ACO.

c. Cents should not be included in summary report paragraphs, exhibits and schedules. However, they can be used in certain explanatory notes and supporting schedules, such as those relating to direct labor rates or material unit prices.

10-203.4 Report Terminology **

a. DCAA primarily performs compliance attestation engagements and the vast majority of them are examination engagements. However, for all of the work that DCAA performs, the related fieldwork, and the resulting examination reports, DCAA uses the term "audit" to describe the work. This also applies to operations (performance) audits. However, auditors should not use the term "audit" when performing applications of agreed-upon procedures engagements. Additionally, any advisory service performed by the DCAA will not use the word audit and will not use an audit report.

b. The difference between an examination and an application of agreed-upon procedures is the level of assurance. The preferred terminology is contained in the "Report on" paragraphs in the pro forma reports. If the audit is an examination, the report narrative will state "we examined". Similarly, if the audit is an application of agreed-upon procedures, the report narrative will state "we applied agreed-upon procedures".

c. Most audits DCAA auditors perform are examinations that require a high level of assurance. However, any assignment may be performed as an application of agreed-upon procedures when the procedures to be performed have been specified by the requestor.

10-203.5 Spreadsheets **

a. An assessment should be made in each case if the inclusion of spreadsheet data is necessary to support the results of audit. Spreadsheet data should not be pasted or inserted into the report where the entire workbook is embedded as an object.

b. When tables are inserted in the audit report and they cover more than one page, each subsequent page should also include the column headings of the table.

c. In many instances, audit report recipients find the auditor's spreadsheets useful in performing negotiation scenarios, preparing business clearances, etc. Where reports contain tables generated from spreadsheets that may be useful to the recipient, an offer to provide the spreadsheets should be included in the notes. Where spreadsheet usage was significant, the auditor may also contact the requestor in advance to determine if the requestor would like the spreadsheets to be provided outside the audit report.

d. Spreadsheets or graphs should be positioned with their headings either at the top or at the left side of the report. Any spreadsheets that are included in an audit report need to be protected before report distribution. The instructions on how to perform this action are on the last page of the Report Cue sheet on the CASD SharePoint site.

10-203.6 Use of Personally Identifiable Information (PII) **

The use of PII in reports should be avoided to the maximum extent practical to comply with the DCAA Privacy Program (DCAAI 5410.10). When employees have to be identified individually to report a finding (e.g., individual employees on a T&M contract do not meet the qualification requirements), the use of contractor-provided employee identification numbers instead of names is preferred. When employee names are used, they should not be combined with other PII (e.g., Social Security Numbers, birth dates, etc.).

10-204 Report Format (Reports-General) **

Major examination report components are listed below in the sequence in which they generally appear. Those components highlighted with an asterisk should appear in every DCAA audit report regardless of type to satisfy minimum professional standards. Other elements may or may not be included in a particular report depending on the type of audit performed or other circumstances. For example, "Report on Other Matters" is not identified with an asterisk but becomes a mandatory report requirement if existing conditions require its use.

- Report Cover Sheet and Title Page*
- Table of Contents*
- Executive Summary*
  - About [Contractor's Name]*
  - About this Audit*
  - What We Found*
- Report on [Brief Description of Audit] *

    - Management's Responsibility *
    - Auditor's Responsibility *
    - Basis for [Type of Modified Opinion] Opinion
    - [Type of Opinion] Opinion (*
- Report on Other Matters
- DCAA Personnel and Report Authorization *
- Audit Report Distribution and Restrictions *
- Exhibits
- Appendixes

* Required in every report regardless of type.

10-205 Title Pages for Reports on Classified Subjects **

Reports containing classified information will be prepared, classified, marked, and protected in accordance with DoD Manual 5200.01, DoD Information Security Programs.

10-206 Factors to Consider when Determining Appropriate Audit Opinion **

a. Reservations about the subject matter occur when the audit team discloses a material noncompliance (e.g., contractor's claimed depreciation expenses do not comply with CAS 409):

- This type of reservation will result in either a qualified or an adverse opinion depending on materiality and pervasiveness.
- The audit team should issue a **qualified** opinion when they have disclosed noncompliances that are material but not pervasive.
- The audit team should issue an **adverse** opinion when they have disclosed noncompliances that are both material and pervasive.

b. Reservations about the engagement occur when the audit team is unable to obtain sufficient appropriate evidence (i.e., unable to apply all the procedures considered necessary in the circumstances). Reservations about the engagement can originate from the contracting officer (e.g., time constraints), the contractor (e.g., access to records), or internally within DCAA (e.g., lack of assist audits).

- This type of reservation will result in either a qualified or disclaimer of opinion depending on materiality and pervasiveness.
- The audit team should issue a **qualified** opinion when they are unable to obtain sufficient appropriate audit evidence (i.e., not all planned audit procedures could be completed) and the potential effects are material but not pervasive.
- The audit team should **disclaim** an opinion when they are unable to obtain sufficient appropriate audit evidence (i.e., not all planned audit procedures could be completed) and the potential effects are material and pervasive.

Note: Auditors should not disclaim an opinion if they have sufficient evidential matter that warrants expressing an adverse opinion.

The following table illustrates the decision process, using professional judgment about the pervasive nature of the reservation when selecting the appropriate modified opinion:

Nature of Reservation	Material but not Pervasive	Material and Pervasive
Subject Matter	Qualified opinion	Adverse opinion
Engagement	Qualified opinion	Disclaimer of opinion

c. Applying the Concept of Pervasiveness

(1) To determine the audit opinion, the audit team **must** make a final assessment of whether their reservations, when considered in combination, are pervasive to the subject matter.

Reservation about the Subject Matter – In this context, pervasive means the reservations affect a substantial portion of the subject matter under audit and are generally not confined to specific cost elements.

(2) To determine the audit opinion, the audit team **must** make a final assessment of whether the effects of the reservations, when considered in combination, are pervasive to the engagement.

Reservation about the Engagement – In this context, pervasive means that the impact of the audit procedures not performed can affect a substantial portion of the subject matter under audit and is generally not confined to specific cost elements.

d. Working paper A-00 pro forma documents have additional instructions and report language specific to the type of audit being performed.

10-206.1 Disclaiming an Opinion **

a. The audit team should disclaim an opinion when (1) the team has not performed an audit adequate in scope to obtain sufficient appropriate evidence (i.e., reservation about the engagement) to form even a qualified opinion and (2) the team concludes that the possible effects of the noncompliances that could have been identified are both **material** and **pervasive** to the subject matter under audit.

Before making the determination to disclaim an opinion, the audit team should make every effort to complete all planned procedures. If the audit team is unable to perform the planned procedures, they should attempt to perform alternate procedures (i.e., obtain sufficient appropriate audit evidence through other audit procedures). The audit team should use judgment in applying resources and determining whether performing alternate procedures would serve a useful purpose.

The audit team should not disclaim an opinion if they have sufficient evidential matter of the contractor's material noncompliance that warrants expressing an adverse opinion.

When disclaiming an opinion, edit the report as follows:

(1) The first sentence in the "Report on…" section should state "We were engaged to examine", rather than "We examined" since the auditor was not able to perform an examination

in accordance with GAGAS.

(2) Replace the entire Auditor's Responsibility section with the following paragraph:

Our responsibility is to express an opinion on the subject matter based on conducting the audit in accordance with Generally Accepted Government Auditing Standards. We are required to be independent and to meet our other ethical responsibilities in accordance with GAGAS. Because of the limitation(s) on the scope of our examination described in the Basis for Disclaimer of Opinion paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the subject matter is in accordance with the criteria, in all material respects.

(3) Describe material and pervasive Scope Limitations in the "Basis for Disclaimer of Opinion" section. This paragraph should provide a clear and comprehensive description of the matter(s) giving rise to the disclaimer, reasons for the disclaimer and its true effect, or potential true effect on the subject matter.

(4) When disclaiming an opinion, the audit team should use the heading "Disclaimer of Opinion" for the opinion paragraph. Use the following template for the disclaimer of opinion language.

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on whether [identify the subject matter (e.g., proposed direct and indirect amounts for contract reimbursement on unsettled flexibly-priced contracts contained in XYZ Company's CFY 20XX final indirect rate proposal)] complies, in all material respects, with [identify the criteria (e.g., contract terms pertaining to accumulating and billing incurred amounts)].

b. When disclaiming an opinion, the audit report should describe the nature of any material noncompliance and its actual and potential effect on the subject matter in a "Report on Other Matters" appendix.

(1) Include the following language at the beginning of the appendix:

> *Reported noncompliances do not represent an overall opinion on the subject matter under audit but are fully developed findings based on substantiated evidence from the limited procedures applied during the performance of the audit.*

As a general rule, the audit team should not describe specific audit procedures in the Report on Other Matters appendix. Furthermore, the team should:

- Not use the structured note format in the appendix because audit evaluation section describes the audit procedures and could be misleading.
- Avoid summary exhibits showing a difference or audit recommended column.
- Avoid using the term "questioned" costs.
- Avoid presenting calculated rates based on the report findings.

c. Communicate noncompliances to the contractor and include the contractor's reaction and auditor's response in the appendix.

d. There may be cases where the audit team believes identifying audit procedures will assist the contracting officer (e.g., assist in negotiations). In these cases, the audit team should communicate that additional information in a separate section in the Report on Other Matters appendix. This additional information generally should not include a list of audit procedures that were performed since audit procedures in and of themselves would not provide the type of information necessary for contracting officers to make a determination (e.g., assist in the negotiation of rates). When deciding to include additional information, the audit team should coordinate first with the contracting officer and use judgment in determining what information will benefit their decision-making process.

e. The audit team should issue separate noncompliance reports for CAS noncompliances and business systems deficiencies, when appropriate.

10-207 Structured Notes in Audit Reports **

Structured notes should generally be included in the audit report for any area where we are reporting significant findings. For audit areas that lack significant findings, auditors should coordinate with the requestor/contracting officer to determine whether detailed structured notes in the audit report would serve a useful purpose. If the contracting officer does not feel this information would be useful, the auditor should not include structured notes in the audit report. Auditors should include documentation of this coordination with the requestor/contracting officer in the working papers. See guidebook "Elements of a Finding" for guidance on writing structured notes.

10-208 Release of Audit Reports to the Contractor **

Draft and final reports that are of a privileged and sensitive nature (such as those reporting on unsatisfactory conditions or which make reference to suspected irregular conduct or referral for investigation) will not be provided to the contractor. These types of reports are not usually discussed with contractor representatives, and any inquiries concerning disclosure of the report information will be resolved in accordance with DoDM 5400.07 and the DCAA Freedom of Information Act Program.

If the contractor requests a copy of the final report after the report has been issued, coordinate with the contracting officer to determine if the contracting officer has any objection to DCAA providing a copy of the report directly to the contractor.

10-209 Supplemental Reports **

10-209.1 Criteria for Use **

a. Auditing standards provide for issuance of supplemental audit reports when the auditor subsequently becomes aware of information which, had it been known at the time the report was issued, would have affected the report conclusions.

b. A new report (with a different report number) rather than a supplemental report should be issued when the purpose of the report differs from the purpose of the original report. This is the case when a special report is issued to summarize results of audit in previously issued reports or when a follow-up report is issued on a system audit to determine if the contractor took adequate corrective action on reported findings.

c. A supplemental report has the same purpose as the original report, but generally revises the original report's conclusions or significantly modifies some of the report details. Before preparing a supplemental audit report, contact the contracting officer to determine if the supplemental report would serve a useful purpose. If not, do not prepare the supplemental report and document your discussion in the working papers.

d. Supplemental DCAA audit reports should be issued when:

(1) Subsequent to the date of the audit report the auditor became aware that additional facts regarding the subject of audit existed at the report date, and such facts affect the report.

(2) Additional time is needed to perform a complete audit (especially on major proposals, sensitive areas, or where there is potential for significant audit findings), however, circumstances do not permit a due date extension. In this case, a qualified report should be issued advising that a supplemental report will be forthcoming if negotiations have not been concluded and the report will serve a useful purpose.

(3) Relevant and material developments or events occurred after the date of the auditor's report that had a material effect on Government contract costs (such as, final determinations or resolutions of contingencies or other matters disclosed in the audit report or that had resulted in a departure from the auditor's standard report), for example:

- Required technical information is received after the audit report is issued and the results have a significant impact on the audit findings.
- Additional information is received which is necessary to reflect resolution of unresolved costs contained in the audit report.
- Additional supporting information is provided by a contractor during the negotiation conference that would affect the report conclusions. However, there will be circumstances when supporting information is provided by a contractor during the negotiations and a supplemental audit report is not issued.

FAR 15 requires that contracting officers should provide updated information that will significantly affect the audit to the auditor. Auditors should assure that any subsequent audits comply with Generally Accepted Government Auditing Standards, including adequate testing of evidential matter and appropriate supervisory review. If this cannot be accomplished, there should be no appearance of concurrence with the updated information or implied amendment of the audit report recommendations.

e. If a report is not being supplemented as described in d. above, but must be issued with minor changes (e.g., to correct minor math errors), it should be marked as "revised" in accordance with 10-210 below.

10-209.2 General Requirements for Supplemental Reports **

a. A supplemental report must supersede the original audit report in its entirety. Incorporating replacement pages is not possible since electronic reports are furnished to the user in a signed and secured PDF format.

b. Dollars examined, questioned costs, unsupported costs, etc. initially reported will frequently require revision as a result of issuance of a supplemental audit report. As a result, performance data previously reported in EPIC should be revised as appropriate.

10-209.3 Supplemental Report Format **

Major components of a supplemental report are listed below. Discussion of the particular elements is contained in the referenced paragraphs. Except where noted, the format and contents of the supplemental report must comply with the basic audit report requirements. For example, requirements for an audit report cover would not change, distribution requirements remain the same, etc.

- Supplemental Report Title Page
- Table of Contents for Supplemental Audit
- Executive Summary of Supplemental Audit
    - About [Contractor's Name]
    - About this Supplemental Audit
    - What We Found in this Supplemental Audit
- Report on [Brief Description of Audit] of Supplemental Audit
    - Management's Responsibility
    - Auditor's Responsibility
    - Basis for [Type of Modified Opinion] Opinion of Supplemental Audit
    - [Type of Opinion] Opinion of Supplemental Audit
- Report on Other Matters of Supplemental Audit
- DCAA Personnel and Report Authorization of Supplemental Audit
- Audit Report Distribution and Restrictions of Supplemental Audit
- Exhibits of Supplemental Audit
- Appendixes of Supplemental Audit

10-209.4 General, Report Title Page, Table of Contents and Executive Summary **

a. All the report pages should contain the original audit report number followed by a dash and the supplement number (e.g., -S1, -S2, etc.). If the original exhibit is to be replaced by a revised exhibit, all pages of the revised exhibit should show the supplement number.

b. The supplemental report date should be the date the supplemental report is signed.

c. The descriptive title on the report title page should identify the audit report as a supplement (i.e., Supplement to Independent Audit of . . .).

d. The section headings and subheadings on the table of contents should identify the audit report as supplemental.

e. The "What We Found in this Supplemental Audit" section of the executive summary should briefly state the net effect of the supplemental report and the primary reason(s) for the change. For example:

As a result of the technical review, total questioned costs of $XXX,XXX in *our original report are revised to $X,XXX,XXX, primarily because of recommended reductions to proposed material quantities and manufacturing labor hours.*

10-209.5 Report Narrative **

a. The "Report on [Brief Description of Audit] of Supplemental Audit" section should state the reason why the supplemental report is being issued. For example:

This supplemental report incorporates the results of the Government report of technical evaluation, which was not received in time to be included in our original audit report dated . . .

b. The Basis for [Type of Modified Opinion] Opinion of Supplemental Audit should be changed to reflect any related changes to the audit reservation. In some cases, this section of the report may not apply in the supplemental report. For example, if the only reservation in the original report was the result of non-receipt of the Government technical evaluation and the evaluation was received.

c. The [Type of Opinion] Opinion of Supplemental Audit section should briefly state the net effect of the supplemental report and the primary reason(s) for the change. The section should include a reference to the report exhibit(s) and schedule(s) for additional information, if applicable.

(1) If applicable, state the name and title of the contractor's designated representative with whom the supplemental results were discussed.

(2) Advise the report recipient that the audit report has been replaced in its entirety (i.e., This supplemental report replaces our original report in its entirety).

d. The Exhibits and Schedules will provide the detailed effect(s) of the supplemental report and the primary reason(s) for the change. For example:

"As a result of the technical review, total questioned costs of $XXX,XXX in our original report are revised to $X,XXX,XXX, primarily because of recommended reductions to proposed material quantities and manufacturing labor hours."

10-210 Revised Report Format **

If an electronically furnished report is not being supplemented as described above, but is being reissued in its entirety with minor changes (e.g., to correct minor math errors), the word "Revised," in parentheses, should follow the audit report number on the title page, in the header, and in the report's file name. Since no additional fieldwork was performed, the revised report should not carry a revised date. Revisions are to be made to the final version of the report. The revised final version of the report will then be converted to PDF, secured, digitally signed and issued. Do not identify the revised audit report as a supplement. If subsequent revisions become necessary, they are to be identified as "Revision 2," "Revision 3," etc. The transmittal should identify the minor change(s) unambiguously.

10-211 Rescinding an Audit Report **

If a report is rescinded, prepare a memorandum indicating the reason for the rescission, a statement that the original report should not be referred to for future reference, and provide a point of contact for questions regarding the rescission. The memorandum subject line must include the original report number, date released, the subject of the report and the name and address of the contractor. Distribution should be limited to the original recipient(s) of the report (Procurement Contracting Officer, Administrative Contracting Officer, and/or Requesting DCAA Office). One example of a reason for rescinding a report is if subsequent to the date of the audit report, the auditor concludes that one or more procedures considered necessary at the time of the audit were omitted, and performance of such procedures may result in significant findings that impact the audit opinion. Audit teams should coordinate with CASA during the decision-making process when the branch office believes they will need to rescind an audit report.