

MASTER AUDIT PROGRAM

Activity Code 17920	Contractor Disclosures
B-1 Planning Considerations	Version 4.1, dated Sep 2024

Type of Service - Attestation Examination Engagement
Auditor Independence
<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>
<p>The auditor should consider the procedures in CAM 4-707.7d when initiating a disposition analysis. A disposition analysis is not an audit risk assessment; it is less comprehensive in nature. An auditor may conclude after completing a disposition analysis that a detailed examination of the contractor disclosure is not necessary and that no further action is required based on the risk of the disclosure.</p> <p>If the audit team determines that an examination is necessary, expand the effort in accordance with CAM 4-707.7h.</p> <p>An examination of the contractor disclosure, at a minimum, should include verifying the completeness and accuracy of the disclosure, including any disclosed cost impact to Government contracts. The examination should also verify that the Government received any applicable refund or credit.</p>
<p>Prior to commencing the audit, review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.</p>
References
<ol style="list-style-type: none">1. FAR 52.203-13, Contractor Code of Business Ethics and Conduct2. CAM 4-707, DoD Contractor Disclosure Program

MASTER AUDIT PROGRAM

B-1 Preliminary Steps	WP Reference
Version 4.0, dated Jan 2023	
<p>1. 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 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>	

MASTER AUDIT PROGRAM

B-1 Preliminary Steps	WP Reference
<p>2. 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> <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>3. 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 work papers and perform the procedures below.</p> <p>a. During the entrance conference or another appropriate meeting, 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>	

MASTER AUDIT PROGRAM

B-1 Preliminary Steps	WP Reference
<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, issued by the CAC, FAO POC or auditor, 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 work 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 reported findings. • 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>d. Review the results and determine if additional audit procedures are needed to address any identified risk. (Note: The purpose of this question is to discover any new audit leads that could affect the scope of current audit.).</p>	
<p>e. 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.</p>	
<p>4. Auditor will develop steps.</p>	

MASTER AUDIT PROGRAM

C-1 Detailed Steps	WP Reference
Version 4.0, dated Jan 2023	
<i>Auditor will develop steps</i>	
1.	
2.	
3.	

A-1 Concluding Steps	WP Reference
Version 4.0, dated Jan 2023	
1. Summarize results.	
2. Discuss the results with your supervisor.	
3. Draft report	