

MASTER AUDIT PROGRAM

Activity Code 10110		Uniform Guidance Audit
Version 6.0, dated July 2020		
B-1	Planning Considerations	
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>		
Purpose and Scope		
<p>This program provides general audit procedures to perform a Uniform Guidance compliance audit conducted under 2 CFR 200, "Audits of States, Local Governments, and Non-Profit Organizations." The program steps should be tailored, as appropriate, and should reflect a mutual understanding between the auditor and supervisor as necessary to fit the audit. This audit program should serve as a control document covering the entire operations of the Auditee for the fiscal year. Those portions of the audit which are covered in other assignments should be referenced at the appropriate place in the program.</p>		
<u>Exemption from 2 CFR 200</u>		
<p>For nonprofit organizations listed in 2 CFR 200, Appendix VIII, and organizations that OMB has exempted from the Uniform Guidance Subpart E Cost Principles, the references to the cost principle criteria in the audit program must be adjusted to the appropriate FAR Part 31.2 cost principle.</p>		
<u>Closed Contracts</u>		
<p>The Uniform Guidance at 2 CFR 200.410 requires non-Federal entities to refund costs, whether direct or indirect, including interest, that are subsequently determined to be unallowable by the Federal awarding agency, cognizant agency for indirect costs, or a pass-through entity, even after an award has been closed. Therefore, awards should not be excluded from the audit universe because they are closed.</p>		
<ol style="list-style-type: none"> 1. The Single Audit is an entity-wide audit consisting of two parts: a financial statement audit and a compliance audit. The compliance audit portion of the Single Audit is called the "Uniform Guidance" audit. DCAA participates in Uniform Guidance audits on a coordinated basis and must coordinate closely with the Independent Public Accountant (IPA) that performs the financial statement audit in order to discuss and establish each audit firm's responsibilities for performing the Uniform Guidance audit. This coordination should result in a mutual understanding of each firm's responsibility and also aim to avoid 		

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<p>duplication of audit effort. The understanding of coordination and audit responsibilities should be documented in the coordinated audit matrix (WP C-02).</p>
<p>2. The Uniform Guidance at 2 CFR 200, Subpart F establishes the requirements for the Uniform Guidance audit reporting. §§_.514(a) requires the audit be conducted in accordance with GAGAS, and cover the entity's entire operations. §§_.514(c) requires the auditor to perform procedures to obtain an understanding of the entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.</p>
Planning Considerations
<p>The Uniform Guidance at 2 CFR 200 prescribes the requirements for conducting the Uniform Guidance audit. Use of the 2 CFR 200 Appendix XI Compliance Supplement (the Supplement) is mandatory when conducting the Uniform Guidance audit. Adherence to the Supplement satisfies the requirements of 2 CFR 200, subpart F for the Uniform Guidance audit. Additionally, the audit team should keep in mind that the AICPA <i>Government Auditing Standards and Single Audits - Audit Guide</i> (AICPA Audit Guide) is interpretive audit guidance and should be considered for performing the Uniform Guidance audit.</p>
<p>The auditor is required to perform procedures to obtain an understanding of the entity's internal control over compliance with Federal programs. This requires identifying the major Federal programs, identifying the direct and material compliance requirements for the major program, and identifying key controls over the material compliance requirements relative to the major program being audited. The auditor must plan testing (and complete the testing as planned) of key internal controls over compliance with major Federal programs to ensure that controls are designed, implemented, and operating as expected.</p>
DUAL-PURPOSE TESTING:
<p>The nature, timing and extent of testing for compliance with laws, regulations, and provisions of contracts and grants is generally dependent upon the results of testing internal control. In some circumstances, however, it is permissible to perform dual-purpose testing procedures to test for effectiveness of internal control simultaneously with testing for compliance. When using a dual-purpose sample to test for internal control effectiveness simultaneously with compliance testing, the auditor must ensure that the sample universe is appropriate for both types of testing. Because the purpose of testing internal control is very different from the purpose of testing for compliance, the sample selection, testing criteria, and results of testing must be documented, evaluated, and considered separately for internal control and compliance tests. In addition, the sample size selected for dual-purpose testing will be the larger of the two sample sizes determined for the internal control and compliance testing individually. The AICPA Audit Guide provides for minimum sample sizes for both tests of control and tests for compliance that should be considered.</p> <p>Dual-purpose testing could be performed when an auditor wishes to select a sample to simultaneously test a key control to assess control risk and also whether transactions are recorded at the correct amounts. When performing dual-purpose testing, documentation must clearly and separately distinguish the audit procedures performed and their results for testing</p>

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control and compliance testing. The auditor must document the plan to use dual-purpose transaction testing when developing the sampling plan.
PRIOR TESTING OF INTERNAL CONTROL
Auditors should not rely on tests of controls performed in prior audits as support for the basis of opinion for the current tests of controls or for the compliance audit. When a control is expected to be ineffective in preventing or detecting noncompliance with the requirements of a major program the auditor is not required to plan and perform tests of the control. In this case, the documentation in the working papers should clearly describe the rationale for omitting the testing, and a deficiency for the related internal control must be reported as a current year finding, including whether the deficiency is a significant deficiency or a material weakness. The auditor should then assess the control risk for the related compliance requirement at the maximum and consider whether additional compliance tests are required because of the ineffective internal control.
Planning Considerations
Prior to starting the audit, review Agency guidance, including CAM, open MRDs, FAQ training materials, guidebooks, etc., the Uniform Guidance Compliance Supplement, and changes to statutory or regulatory requirements that may impact the audit and adjust the audit scope and procedures appropriately. .
References
1. 2 CFR 200, including subpart F Audit Requirements
2. Cost Accounting Standards
3. OMB Circulars A-133, A-21, A-122, A-87, A-110
4. CAM Chapter 13

B-01	Preliminary Steps	WP Reference
	Version 6.0, dated July 2020	
	1. Evaluate the auditee's submission for completeness, including a certification of cost that is signed by an official authorized to legally bind the auditee.	
	2. Determine the dollar threshold for distinguishing between Type A and Type B Federal Programs. (Perform in WP B-04)	
	3. Using the risk based approach required by the Uniform Guidance, complete WP B-06 identify the Major Federal Programs to be audited.	
	4. Determine whether the auditee is considered a low-risk auditee using the low-risk auditee worksheet in WP B-05.	

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5. Review the perm files for any relevant audit leads, document the impact on the scope of the audit, and adjust audit steps as necessary to address the audit lead.	
6. Establish the responsibilities of each audit firm for testing and reporting on compliance requirements. Coordinate with the IPA performing the financial statement audit and complete the Coordinated Audit Matrix in WP B-07. If the entity performs on classified Federal awards, coordinate with the Field Detachment, the entity, and the IPA as necessary, to identify areas of audit coverage.	
7. Inquire of the contracting officer about any concerns that could impact the audit and adjust the audit scope and procedures accordingly.	
8. Discuss with the contracting officer and the IPA performing the financial statement audit, whether there are concerns related to the auditee's financial condition. If information regarding the auditee's financial condition is not available from the contracting officer or the IPA, perform the procedures addressed in CAM 2-306.1. If, during the course of the audit, unfavorable or adverse financial conditions arise, immediately communicate the concerns to the contracting officer and the IPA, and appropriately adjust the audit risk and response to the identified risk.	
9. 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/notification once the risk assessment is complete. The acknowledgement process should be performed in accordance with CAM 4-104.	
10. Issue an acknowledgement letter to the requestor regarding the scope of audit and formal due date.	
11. Issue a notification letter to the auditee regarding the commencement of audit (CAM 4-302.3).	
12. Hold an entrance conference with the auditee's management (invite the contracting officer) and make inquiries related to: <ul style="list-style-type: none"> a. the auditor's understanding of the submission and supporting documents, b. corrective actions taken on previous DCAA audit findings, and c. internal audits completed and discuss the need to review the internal audit reports and/or meet with the internal audit department. (Follow the guidance in CAM 4-202.). 	
13. During the entrance conference, or other appropriate meeting, make specific inquiries of contractor management and other appropriate parties regarding the following: <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 205.32) 	

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<p>b. 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)</p> <p>c. 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> <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>14. Determine whether the auditee has CAS-covered contracts, and document the applicable CAS. Design procedures as necessary to test for CAS compliance in the compliance requirement WPs.</p>	
<p>15. If the auditee is required to submit a Disclosure Statement (DS-1 or DS-2), perform the following:</p> <p>a. Determine if the D/S has been approved by the cognizant agency for indirect costs as adequate and compliant with 2 CFR part 200 and CAS.</p> <p>b. Determine if any D/S amendments have been filed with and approved by the cognizant agency for indirect costs for CAS-covered contracts subject to 48 CFR part 9903.</p> <p>c. Obtain a copy of the auditee’s Disclosure Statement relevant to the year applicable to the subject matter. Identify the compliance requirements where testing for CAS compliance will occur, and document the procedures to test for CAS compliance in the respective compliance requirement WPs.</p> <p>d. Determine which CAS are applicable and material to the subject matter and develop procedures within each compliance requirement to test for CAS as appropriate.</p> <p>e. Determine whether the auditee’s accounting practices for direct and indirect costs comply with applicable CAS (Nonprofits subject to 48 CFR part 9904, Universities subject to 2 CFR section 200.419 and 48 CFR part 9905.).</p>	
<p>16. Review the auditee’s Summary Schedule of Prior Audit Findings (WP R-01) and document procedures necessary to evaluate the status of prior audit findings.</p>	
<p>17. Review prior audits (Uniform Guidance audits as well as other types of audits) to determine if they disclosed deficiencies that impact the subject matter of this audit. Document the relevant deficiencies noted in the risk assessment and adjust the audit program as necessary to determine whether the deficiencies still exist.</p>	
<p>18. If review of the perm file or discussions with the auditee identify other relevant audits or studies were performed that affect the period under audit, obtain publically available reports (e.g., websites for DoD IG or other IGs, service audit</p>	

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agencies, etc.), review the studies/reports, and document your assessment of the impact of the findings on the planned procedures.	
19. Review auditee's governing board (e.g., Board of Directors', Audit Committee) minutes and identify any items that potentially impact the subject matter. Take appropriate action to assess the impact of the information and adjust the audit procedures necessary in response to the information.	
20. Using the guidelines in WP B-02 and Section A of -01 WP for each compliance requirement being audited for compliance, gain a sufficient understanding of the auditee's internal control for each direct and material compliance requirement being audited in order to plan the testing of internal control to support a low assessed level of control risk for compliance testing. (<i>Document gaining an understanding of controls and testing of controls in the related WP for each compliance requirement tested.</i>) <i>NOTE: See WP B-02, section 3 and 4 for guidance.</i> <i>Evaluate key controls for each direct and material compliance requirement being audited. If more than one major program is audited, provide separate documentation for each major program.</i>	
21. MAAR 3: Obtain the auditee's current organization charts and identify any changes in organizational structure that occurred during the year under audit. Assess and document any impact the changes have on the scope of the audit.	
22. MAAR 5: Review the General Ledger, Trial Balance and closing/adjusting entries for significant income and credit adjustments that may impact the Federal awards and the specific types of compliance requirements (See the respective -01 audit steps for additional information related to adjusting entries and the compliance requirements).	
23. MAAR 7: Evaluate any changes in procedures for charging direct/indirect labor and document the impact on this audit. Identify the compliance requirements where testing will occur due to increased risk. Adjust audit procedures as necessary on the respective -01 WP, and perform and document the testing in the respective compliance requirement section of this audit program.	
24. MAAR 4: Review the auditee's reconciliation of its submission to the financial statements. Review the notes to the financial statements for any unusual items needing audit follow-up.	
25. MAAR 19: Verify the accuracy of the auditee's rate computations for distributing indirect costs to final cost objectives.	
26. Determine if the auditee used a cost accounting period consistent with CAS 406 (CAS 506 if auditee is a University).	
27. Calculate Government participation in indirect rates. (Government cost-type and T&M/FPI percentages of indirect expense bases using the schedule of direct costs by element.)	

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<p>28. Determine if the same accounting period is used for accumulating costs in indirect cost pools and the allocation base (CAS 406 for nonprofits and CAS 506 for Universities).</p>	
<p>29. Review the results of MAAR 13 for purchases existence and consumption for the fiscal year under audit and document the impact on the required testing for each direct and material compliance requirement. See CAM 6-105.3 for additional considerations regarding performance of MAAR 13 and the impact on audit procedures.</p>	
<p>30. Review the results of labor floor checks or labor interviews and assess the impact on this audit. See CAM 6-105.3 for additional considerations regarding performance of MAAR 6 and the impact on audit procedures.</p>	
<p>31. Perform profit margin testing on T&M/Labor Hour contracts by comparing total contract billed amounts to total actual contract costs reported to identify any contracts with significant profit margins that require follow-up during field work. Develop audit procedures as necessary to address areas of risk.</p>	
<p>32. Complete WP B-03 for the assessment of the need for specialist assistance or assist audits.</p>	
<p>33. Evaluate the auditee's awards (grant and contract) briefings:</p> <ul style="list-style-type: none"> a. Determine whether auditable awards (grants and contracts) issued prior to FY 2015 are subject to Uniform Guidance or to the prior OMB Circulars. If the auditee has awards that are subject to OMB Circulars, modify the audit procedures and language as necessary and document the testing performed specific to the OMB Circulars, including citing the Circular criteria used to test those awards even if the substance of the criteria is the same as that found in the Uniform Guidance. b. Determine if awards received in the current year contain any special terms and conditions that impact the scope of audit. c. Review the terms and conditions for any significant awards for which the auditee has not prepared briefs to identify the applicable regulations governing the awards under audit and document the impact of the relevant criteria on the development of the audit program and the audit procedures to be performed. 	
<p>34. Summarize the calculation of the ADV and select contracts for review.</p> <p>See CAM 1-300 for providing audit services to non-DoD agencies. The Uniform Guidance requires that the entity's entire operations are covered through the audit activities; therefore, if DCAA is prohibited from performing audit procedures for certain agencies, coordinate with the IPA to ensure these awards are covered. Adjust the audit scope and auditable dollars accordingly for nonparticipating agencies.</p>	
<p>35. Review the Uniform Guidance <i>Compliance Supplement</i> (2 CFR 200 Appendix XI) in effect for the fiscal year being audited to identify any new conditions or changes and modify the audit program as necessary.</p>	

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<p>36. 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>37. Summarize the results of the preliminary audit procedures and overall impact of risk assessment. Identify the planned scope of audit for each direct and material compliance requirement being audited.</p>	

E-1	Activities Allowed Or Unallowed – Compliance Requirement A	
Version 6.0, dated July 2020		
<p>The steps in the audit program are intended to provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.</p>		
<p>The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, sections 1 and 2 for guidance related to gaining an understanding of control and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.</p>		
<p>The audit team may want to consider whether efficiencies can be gained by combining the tests of controls and compliance for Compliance Requirements A and B.</p>		
<p>In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures</p>		

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performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor's understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

A. Gaining An Understanding Of Internal Control Over Compliance With Activities Allowed or Unallowed

The objective of obtaining an understanding of the entity's internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control is included available in the E-1 embedded document below and is intended to assist you in gaining an understanding of the entity's controls and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key
controls Activities AI

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management's Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	

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<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Activities Allowed or Unallowed	
Control Objectives:	
<p>1) To provide reasonable assurance that transactions are:</p> <p>a) properly recorded and accounted for to permit the preparation of reliable financial statements and Federal reports, to maintain accountability over assets, and to demonstrate compliance with Federal statutes, regulations, and terms and conditions of the Federal award;</p> <p>b) are executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and any other Federal statutes and regulations identified in the Compliance Supplement;</p> <p>2) To provide reasonable assurance that funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.</p>	
The following audit procedures should be tailored as necessary to meet the needs of the audit objectives.	WP Reference
1. Document the identified key controls that provide reasonable assurance the compliance objectives for this compliance requirement are achieved.	
<p>2. Design procedures to test the identified key controls for this compliance requirement. Documentation should include the following:</p> <p>a. Nonsampling testing (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.)</p> <p>b. If sampling is used, at a minimum, document the following:</p> <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will covered by other audit procedures (e.g., will coordinate with IPA to test) • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. 	

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<ul style="list-style-type: none"> • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>3. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP E.</p>	
<p>C. Audit Steps - Testing For Compliance With Activities Allowed or Unallowed Requirements</p>	
<p>Audit Objective: Determine whether Federal awards were expended only for allowable activities.</p>	
<p>The following audit procedures should be tailored as necessary to meet the needs of the audit objectives.</p>	<p>WP Reference</p>
<p>4. Review the award brief or award document and identify the types of activities that are specifically allowed or prohibited by Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.</p>	
<p>5. Evaluate large transfers of funds from program accounts to determine if the funds were used to pay for unallowable activities.</p>	
<p>6. Select transactions to verify that the activity was allowable and that the individual transactions were properly classified and accumulated into the activity total. Document the following:</p> <ul style="list-style-type: none"> a. Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. a. Nonsampling testing (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will covered by other audit procedures (e.g., will coordinate with IPA to test) • Variables or attributes to be tested for compliance, the expected exception rate, and the tolerable exception rate. • Sampling unit and how the sampling unit meets the objective for testing the attribute • Sample size 	
<p>7. If dual-purpose samples were used, document the results of testing for compliance separately from the results of testing controls.</p>	

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Summarize the results on WP E.	
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F-1	Allowable Cost / Cost Principles – Compliance Requirement B
Version 6.0, dated July 2020	
The steps in the audit program provide general guidance for designing tests of controls and testing for compliance with the Compliance Requirement. Modify the steps as necessary for your circumstances to meet the audit objectives.	
The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, sections 1 and 2 for guidance related to gaining an understanding of control and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	
The audit team may want to consider whether efficiencies can be gained by combining the tests of controls and compliance for Compliance Requirements A and B, or by testing for controls and compliance for other compliance requirements (e.g., Procurement and Suspension and Debarment, Period of Performance).	
<u>Indirect Cost Rate Proposals (ICRP)</u> The Uniform Guidance <i>Compliance Supplement</i> specifies auditor action regarding the ICRP that should be taken depending on the status of the entity’s ICRP and whether the current year submission is based on Federally-negotiated rates. Review the <i>Compliance Supplement – part 3.2-B</i> for full details on audit procedures recommended for including the ICRP in the scope of the audit for this Compliance Requirement for the following situations: <ul style="list-style-type: none"> • Federally negotiated rates are the basis for the indirect cost charged to Federal awards. <i>Requires testing of rate application for compliance with the rate agreement.</i> • No Federally negotiated rates for the indirect costs charged to Federal awards but the entity has submitted the corresponding ICRP that is the base for the current rates to the cognizant agency. <i>Requires testing the ICRP for compliance with the provisions of 2 CFR 200, which would include testing for compliance with the required format in the appropriate Uniform Guidance Appendix relating to the entity’s preparation of its ICRP.</i> • No Federally negotiated rates for the indirect costs charged to Federal awards and the entity has NOT submitted the corresponding ICRP that is the base for the current rates to the cognizant agency. <i>This situation requires testing of the F&A cost pools and groupings. WP Q-01 is included to provide the recommended audit steps for this situation.</i> 	
<u>Negotiated rates – recovery of cost</u> 2 CFR 200.411 requires refund of costs when unallowable costs were included in the proposal that resulted in the negotiated rate. Refunds are required regardless of the type of negotiated rate (even when the negotiated rate is a fixed or predetermined indirect rate that cannot be adjusted).	
<u>Dual Purpose Sampling and Testing</u> In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for	

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controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

A. Gaining An Understanding Of Internal Control Over Compliance With Allowable Cost/Cost Principles Requirements

The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the 5 components of internal control and potential controls for each component of control is included in the F-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key ICs-
Allowable Cost-Cost

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	

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Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps - Testing Internal Control Over Compliance With Allowable Cost / Cost Principles Requirements	
Control Objectives:	
<p>1) To provide reasonable assurance that transactions are:</p> <ol style="list-style-type: none"> a) Properly recorded and accounted for to permit the preparation of reliable financial statements and Federal reports, to maintain accountability over assets, and to demonstrate compliance with Federal statutes, regulations, and terms and conditions of the Federal award, b) Executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and any other Federal statutes and regulations identified in the <i>Compliance Supplement</i> (2 CFR 200, Appendix XI). <p>2) To provide reasonable assurance that funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.</p>	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement B – Allowable Cost / Cost Principles, and CAS, if applicable. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ol style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the 	

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<p>sampling unit meets the objective for each type of testing (i.e., control and compliance) separately.</p> <ul style="list-style-type: none"> • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP F.</p>	
<p>C. Audit Steps - Testing For Compliance With Allowable Cost / Cost Principles Requirements</p>	
<p>The following audit procedures should be tailored to the needs of the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement, as documented on WP F. The following steps are suggested and should be modified based on the circumstances and needs of the audit.</p>	
<p>Audit Objectives: To determine the organization:</p> <ol style="list-style-type: none"> 1) Claimed only allowable costs, whether direct or indirect, on Federal awards, and complied with the provisions of 2 CFR 200, and CAS (if applicable), and terms and conditions of the Federal award. 2) Appropriately included unallowable costs in the allocation base for computing indirect cost rates. 3) Appropriately applied Federally negotiated indirect rates. 	
<p>C.1 - GENERAL</p>	<p>WP Reference</p>
<p>6. If required to submit a Disclosure Statement (DS 1 or DS 2):</p> <ol style="list-style-type: none"> a. Incorporate audit procedures into tests of transactions to determine whether the entity’s actual practices are consistent with its disclosed practices for the period under audit. b. Incorporate audit procedures into tests of transactions for direct and indirect costs to determine if practices used in estimating any costs included in this proposal are consistent with the practices used in accumulating and reporting cost. (CAS 401) c. Determine if the D/S and its amendments agree with the entity’s current policies and procedures. 	

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<p>7. Determine if the methodology used to identify and segregate unallowable costs is reasonable. Identify types of unallowable costs which may be at a higher risk of incurrence and perform applicable procedures to address the risk.</p>	
<p>8. Determine if the entity identified and excluded unallowable direct and indirect costs (i.e., per the cost principles, mutually agreed-to-be unallowable, costs designated as unallowable by a CO's written decision), along with any directly associated costs.</p>	
<p>9. Evaluate voluntary deletions for significant directly associated costs that should also be excluded.</p>	
<p>10. Determine if costs were estimated, accumulated, and reported consistently. (CAS 401 (CAS 501 if a university))</p>	
<p>11. Determine if costs are consistently charged as either direct or indirect when incurred for the same purpose in like circumstances.</p>	
<p>12. MAAR 14 Trace claimed pools and bases to accounting records:</p> <ul style="list-style-type: none"> a. Determine if the claimed allocation bases reconcile to the G.L. Verify the auditee's reconciliation of claimed base and pool amounts to the cost accounting records and to the totals of the detail accounts already reconciled. b. Determine if the claimed base and pool amounts reconcile to the entity's cost accounting records. 	
<p>13. MAAR 2 Reconciliation of Booked to Billed. Verify the auditee's reconciliation of booked to billed costs and evaluate any significant overbilled amounts at both the total and individual award levels. Discuss with the audit supervisor any overbilled amounts that are considered material and determine if a billing system audit is needed.</p>	
<p>14. MAAR 10: Evaluate any significant adjusting journal entries identified during the completion of MAAR 5, and document their impact on this audit. Adjust the audit procedures as necessary for each compliance requirement audit steps in the respective -01 WP where testing will occur due to increased risk. Document the testing in each related compliance requirement's work paper section.</p>	
<p>15. MAAR 9: Verify the accuracy of the entity's payroll and employee tax records. Compare the entity's IRS Form 941s (Employer's Quarterly Federal Tax Return) for the year under audit to determine any significant variances between the claimed amounts and the employee taxes withheld (liability) and employer matching payroll taxes (expenses).</p>	
<p>16. If the auditee receives a material amount of funding from pass-through entities, test to ensure that the auditee submits adjustment vouchers to the prime on a timely basis following the settlement of rates, if applicable.</p>	

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<p>17. Based on the results of the profit margin test performed in the risk assessment, follow up with the contractor regarding the identified areas of concern. If variances in labor rates are the cause for the significant profit margin, assess the risk that the contractor is substituting less qualified employees and adjust testing accordingly.</p>	
<p>C.2 - INDIRECT COST and RATES</p>	
<p>18. If the entity uses the “De Minimis Indirect Cost Rate” verify that the entity has not previously claimed indirect costs using a negotiated rate, and verify that no indirect cost from a previous year is included as a direct cost in the modified total direct cost allocation base for the current year. <i>(Note: Testing is required only for the 3 fiscal years immediately prior to the current audit period per the Compliance Supplement.)</i></p>	
<p>19. For fixed-rate with carry-forward provisions:</p> <ul style="list-style-type: none"> a. Select claims to verify that the rate was used and applied to the appropriate base. b. Determine if the difference between the estimated indirect costs in the fixed-rate pool and the actual indirect costs for the period under audit was correctly calculated and carried forward to the rate computation in the current year. 	
<p>20. For provisional rates, determine if a final rate has been negotiated and appropriate billing adjustments have been made based on the final negotiated rate.</p>	
<p>21. Award-specific rates. If the entity has awards with award-specific rates, perform the following:</p> <ul style="list-style-type: none"> a. Obtain and review the award terms used to establish any award-specific rate. Determine if the award-specific rate is in accordance with special circumstances required by law, regulation, or other circumstance specified in 2 CFR 200.414(c)(1). b. Select claims for reimbursement to verify that the rate was used and applied to the appropriate base and that the amount claimed was calculated accurately. c. Verify that the cost included in the base is consistent with the terms of the agreement. 	
<p>22. For indirect costs charged using a Federally-negotiated rate, determine if the indirect rate used is consistent with the indirect cost rate agreement and the proposal that was used to negotiate the rate and perform the following:</p> <ul style="list-style-type: none"> a. Obtain the current indirect cost rate agreement and select claims for reimbursement to verify that the rates used were in accordance with the rate agreement. b. Test claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that the rates were applied to the 	

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<p>appropriate bases, and that the amounts claimed are calculated accurately.</p> <p>c. Verify that the composition of cost in the allocation bases are consistent with the composition of costs in the proposal for the rate negotiation (e.g., if the allocation base is total direct costs, verify that current year direct costs do not include costs items that were treated as indirect costs in the base year).</p>	
<p>23. MAAR 15. Compare base and pool totals to prior year and budgetary amounts. Determine if the indirect rate structure used to accumulate actual costs is consistent with the indirect rate structure used to prepare forward pricing indirect rates for the same year.</p> <p>Compare detail accounts within pools to prior years and budget to identify any changes in accounting practices or unexplained disproportionate changes in relative dollar value for follow up.</p>	
<p>24. MAAR 8. Perform a comparative analysis of sensitive labor accounts to identify accounts requiring further testing and identify which compliance requirements will be tested in response</p>	
<p>25. MAAR 18 Indirect Allocation Bases</p>	
<p>a. Determine if unallowable costs are appropriately included in the allocation base for the purpose of allocating indirect costs in accordance with 2 CFR 200.413(e). (Unallowable costs that must be included in the F&A allocation base are costs for activities that include salaries of personnel, occupy space, and benefit from the indirect F&A costs.)</p>	
<p>b. Evaluate the indirect cost allocation bases for equity and consistency with 2 CFR 200 and CAS 402 (CAS 502 if a University), including the applicability of the allocation bases.</p>	
<p>26. MAAR 16 Indirect Account Analysis. Select indirect cost transactions, regardless of the type of rate used, of critical or sensitive accounts and accounts selected through the MAAR 15 evaluation. Perform procedures to test transactions to source documentation (e.g., timesheets, purchase orders, invoices, proof of payment, etc.) and determine if:</p>	
<p>a. Costs are allowable in accordance with the cost principles.</p>	
<p>b. Costs are recorded in the correct cost accounting period in accordance with CAS 406 (CAS 506 if a University).</p>	
<p>c. If considered material, test salaries of administrative and clerical personnel to determine if the associated costs are charged as indirect unless they meet the exceptions at 2 CFR 200.413(c).</p>	
<p>d. Costs are not used to meet cost sharing or matching requirements of other federally supported activities.</p>	
<p>e. Costs are calculated in conformity with GAAP or CAS, as required.</p>	

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<p>f. Costs are charged uniformly to Federal and non-Federal activities.</p>	
<p>g. Composition of the pool allows allocation over a base that results in equitable allocation to the cost objectives in accordance with the benefits received (MAAR 18).</p>	
<p>h. Determine if incentive compensation, other than executive compensation, is paid in accordance with the entity’s policy and level of the individual.</p>	
<p>27. <u>University Specific</u> – Indirect Cost Rates</p>	
<p>NOTE: If the University claims indirect cost using a cost rate that was not approved by the ACO, and they do not use the De Minimis Rate, and have not prepared and submitted a certified ICRP (and therefore, the indirect costs charged to Federal awards are not based on a certified ICRP), this may require reporting an audit finding in accordance with 2 CFR 200.516(a)(5).</p>	
<p>a. If a certified ICRP has been submitted to ACO, but there are no negotiated rates and the certified ICRP is based on costs incurred in the year being audited perform the following:</p> <p>(1) Determine if the ICRP complies with the provisions of 2 CFR part 200, including consideration of compliance with the requirements for format and content of the ICRP from the appropriate Uniform Guidance ICRP Appendix (Appendix III for Universities, Appendix IV for nonprofit organizations).</p> <p>(2) Determine if the rate is applied consistently to direct cost bases and is consistent with the entity’s policies and procedures that apply uniformly to both Federally funded and other activities.</p>	
<p>b. If the entity has a certified ICRP but has NOT submitted it to the cognizant agency for indirect rates:</p> <p>(1) Complete section Q of this audit program and incorporate the results into the overall compliance determination for this compliance requirement on WP F,</p> <p>(2) Determine if the rate is applied consistently to direct cost bases and is consistent with the entity’s policies and procedures that apply uniformly to both Federally funded and other activities.</p>	
<p>28. If applicable, determine if the entity calculated and applied its cost of money rate appropriately.</p>	
<p>29. Executive Compensation:</p> <p>Determine whether executive compensation in excess of the statutory compensation ceilings at 41 USC 4304(a)(16) has been appropriately excluded from the costs claimed or billed to the government.</p>	

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<p>30. If compensation for high risk indirect charge employees is considered material, evaluate the reasonableness of compensation for these employees in accordance with 2 CFR 200.430, and terms and conditions of the award.</p>	
<p>31. <u>R&D cluster specific:</u> If the entity has completed transition to the documentation standards of 2 CFR 200.430(i), test compensation as follows to determine if costs for compensation for personal services:</p>	
<p>a. Are reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities,</p>	
<p>b. Follows an appointment made in accordance with a non-Federal entity’s rules or written policies and meets the requirements of Federal statute, where applicable,</p>	
<p>c. Is determined and supported as provided in 2 CFR 200.430(i) including that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must provide the following:</p> <ul style="list-style-type: none"> (1) Be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated, (2) Be incorporated into the official records, (3) Reasonably reflect the total activity for which the employee is compensated not exceeding 100 percent of compensated activities, 	
<p>d. Supports the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.</p>	
<p>e. Complies with the established accounting policies and practices of the non-Federal entity.</p>	
<p>32. <u>R&D cluster specific:</u> If the entity has not completed the transition to the documentation standards for compensation in 2 CFR 200, Select a sample of transactions and perform procedures to determine if the confirmation of salaries was performed by a person with first-hand knowledge of the effort; the principal investigator or responsible officials using suitable means to verify that the work was performed; or a responsible official of the governmental unit.</p>	
<p>33. <u>R&D cluster specific:</u> If awards contain any negotiated wage or salary rates, or contain any restrictions on salaries and wages test a sample of related transactions and determine if the entity applied the correct rates.</p>	

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<p>34. <u>R&D cluster specific</u>: Select a sample of transfers of cost between cost centers or between research projects and determine if the costs are allowable to the award receiving the cost transfer using the applicable Federal regulations and award requirements for the receiving project. (Note: If the number of cost transfers between unrelated projects is significant, this could indicate poor internal control which might result in a finding of noncompliance.) (MAAR 10)</p>	
<p>35. <u>University specific</u>: Select a sample of faculty member compensation charges for work performed on Federal awards during the academic year and determine if the costs are allowable at the Institutional Base Salary (IBS) rate. Charges for each faculty member’s compensation, should not exceed the proportionate share of their IBS for the period the faculty member worked on the award. (2 CFR 200.430(h)(2))</p>	
<p>36. If considered material, test salaries of administrative and clerical personnel to determine if the associated costs are charged as indirect costs unless they meet the exceptions at 2 CFR 200.413(c).</p>	
<p>37. If the entity is self-insured, determine if independent actuarial studies, appropriate for such activities, are performed at least biennially and that current period costs were allocated based on an appropriate study that is not over 2 years old.</p>	
<p>38. <u>University specific</u>: If the submission includes costs incurred or paid by a state or local government on behalf of the University for fringe benefit programs (such as pension costs, FICA, etc.) that directly benefit the University, verify that the conditions at 2 CFR 200.418 are met to permit the costs to be allowable for the University.</p>	
<p>39. <u>Nonprofit specific</u> – Indirect Cost Considerations</p>	
<p>a. Determine if costs for the following activities, if significant, have been charged as direct cost. and included in the allocation base whether allowable or unallowable, in accordance with the requirements at 2 CFR 200.413(f):</p> <ul style="list-style-type: none"> • Maintenance of membership rolls, subscriptions, publications, or related functions. 200.413(f)(1) and 200.454 • Providing services and information to members, legislative or administrative bodies, or the public. 200.413(f)(2) and 200.455 • Promotion, lobbying, and other forms of public relations. 200.413(f)(3), 200.421 and 200.450 • Conferences, except those held to conduct the general administration of the entity. 200.413(f)(4) and 200.432 • Maintenance, protection, and investment of special funds not used in the operation of the entity. 200.413(f)(5) 	

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<p>Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirements plans, financial aid, etc. 200.413(f)(6) and 200.431.</p>	
<p>40. If significant, determine if compensation is reasonable for the actual services provided by members of the organization, including trustees, directors, associates, officers, or the immediate families thereof rendered. 2 CFR 200.430(g)</p>	
<p>41. Summarize the results of testing indirect cost on WP F</p>	
<p>C.3 - DIRECT COST</p>	
<p>42. Direct Materials.</p> <p>Based on the results of the risk assessment, select transactions to determine that the costs are/were:</p> <ul style="list-style-type: none"> a. Allowable in accordance with the cost principles. b. Recorded in the correct accounting period in accordance with CAS 406 (CAS 506 if a University).Recorded within the period of performance and that all prior approvals, where required, were obtained. c. Not used to meet cost-sharing or matching requirements of another federal program, except where authorized by Federal statute. d. Adequately documented. 	
<p>43. Auditable Subcontracts / Subrecipients (MAAR 12)</p> <p>Verify the auditee’s schedule of auditable subcontracts and intracompany orders and determine if subcontractors are submitting timely adjustment vouchers following settlement of final rates or contract closing.</p>	
<ul style="list-style-type: none"> a. For material/significant subcontractors, select costs to determine if the subcontract costs are consistent with subcontract terms and conditions and are otherwise allowable, reasonable and allocable transactions, determine if: <ul style="list-style-type: none"> (1) Approvals were made at appropriate levels, (2) Materials/services were needed for the contract, (3) Prices and units on the invoices match prices and units on the purchase orders, (4) Goods or services were actually received, (5) Costs were properly recorded and paid. 	
<ul style="list-style-type: none"> b. Excessive Pass-Through Costs. If the award contains the FAR clause at FAR 52.215-22 or FAR 52.215-23, perform procedures to ensure that claimed costs do not include unallowable excessive pass-through costs. 	

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<p>c. Review the results of any assist audits, analyze significant differences between the allowable costs in the assist audit reports and amounts claimed. Incorporate the results of assist audit reports into the overall assessment of compliance with this compliance requirement.</p>	
<p>d. Determine if the contractor has appropriately accrued year-end costs and recorded subcontract costs in the correct accounting period in accordance with CAS 406 (CAS 506 if a University).</p>	
<p>e. Determine if the contractor adequately accrued any year-end subcontract costs and recorded them in the correct accounting period (CAS 406/CAS 506).</p>	
<p>44. Direct Labor Testing</p>	
<p>a. If compensation for direct charge, high risk employees is considered material, evaluate the reasonableness of compensation for these employees in accordance with 2 CFR 200.430, and terms and conditions of the award.</p>	
<p>b. Based on the risk assessment, select labor transactions and determine if:</p> <ul style="list-style-type: none"> (1) Labor costs are allowable, allocable and reasonable (comply with the requirements of this compliance requirement, and terms and conditions of the award), (2) Labor costs were recorded in the correct accounting period in accordance with CAS 406 (CAS 506 if a University), (3) Labor costs were incurred during the contract period of performance, (4) Compensation rate paid conforms to the established policy of the entity and is consistently applied to both Federal and non-Federal activities, (5) Labor costs are in compliance with established policies and procedures, <p>The entity maintained appropriate documentation to support labor charges in accordance with 2 CFR 200.430(i).</p>	
<p>c. For contracts with identified key personnel, perform testing to determine if the key personnel performed on the contract in accordance with the contract provisions.</p>	
<p>45. Other Direct Costs (ODC) Testing</p> <p>Based on the risk assessment, select ODC transactions and trace to source documentation and determine if:</p> <ul style="list-style-type: none"> a. Costs comply with the requirements of this compliance requirement, and the terms and conditions of the award. 	

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<ul style="list-style-type: none"> b. Costs are allowable, allocable, and reasonable in accordance with applicable regulations. c. Costs were recorded in the correct accounting period in accordance with CAS 406 (CAS 506 if a University). d. Costs were incurred within the period of performance and all required approvals were obtained. 	
<p>46. Summarize the results of testing direct cost on WP F</p>	
<p>D - Special Requirements Internal Service, Central Service, Pension, or Similar Activities or Funds</p>	
<p>NOTE: Any procedures included in this section that were performed elsewhere should be cross-referenced here. If a separate audit has not been completed, a supplemental audit program, as noted below, is required to perform the required effort.</p>	
<p>47. If activities accounted for under separate funds are considered significant, perform procedures to determine the following:</p>	
<ul style="list-style-type: none"> a. Any changes made from the separate funds comply with 2 CFR 200, Subpart E – Cost Principles 	
<ul style="list-style-type: none"> b. Retained earnings/fund balances (including reserves) were computed in accordance with 2 CFR 200. 	
<ul style="list-style-type: none"> c. Working capital reserves were not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs, and debt principal costs). 	
<ul style="list-style-type: none"> d. Refunds were made to the Federal Government for its share of any amounts transferred or borrowed from internal service, central service, pension, insurances, or other similar activities or funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund. 	
<ul style="list-style-type: none"> e. Users of services are billed in a consistent manner and that billing rates exclude unallowable costs. 	
<p>48. For activities not accounted for in separate funds, test that billing rates are developed based on actual cost and were adjusted to eliminate profit.</p>	
<p>49. Post-Retirement Benefits</p> <p>NOTE: Pension and insurance costs are audited by the FAO cognizant of the entity location where the plans are administered and the costs are incurred. Consider requesting the assistance of the DCMA pension specialist through the ACO (CAM, Appendix B, section B-105).</p>	
<ul style="list-style-type: none"> a. If pension costs are incurred for the year, 2 CFR 200.431(g) and, if the entity has CAS-covered awards, the Standard Audit Program Incurred 	

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<p>Pension Cost and CAS 412 and 413 Compliance, DMIS Activity Code 19412, should be used to evaluate those costs and the entity’s compliance with applicable provisions of CAS 412 and 413.</p>	
<p>b. If no pension costs are incurred for the year perform the following:</p> <ol style="list-style-type: none"> (1) Determine if any events occurred since the last audit that would require an adjustment to previously determined pension costs (see also CAS 413.50(c)(12) if applicable,) (e.g., a segment closing, plan termination, or curtailment of benefits). If so, in addition to completing the steps below, a Contract Insurance/Pension Review (CIPR) must be performed using the Standard Audit Program CAS 413.50(c)(12) Segment Closing Adjustments, under DMIS Activity Code 19413. (2) For any significant withdrawal of pension assets, review the entity’s governing Board’s report and obtain an explanation. Perform audit steps as needed to ensure that Government-contributed pension-related assets are protected. (3) Determine if any events occurred since the last audit that may result in conditions that require segment accounting (CAS 413.50(c)(2) and (3)). If so, recommend to the ACO that a special CIPR be performed to verify that the entity has complied with CAS 413.50(c)(2), (c)(3) and (c)(5). (4) If the entity’s practice is to calculate pension cost at the segment level, perform the following: <ol style="list-style-type: none"> (a) Verify that records required by CAS 413.50(c)(7) are properly maintained and that investment earnings of the trust are allocated in accordance with CAS 413.50(c)(7). (b) Determine if the transfer of active employees among segments distorts the ratio of assets to the actuarial accrued liabilities. If so, verify that assets equal to the employees’ actuarially accrued liabilities (determined using the accrued benefit cost method) were transferred in accordance with CAS 413.50(c)(8). 	
<p>50. Summarize the results of testing any special requirements and their impact on the results of tests of other direct and indirect cost on WP F.</p>	
<p>E. Summarizing steps</p>	
<p>51. Summarize the impact of the results of testing on the claimed indirect rates.</p>	
<p>52. If the ICRP was reviewed for compliance (WP section Q) incorporate the results of those procedures into the overall determination of compliance with this compliance requirement of WP F.</p>	
<p>53. Summarize overall results of testing for Compliance Requirement on WP F.</p>	

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G-1	CASH MANAGEMENT – COMPLIANCE REQUIREMENT C
Version 5.1, dated July 2020	
<p>The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.</p>	
<p>The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.</p>	
<p>In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.</p>	
<p>After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.</p>	
<p>A. Gaining An Understanding Of Internal Control Over Compliance With Cash Management Requirements</p> <p>The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.</p> <p>NOTE: The control objectives for each of the 5 components of internal control and potential controls for each component of control is included in the in G-1 embedded document below and is intended to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not</p>	

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intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.



Potential key
ICs-Cash Manageme

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Cash Management Requirements	
<p>Control Objectives:</p> <p>1) If the non-Federal entity receives cash advances through drawdowns of Federal cash, that controls reasonably assure that draw-downs of funds are made only to meet immediate needs in a manner that minimizes the time elapsing between the transfer of the Federal funds from the U.S. Treasury (or from a pass-through entity) and the disbursement of those funds by the non-Federal entity.</p>	

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<p>2) If the non-Federal entity is paid on a reimbursement basis, that controls reasonably assure that the entity will have supporting documentation demonstrating that the costs were paid prior to requesting reimbursement for the cost, or in accordance with FAR 52.216-7(b) if applicable.</p> <p>3) To reasonably assure that pass-through entities implemented procedures to ensure payments to subrecipients minimize time elapsing between transfer of funds and disbursement of such funds for the program purposes.</p>	
<p>The following audit procedures should be tailored as necessary to meet the needs of the audit objectives.</p>	<p>WP Reference</p>
<p>1. Document your understanding of the internal control over compliance with Compliance Requirement C – Cash Management, and CAS, if applicable. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).</p>	
<p>2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.</p>	
<p>3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following:</p> <p>a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested.</p> <p>b. If sampling is used, at a minimum, document the following:</p> <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. 	

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<ul style="list-style-type: none"> • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP G.</p>	
<p>C. Audit Steps - Testing For Compliance With Cash Management Requirements</p>	
<p>Audit Objectives: Determine if the entity:</p> <ol style="list-style-type: none"> 1) Made draw-downs of funds only to meet immediate needs in a manner that minimizes the time elapsing between the transfer of the Federal funds from the U.S. Treasury (or from a pass-through entity) and the disbursement of those funds by the non-Federal entity. 2) Maintains adequate supporting documentation demonstrating that the costs were paid prior to requesting reimbursement for the cost, or in accordance with FAR 52.216-7(b) if applicable. 3) Ensured that payments made to subrecipients minimizes time elapsing between transfer of Federal funds and the disbursement of such funds for the program purposes. 	
<p>The following audit procedures should be tailored to the needs of the auditor and the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement.</p>	<p>WP Reference</p>
<p>6. For Costs recovered through cost reimbursement</p> <p>Select a sample of reimbursement requests and trace to supporting documentation to determine if the costs for which reimbursement was requested were paid prior to requesting reimbursement (or within the normal course of business if subject to FAR 52.216-7(b).)</p>	
<p>7. For Advance funding through cash draw-downs</p> <p>If funds are received in advance through cash draw-downs from the Treasury or pass-through entities Perform the following:</p>	
<p>a. Select transactions for Federal and pass-through entity cash draws and determine if the time elapsed between the drawdown and disbursement of funds was reasonably minimized in accordance with 2 CFR 200.305(b).</p>	

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b. Review trial balances related to Federal funds for unearned revenue to determine if balances are consistent with the requirement to minimize the time between drawing and disbursing Federal funds.	
c. Select a sample of requests for cash advance and determine if program income, rebates, refunds, and other income and receipts were disbursed prior to requesting additional cash payments in accordance with 2 CFR 200.305(b)(5).	
d. Determine if the entity maintained advance payments of Federal funds in an interest bearing account unless they meet the exceptions identified in 2 CFR 200.305(b)(8).	
e. Determine if interest earned exceeding \$500 on Federal funds held by the entity were remitted to the Government in accordance with 2 CFR 200.305(b)(9).	
8. Subrecipients If the entity provides significant funding to subrecipients, select a sample of subrecipient advance payments and determine if the auditee appropriately reviewed the Subrecipients' requests prior to the approving the subrecipient draw-down of funds.	
9. Summarize the results of testing on WP G.	

H-1	Eligibility – Compliance Requirement E
Version 6.0, dated July 2020	
The Department of Defense generally does not consider this to be a material compliance requirement. See 2 CFR 200 Appendix XI, Part 2, Compliance Requirements Matrix by Federal Agency (DoD is CFDA 12.XXX). If this compliance requirement is determined to be direct and material to the major program being audited, complete this section.	
The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.	
The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	
In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor's understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-	

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purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests of other compliance requirements (e.g. Procurement and Suspension and Debarment (tests that subawards were made only in compliance with the procurement requirements and were not made to debarred or suspended entities), Subrecipient Monitoring (tests that awards to subrecipients were compliant with the Federal requirements and that monitoring was effective to ensure subrecipients complied with the terms and conditions of the subaward), or tests for Allowable Cost).

A. Gaining An Understanding Of Internal Control Over Compliance With Eligibility Requirements

The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control is included in the H-1 embedded document and is intended to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key
ICs-Eligibility.docx

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	

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Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Eligibility Requirements	
<p>Control Objective: To provide reasonable assurance that the entity makes accurate and appropriate determinations of eligibility so that only eligible individuals or groups of individuals participate in the program.</p>	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement E – Eligibility. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ul style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. 	

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<ul style="list-style-type: none"> • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP H.</p>	
<p>C. Audit Steps - Testing For Compliance With Eligibility Requirements</p>	
<p>Since this compliance requirement is generally not considered direct and material for Department of Defense awards, the auditor will need to develop procedures necessary in the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement.</p>	
<p>Audit Objective To determine if eligibility determinations were accurately made and appropriately applied so that only eligible individuals or groups of individuals participate in the program.</p>	<p>WP Reference</p>
<p>6. Refer to the Uniform Guidance Appendix XI, Compliance Supplement, to assist in developing appropriate audit procedures to test compliance with eligibility requirements.</p>	
<p>7. Summarize the results of testing for compliance with this compliance requirement on WP H.</p>	

<p>I-1</p>	<p>Equipment And Real Property Management – Compliance Requirement F</p>
<p>Version 6.0, dated July 2020</p>	
<p>The Department of Defense generally does not consider this to be a material compliance requirement. See 2 CFR 200 Appendix XI, Part 2, Compliance Requirements Matrix by Federal Agency (DoD is CFDA 12.XXX). If this compliance requirement is determined to be direct and material to the major program being audited, complete this section.</p>	
<p>The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.</p>	
<p>The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls.</p>	

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Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	
In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.	
After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.	
<p>A. Gaining An Understanding Of Internal Control Over Compliance With Equipment And Real Property Management Requirements</p> <p>The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.</p> <p>NOTE: <i>The control objectives for each of the five components of internal control and potential controls for each component of control is included in the WP I-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.</i></p>	
 <p>Potential key ICs-Real Property M:</p>	
Control Environment	WP Reference
<i>Controls to be tested</i>	

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Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Equipment And Real Property Management Requirements	
Control Objectives. To provide reasonable assurance the non-Federal entity maintains proper records for equipment, adequately safeguards and maintains equipment, complies with the requirements relating to disposition or encumbrance of any equipment or real property acquired or improved under Federal awards.	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement I – Equipment and Real Property Management. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ul style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: 	

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<ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP I.</p>	
<p>C. Audit Steps - Testing For Compliance With Equipment And Real Property Management Requirements</p>	
<p>Since this compliance requirement is generally not considered direct and material for Department of Defense awards, the auditor will need to develop procedures necessary in the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement, as documented on WP I. The following steps should be modified based on the circumstances and needs of the audit.</p>	
<p>Audit Objective: 1) To determine if the entity maintains proper records and adequately safeguards and maintains equipment. 2) To determine if disposition or encumbrance of equipment or real property acquired or improved with Federal awards is in accordance with Federal requirements and that the Federal awarding agency was properly compensated for its portion of any property sold or converted to non-Federal use.</p>	<p>WP Reference</p>
<p>6. Inventory Management of Equipment Testing.</p>	
<p>a. Determine if the required physical inventory of equipment acquired under Federal awards was taken within the last two years and whether</p>	

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any significant variations between the physical inventory taken and the property records were resolved.	
b. Identify equipment acquired under Federal awards and trace selected purchases to the property records. Verify that the property records contain the appropriate information (e.g., description, who holds title, acquisition date and cost, etc.).	
c. Select a sample from all equipment acquired under Federal awards from the property records and physically inspect the equipment to determine whether the equipment is appropriately safeguarded and maintained.	
7. Disposition of Equipment.	
a. Identify equipment dispositions for the audit period and perform procedures to verify that dispositions were properly property reflected in the property records.	
b. For dispositions of equipment acquired under Federal awards with a current per-unit fair market value in excess of \$5,000, test whether the Federal awarding agency was reimbursed for its appropriate share.	
c. Disposition of Real Property. Determine if any real property dispositioned during the audit period was acquired under Federal awards. If yes, perform procedures to verify that the non-Federal entity followed the instructions of the Federal awarding agency.	
8. Summarize the results of testing on WP I.	

J-1	Matching or Level Of Effort or Earmarking – Compliance Requirement G
Version 6.0, dated July 2020	
Note: Per the Uniform Guidance <i>Compliance Supplement</i> , Part 5, only the matching portion of this compliance requirement is applicable to the Research and Development Cluster.	
The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.	
The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	
In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the	

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attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.

A. Gaining An Understanding Of Internal Control Over Compliance With Matching Or Level Of Effort Or Earmarking Requirements

The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the 5 components of internal control and potential controls for each component of control is included in the WP J-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key
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Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	

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<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Internal Control Over Compliance With Matching Or Level Of Effort Or Earmarking Requirements	
Control Objective: To provide reasonable assurance that the minimum amount, or percentage, of contributions or matching funds was provided.	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement G – for compliance with matching requirements. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ol style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how 	

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<p>the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately.</p> <ul style="list-style-type: none"> • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP J.</p>	
<p>C. Audit Steps - Testing For Compliance with Matching Requirements</p>	
<p>The following audit procedures should be tailored to the needs of the auditor and the circumstances. The extent of compliance testing should be related to the overall conclusion on the effectiveness of controls.</p>	<p>WP Reference</p>
<p>6. Perform tests to verify that the required matching contributions were met.</p>	
<p>7. Select a sample of transactions used to meet matching requirements and test if the amounts counted towards matching were from allowable sources.</p>	
<p>8. Test records to corroborate that the values placed on in-kind contributions (including third party in-kind contributions) are in accordance with 2 CFR §§200.306, §§200.434, and §§200.414, and the terms and conditions of the award.</p>	
<p>9. Select a sample of transactions used to meet matching requirements and test for compliance with the allowable costs/cost principles requirements.</p>	
<p>10. Summarize the results of testing compliance with this compliance requirement on WP J.</p>	

<p>K-1</p>	<p>Period Of Performance – Compliance Requirement H</p>	
<p>Version 6.0, dated July 2020</p>		
<p>The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.</p>		

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The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.

The audit team may want to consider whether efficiencies can be gained by combining the tests of controls and compliance for Compliance Requirements A and B.

In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor's understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.

A. Gaining An Understanding Of Internal Control Over Compliance With Period Of Performance Requirements

The objective of obtaining an understanding of the entity's internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control are included in the WP K-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity's controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls that will be tested for this compliance requirement.*



Potential key
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Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Period of Performance Requirements	
Control Objectives: To provide reasonable assurance that:	
1) Federal awards are charged only for allowable costs incurred during the authorized period of performance, and	
2) Obligations were liquidated within the required time period.	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal controls over compliance for Period of Performance, Compliance Requirement H. Consider the auditee’s policies and procedures and identify relevant controls providing assurance that the compliance objective is achieved. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following:	

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<p>a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested.</p> <p>b. If sampling is used, at a minimum, document the following:</p> <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP K.</p>	
<p>C. Audit Steps - Testing For Compliance With Period of Performance Requirements</p>	
<p>Audit Objective: Determine whether Federal funds were obligated only for allowable costs within the period of performance and that the obligations were liquidated within the required time period.</p>	
<p>The following audit procedures should be tailored to the needs of the auditor and the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement.</p>	<p>WP Reference</p>
<p>6. Review award documents and regulations pertaining to the program and document any award specific requirements related to the period of performance.</p>	

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7. If the expenditures for award are considered to be material to Federal program, select a sample of obligations to determine if expenditures and liquidation of obligations were performed within the specified period of performance.	
8. Identify Federal awards with performance period beginning dates during the audit period and test a sample of transactions recorded during the beginning of the period performance to determine if costs were incurred prior to the period of performance. For any costs incurred prior to the period of performance, determine if they were appropriately authorized by the Federal awarding agency of the pass-through entity.	
9. Identify Federal awards with performance period ending dates within the audit period and perform the following:	
10. Test transactions recorded during the latter part and after the period of performance to determine if costs were incurred within the period of performance.	
11. Test transactions for Federal award costs that were not liquidated as of the end of the period of performance and determine if the liquidation occurred within the allowed time period.	
12. Select a sample of adjustments (e.g., manual journal entries) for Federal award costs and determine that these adjustments were for transactions that were allowable to the Federal award and occurred during the period of performance.	
13. Summarize the results of testing on WP K.	

L-1	Procurement and Suspension and Debarment – Compliance Requirement I
Version 6.0, dated July 2020	
The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.	
The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	
In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-	

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purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for other compliance requirements (e.g., Eligibility (tests that subawards were made only to eligible subrecipients), Subrecipient Monitoring (tests that awards to subrecipients were compliant with the Federal requirements and that monitoring was effective to ensure subrecipients complied with the terms and conditions of the subaward), or Allowable Cost.)

A. Gaining An Understanding Of Internal Control Over Procurement and Suspension and Debarment Requirements

The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of controls are included in the WP L-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key ICs
-Procurement, Suspe

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	

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Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Procurement and Suspension and Debarment Requirements	
Control Objectives. To provide reasonable assurance that:	
1) Goods and services are procured in accordance with the provisions of 2 CFR 200.318 through 200.326,	
2) The entity’s procurement procedures reflect applicable laws and regulations and conform to the procurement requirements in 2 CFR 200, and	
3) The entity does not enter into agreements with parties that are suspended or debarred (i.e., will not issue an award/contract that is a “covered transaction,” including subawards, to a debarred or suspended party).	
The following audit procedures should be tailored as necessary to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement I – Procurement and Suspension and Debarment, and CAS, if applicable. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ol style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. 	

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<ul style="list-style-type: none"> • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP L.</p>	
<p>C. Audit Steps - Testing For Compliance With Procurement and Suspension and Debarment Requirements</p>	
<p>Audit Objectives:</p> <p>1) Determine whether procurements under Federal awards were made in compliance with applicable Federal regulations and other procurement requirements specific to an award or subaward.</p> <p>2) For covered transactions determine whether the entity verified that entities are not suspended, debarred, or otherwise excluded from receiving Federal funds.</p>	
<p>The following audit procedures should be tailored to the needs of the auditor and the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement.</p>	<p>WP Reference</p>
<p>6. Obtain the entity's procurement policies and verify that the policies comply with the compliance requirements identified in 2 CFR 200. The policies must:</p> <ul style="list-style-type: none"> a. Meet the general procurement standards in 2 CFR 200.318, including oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document the history of procurements. b. Require that all procurement transactions be performed in full and open competition, in accordance with 2 CFR 200.318. 	

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<ul style="list-style-type: none"> c. Allow for the use of micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a) and (b). d. Require the use of the procurement methods specified at 2 CFR 200.320(c), (d), and (f) for acquisitions exceeding the simplified acquisition threshold. e. Require that a cost or price analysis is performed for every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR 200.323(a)). f. Prohibit the use of cost plus a percentage of cost and percentage of construction cost. g. Ensure that every purchase order or other contract includes the applicable provisions required by 2 CFR 200.326. (These provisions are described in the 2 CFR 200 Appendix II.) h. Require procedures be performed to verify that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR 200.212 and 200.318(h), 2 CFR 180.300, and if applicable FAR 52.209-6) 	
<p>7. If the entity has a policy to use statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids and proposals, determine if these limitations were applied to Federal procurement. (Note: These limitations are permissible on Federal procurements only where applicable Federal statutes expressly mandate or encourage the geographic preference under 2 CFR 200.319(b).)</p>	
<p>8. Select a sample of procurements and perform the following:</p>	
<ul style="list-style-type: none"> a. Determine if the contract files document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price (2 CFR 200.318(i) and, if applicable FAR 52.244-2 and 48 CFR 44). 	
<ul style="list-style-type: none"> b. For grants and cooperative agreements, determine if the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR 200.320. 	
<ul style="list-style-type: none"> c. Determine if procurement procedures provided for full and open competition. (2 CFR 200.319, and if applicable FAR 52.244-5) 	
<ul style="list-style-type: none"> d. Determine if documentation supporting the rationale to limit competition in those cases where competition was limited was adequately justified. (2 CFR 200.319 and 200.320(f) and, if applicable FAR 52.244-5) 	
<ul style="list-style-type: none"> e. Determine if cost or price analysis was performed in connection with all procurement actions (including contract modifications) exceeding 	

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the simplified acquisition threshold and that the analysis supported the procurement action. (2 CFR 200.323 and, if applicable FAR 15.404-3)	
f. Determine if procedures were followed to verify that the entity (including the principals of the entity) receiving a covered transaction was not suspended, debarred, or otherwise excluded (2 CFR 200.212 and 200.318(h), 2 CFR 180.300, and FAR 52.209-6 if applicable).	
g. Determine if consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract under the FAR (FAR 52.244-2). (If the entity has an approved purchasing system, consent to subcontract may not be required – verify if the purchasing system was approved for the audit period.)	
h. Determine compliance with other requirements specific to the award (e.g., Federal agency approvals required for procurements exceeding a specified dollar amount).	
9. Summarize the results of testing on WP L.	
10. Select a sample of procurements and subawards and determine if the entity followed its procedures before entering into a covered transaction.	

M-1	Program Income – Compliance Requirement J
Version 6.0, dated July 2020	
The Department of Defense generally does not consider this to be a material compliance requirement. See 2 CFR 200 Appendix XI, Part 2, Compliance Requirements Matrix by Federal Agency (DoD is CFDA 12.XXX). If this compliance requirement is determined to be direct and material to the major program being audited, complete this section.	
The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.	
The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	
In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls	

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and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.

A. Gaining An Understanding Of Internal Control Over Compliance With Program Income

The objective of obtaining an understanding of the entity's internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control are included in the WP M-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity's controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls that will be tested for this compliance requirement.*



Potential key
ICs-Program Income

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management's Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	

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<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control over compliance with Program Income Requirements	
Control Objective: To provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements.	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement J – Program Income. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ol style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans. 	

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4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.	
5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP M.	
C. Audit Steps - Testing Compliance with Program Income Requirements	
<p>Since this compliance requirement is generally not considered direct and material for Department of Defense awards, the auditor will need to develop procedures necessary in the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement. The following steps should be modified based on the circumstances and needs of the audit.</p>	
Audit Objective: Determine if program income is correctly determined, recorded, and used in accordance with applicable governing requirements.	WP Reference
6. Determine if program income was received under Federal awards. Review the statutes, regulations, and terms and conditions of the Federal award applicable to the program and ascertain if program income was anticipated. If so, inquire of management and review accounting records to ascertain if program income was received and ascertain the requirements for determining or assessing the amount of program income (e.g., a scale for determining user fees, prohibition of assessing fees against certain groups of individuals, etc.), and the requirements for recording and using program income and perform the following:	
a. Perform tests to verify that program income was properly determined or calculated in accordance with the stated criteria, and that the amounts collected were classified as program income only if collected from allowable sources.	
b. Perform tests to verify that all program income was properly recorded in the accounting records.	
c. Perform tests to ascertain if program income was used in accordance with 2 CFR 200.307(e) and the program requirements set by the Federal awarding agency in its regulations and the terms and conditions of the award.	
7. Summarize the results of testing on WP M.	

N-1	Reporting – Compliance Requirement L
Version 6.0, dated July 2020	
<p>The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.</p>	

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The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.

Reporting requirements are contained in the following:

- 2 CFR 200.327 (financial reporting)
- 2 CFR 200.328 (monitoring and reporting program performance)
- Program legislation
- Federal awarding agency regulations
- Terms and conditions of the award.

Financial Reporting:

Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

Performance and Special Reporting

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR section 200.328(b)(1)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting are only required for data that are quantifiable and meet the following criteria:

1. Have a direct and material effect on the program.
2. Are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

Performance and special reporting data specified in Part 5, "Clusters of Programs," meet the above criteria.

In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor's understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk

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and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.

A. Gaining An Understanding Of Internal Control Over Compliance With Reporting Requirements

The objective of obtaining an understanding of the entity's internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control are included in the WP N-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity's controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key
ICs-Reporting.docx

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management's Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	

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Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	

B. Audit Steps – Testing Internal Control Over Compliance With Reporting Requirements

Control Objectives: To provide reasonable assurance that required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

The following audit procedures should be tailored as necessary to meet the needs of the audit objectives.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement L – Reporting, and CAS, if applicable. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ul style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. 	

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<ul style="list-style-type: none"> • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP N.</p>	
<p>C. Audit Steps - Testing For Compliance with Reporting Requirements</p>	
<p>Audit Objective: Determine whether required reports for Federal awards:</p> <ol style="list-style-type: none"> 1) Include all activity of the reporting period, 2) Are supported by applicable accounting or performance records, and 3) Are fairly presented in accordance with governing requirements. 	
<p>Note: If the entity uses the HHS Payment Management System (PMS) to draw Federal funds, consider the following steps <i>as they pertain to the cash reporting portion of the SF-425A</i>. Although certain data is supplied by the Federal awarding agency (i.e., award authorization amounts) and certain amounts are provide by HHS's Division of Payment Management (DPM), the auditor should ensure that such amounts are in agreement with the recipient's records and are otherwise accurate.</p>	
<p>The following audit procedures should be tailored to the needs of the auditor and the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement.</p>	<p>WP Reference</p>
<p>6. Determine if there are applicable reports that are material to the Federal program that warrant testing for compliance:</p>	
<p>a. Review applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to the program for reporting requirements.</p>	
<p>b. Identify the types and frequency of required reports that could have a direct and material effect on the Federal program.</p>	
<p>c. Obtain and review the related Federal awarding agency (or pass-through entity) instructions for completing the reports to identify applicable compliance criteria.</p>	

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7. For financial reports, identify the basis of accounting used to report the data (e.g., cash or accrual).	
8. For performance and special reports determine the criteria and methodology used to compile and report the associated data.	
9. Select a sample of reports and perform appropriate analytical procedures to ascertain whether there are unexpected differences, and the reasons for the differences: a. Compare current period reports to prior period reports. b. Compare anticipated results to the data in the reports.	
10. Select a sample of financial reports and perform procedures to determine if:	
a. The financial reports were prepared in accordance with the required accounting basis.	
b. The amounts reported are: <ul style="list-style-type: none"> • Accurate (i.e., test the mathematical accuracy of reports and supporting worksheets), • Complete (i.e., that all applicable accounts were included in the reports (e.g., program income, expenditure credits, loans, and reserve funds), and • Agree with the accounting records (i.e., trace amounts to the accounting records). 	
c. Computations or calculations that are required between the records and the reports trace to the supporting worksheets or other documentation that links the report to the data.	
d. For any discrepancies noted in SF-425 reports concerning cash status when the advance payment method is used, review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved with the applicable payment system.	
11. Select a sample of performance and special reports and perform procedures to:	
a. Test the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.	
b. Determine if the amounts reported are: <ul style="list-style-type: none"> • Accurate (i.e., test the mathematical accuracy of reports and supporting worksheets), 	

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<ul style="list-style-type: none"> • Complete (i.e., that all applicable accounts were included in the reports (e.g., program income, expenditure credits, loans, and reserve funds), and • Agree with the accounting records (i.e., trace amounts to the accounting records).All applicable data elements were included in the reports and are accurately reported (i.e., trace the reported data to the records that accumulate and summarize the data). 	
<p>c. Determine if any computations or calculations that are required between the records and the reports trace to the supporting worksheets or other documentation that links the report to the data.</p>	
<p>12. Summarize the results of testing on WP N.</p>	

O-1	Subrecipient Monitoring – Compliance Requirement M
Version 6.0, dated July 2020	
<p>The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.</p>	
<p>The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.</p>	
<p>In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.</p>	
<p>After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Eligibility (tests that subawards were made only to eligible subrecipients) and Procurement and Suspension and Debarment (tests that the subawards were made in compliance with the procurement requirements and were not made to suspended or debarred entities).</p>	

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A. Gaining An Understanding of Internal Control Over Compliance With Subrecipient Monitoring Requirements

The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control are included in the WP O-1 embedded document below and is intended to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key
ICs-Subrecipient Mc

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	
Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	

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B. Audit Steps – Testing Internal Control Over Compliance With Subrecipient Monitoring Requirements	
<p>Control Objectives: To provide reasonable assurance that the entity will:</p> <ol style="list-style-type: none"> 1) Identify all subawards 2) Include terms and conditions of each subaward sufficient to enable the pass-through entity to comply with the Federal statutes (i.e., the subaward document and other award documents applicable to the subaward clearly identify the requirements of the subaward to the subrecipient at the time of the subaward (including subsequent subaward modifications)) 3) Monitor subrecipient activities to reasonably ensure the subrecipient administered the subaward in compliance with the terms and conditions of the subaward. 	
<p>The following audit procedures should be tailored as necessary to meet the needs of the audit objectives.</p>	WP Reference
<ol style="list-style-type: none"> 1. Document your understanding of the internal control over compliance with Compliance Requirement M – Subrecipient Monitoring, and CAS, if applicable. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring). 	
<ol style="list-style-type: none"> 2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement. 	
<ol style="list-style-type: none"> 3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ol style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size. If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. 	

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<ul style="list-style-type: none"> • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.	
5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP O.	
C. Audit Steps - Testing For Compliance With Subrecipient Monitoring Requirements	
Audit Objectives:	
<p>1) Determine if the entity identified all subawards (i.e., correctly identified a subaward from a procurement contract).</p> <p>2) Determine if subawards contain terms and conditions that are sufficient to enable the pass-through entity to comply with the Federal statutes (i.e., the subaward document and other award documents applicable to the subaward clearly identify the requirements of the subaward to the subrecipient at the time of the subaward).</p> <p>3) Determine if the entity monitored subrecipient activities to reasonably assure the subrecipient administered the subaward in compliance with the terms and conditions of the subaward.</p>	
The following audit procedures should be tailored to the needs of the circumstances. The extent of compliance testing should be related to the overall conclusion on the effectiveness of controls.	WP Reference
6. Document your understanding of the pass-through entity's (PTE) subrecipient monitoring policies and procedures. Review relevant policies and procedures to gain an understanding of the PTE's processes to: <ul style="list-style-type: none"> a. Identify subawards (i.e., to accurately identify subawards and procurement contracts based on the substance of the award), Evaluate the risk of noncompliance, and b. Perform monitoring procedures based on the identified risks. 	
7. Select a sample of subaward documents, including the terms and conditions of the subaward (including subsequent modifications) and perform procedures to determine if	
a. The subrecipient was made aware, at the time of the subaward, of the award information required by 2 CFR 200.331(a) sufficient to enable the PTE to comply with Federal statutes, regulations, and the terms and condition of the PTE's Federal award.	
b. The PTE's documentation of monitoring the subaward provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations,	

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and the terms and conditions of the subaward (which may include any required deliverables, progress milestones, etc.).	
c. The PTE verified that subrecipients that were expected to be audited as required by 2 CFR 200, subpart F, met this requirement for audit (2 CFR 200.331(f)).	
d. The PTE took appropriate action on reported subrecipient deficiencies identified through audits including: <ul style="list-style-type: none"> • Issuance of management decisions on audit findings within six months after receipt of the subrecipient's audit report • Taking follow-up actions to ensure the subrecipient made appropriate corrective actions on deficiencies noted during the award monitoring. • Properly adjusting the PTE's accounting records to reflect the impact of subrecipient noncompliance. 	
8. Select a sample of subawards made to for-profit entities and determine if:	
a. Subaward activities were monitored to reasonably assure that the subrecipient complied with the terms and conditions of the subaward,	
b. Subaward activities were monitored to reasonably assure that the PTE complied with the statutes, regulations and the terms and conditions of the Federal award,	
c. The PTE properly adjusted its records to reflect the effect or impact of identified subrecipient noncompliances.	
9. Consider whether any written management representations relating to Subrecipient Monitoring should be obtained from management at the end of field work (See WP B-01a).	
10. Summarize the results of testing in the WP O.	

P-1	Special Tests and Provisions – Compliance Requirement N
Version 6.0, dated July 2020	
The Department of Defense generally does not consider this to be a material compliance requirement. See 2 CFR 200 Appendix XI, Part 2, Compliance Requirements Matrix by Federal Agency (DoD is CFDA 12.XXX). If this compliance requirement is determined to be direct and material to the major program being audited, complete this section.	
The steps in the audit program provide general guidance for performing tests of controls and testing for compliance with this Compliance Requirement. Modify the steps as necessary for your circumstances and to meet the audit objectives.	
The Uniform Guidance requires that tests of controls be performed annually. See WP B-02, for guidance related to gaining an understanding of control, and identifying and testing key controls. Review 2 CFR 200, Appendix XI, Part 6 for the Uniform Guidance related to testing internal control.	

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In certain circumstances, dual purpose testing may be used to test internal control and compliance simultaneously. If using dual-purpose testing you must document the testing objectives, procedures performed, and evaluation of the results of procedures separately for the tests of internal control and the tests for compliance. The audit procedures should clearly demonstrate the auditor’s understanding of internal control relevant to the compliance requirement, the testing objectives for both internal control tests and compliance tests (i.e., the attributes tested for controls, and the variables or attributes tested for compliance), the testing performed for both tests of controls and tests for compliance, the assessed level of control risk and the impact that the tests of controls has on the tests for compliance. In selecting a dual-purpose sample, documentation must separately identify the minimum sample sizes required for tests of controls and the minimum sample size required to test for compliance, and the sample size selected will be the larger of the two sample sizes.

After determining the overall assessment of control for this compliance requirement, consider if efficiencies may be achieved by performing tests for this compliance requirement simultaneously with tests for Allowable Cost.

A. Gaining An Understanding Of Internal Control Over Compliance With Special Tests and Provisions Requirements

The objective of obtaining an understanding of the entity’s internal controls, is to identify key controls that provide reasonable assurance that the entity will achieve its objectives. 2 CFR 200.514(c)(2) requires the auditor to perform procedures to obtain an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for the program. The audit team should identify key controls for this compliance requirement, and design procedures to test those controls. (A control may be effective for more than one compliance requirement.) Although procedures must be planned and performed to try and achieve a low assessed level of control risk, the auditor may determine, after completing the testing, that the appropriate assessed level of control risk is not low (i.e., is moderate or high), document the rationale and impact on the audit procedures, and design the audit program accordingly to test for compliance.

NOTE: *The control objectives for each of the five components of internal control and potential controls for each component of control are included in the WP P-1 embedded document below and is intended solely to assist you in gaining an understanding of the entity’s controls, and to help identify key controls in order to design appropriate audit procedures to test the key controls in order to attempt to achieve a low assessed level of control risk. It may not be necessary, and is not intended as a requirement, that every item be addressed. Auditor judgment is required to determine the internal controls the will be tested for this compliance requirement.*



Potential key
ICs-Special Tests anc

Control Environment	WP Reference
<i>Controls to be tested</i>	
Management’s Assessment of Risk Control	
<i>Controls to be tested</i>	

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Control Activities Control	
<i>Controls to be tested</i>	
Information and Communication Control	
<i>Controls to be tested</i>	
Monitoring Control	
<i>Controls to be tested</i>	
B. Audit Steps – Testing Internal Control Over Compliance With Special Test And Provisions Requirements	
Control Objectives: To provide reasonable assurance the non-Federal entity establishes, implements and maintains effective controls to ensure compliance with the requirements of the applicable Federal program found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program.	
The following audit procedures should be tailored to meet the needs of the circumstances.	WP Reference
1. Document your understanding of the internal control over compliance with Compliance Requirement N – Special Tests and Provisions. This documentation should include your understanding of internal control for each of the five control components (i.e., control environment, risk assessment, information and communication, control procedures, and monitoring).	
2. Document the identified key controls, (and any mitigating controls, if necessary) that provide reasonable assurance of compliance with this compliance requirement.	
3. Design procedures to test the identified controls for this compliance requirement. Documentation should include the following: <ol style="list-style-type: none"> a. Description of any nonsampling testing performed (inquiry, observation, analytical procedures, testing of individually important items, 100% testing, etc.) and the items tested. b. If sampling is used, at a minimum, document the following: <ul style="list-style-type: none"> • Sample population definition (describe awards/amounts omitted and why and how they will be covered by other audit procedures (e.g., will coordinate with IPA to test). • Attributes to be tested for, the expected deviation rate, and the tolerable deviation rate. If using dual-purpose testing, document separately, the attributes being tested for control, and the variables/attributes being tested for compliance. 	

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<ul style="list-style-type: none"> • Sampling unit and how the sampling unit meets the objective for testing the attribute. If using dual-purpose testing, document how the sampling unit meets the objective for each type of testing (i.e., control and compliance) separately. • Sample size: If using dual-purpose samples, document the minimum sample size required for each type of testing (i.e., control and compliance) separately, and document how the sample meets the objective for both types of testing. • Sampling method used to select the sample, including whether the sample is statistical or nonstatistical, and how results will be applied to the universe/population. <p>c. Obtain supervisory auditor review and approval of all sampling/judgmental selection plans.</p>	
<p>4. Perform tests of controls, as planned, for the relevant controls identified and document your conclusion on control effectiveness, your assessment of whether the testing results achieved the audit objectives, and your assessed level of control risk.</p>	
<p>5. Summarize the results of testing controls and the impact of those results on the planned testing for compliance on WP P.</p>	
<p>C. Audit Steps - Testing For Compliance With Special Tests And Provisions Requirements</p>	
<p>Audit Objective: To determine if the entity materially complied with the requirements of special tests and special provisions of the Federal program.</p>	
<p>Since this compliance requirement is generally not considered direct and material for Department of Defense awards, the auditor will need to develop procedures necessary in the circumstances. The extent of compliance testing should be related to the overall determination of the effectiveness of controls relevant to this compliance requirement.</p>	
<p>The following are steps and should be tailored to the needs of the auditor and the circumstances. The extent of compliance testing should be related to the overall conclusion on the effectiveness of controls.</p>	<p>WP Reference</p>
<p>6. Design appropriate audit procedures designed to test compliance with special terms and conditions identified to be material during the risk assessment.</p>	
<p>7. Consider whether any written management representations should be obtained related to this compliance requirement at the end of field work (See WP B-01a).</p>	
<p>8. Summarize the results of testing on WP P.</p>	

<p>Q-1</p>	<p>Evaluation of University Certified Indirect Cost Rate Proposal for Compliance with Compliance Requirement B</p>
<p>Version 6.0, dated July 2020</p>	

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When a University charges indirect costs to Federal awards using rates that are not Federally negotiated but are based on a certified indirect cost rate proposal (ICRP) that has not been submitted to the cognizant agency for indirect costs, then the Uniform Guidance at 2 CFR 200, Appendix XI *Compliance Supplement* specifies procedures auditors should consider to test the certified ICRP for compliance with the Allowable Cost / Cost Principles Compliance Requirement. The results of this section should be documented in Lead WP Q, and the results incorporated into the overall determination of compliance related to Compliance Requirement B, and documented in WP F.

Indirect costs are defined into two broad categories in 2 CFR section 200.414(a).

- “Facilities” is defined as:
 - depreciation on buildings, equipment and capital improvement,
 - interest on debt associated with certain buildings, equipment and capital improvements,
 - operations and maintenance expenses, and
 - library expenses.
- “Administration” is defined as general administration and general expenses such as:
 - the director's office,
 - accounting,
 - personnel, and
 - all other types of expenditures not listed specifically under one of the subcategories of “Facilities” (including cross allocations from other pools, where applicable).

As described in 2 CFR section 200.414(a), indirect cost (F&A) categories include: depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, and operation and maintenance expenses.

In general, the cost groupings established within a category should constitute a pool of items of expense that are considered to be of like nature in terms of their relative contribution to the particular cost objectives to which distribution is appropriate (2 CFR part 200, Appendix III, paragraph C.1.a).

Cost categories should be established considering the general guidelines in 2 CFR part 200, Appendix III, section B.

A University’s indirect cost rate process must be appropriately designed to determine that Federal sponsors do not in any way subsidize the indirect costs of other sponsors, specifically activities sponsored by industry and foreign governments (2 CFR part 200, Appendix III, paragraph C.1.a.(3)).

Audit Procedures - Testing the University’s Certified Indirect Cost Rate Proposal for Compliance with the Uniform Guidance Compliance Requirement B – Allowable Cost/Cost Principles.

If the University has a certified ICRP that is based on costs incurred in the year being audited, but has not submitted the ICRP to their cognizant agency for indirect costs, the ICRP should be tested for compliance with Compliance Requirement B.

Audit Objective: To determine whether the indirect cost rate proposal used as the basis for charging indirect cost to Federal awards, is in compliance with the Uniform Guidance Compliance Requirement B – Allowable Cost / Cost Principles. Consider whether testing performed in WP F provides sufficient evidence for testing the ICRP based on the recommended steps below.

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The following procedures should be tailored to the needs of the circumstances. The extent of compliance testing should be related to the overall conclusion on the effectiveness of controls over compliance with the Allowable Cost/Cost Principles requirements.	
A. GENERAL STEPS	WP Reference
1. Determine if indirect cost pool groupings comply with 2 CFR 200.414 and 2 CFR 200, Appendix III.	
2. Determine if costs in the indirect cost pools are allowable.	
3. Determine if indirect costs have been treated consistently when incurred for the same purpose, in like circumstances, as indirect costs only with respect to final cost objectives. (2 CFR section 200.412).	
4. Determine if the indirect cost pools in the rate proposal were developed consistent with the University's disclosed practices as described in its DS-2, if applicable (2 CFR section 200.419).	
B. TESTS OF F&A COST POOLS	
5. Evaluate the Facilities depreciation cost pool for the following:	
a. Determine if depreciation expense is computed based on the acquisition cost of the assets that excludes the following: <ul style="list-style-type: none"> (1) cost of land (2) any portion of the cost of buildings and equipment borne by the Federal Government, irrespective of where title was originally vested or where it is presently located (3) any portion of the cost of buildings and equipment contributed by or for the University where law or agreement prohibit recovery (4) any asset acquired solely for performance of a non-Federal award (2 CFR 200.436(c)). 	
b. Determine if the depreciation method results in allocation of cost of an asset (or group of assets) to accounting periods that reflect the pattern of consumption of the asset during its useful life (2 CFR 200.436(d)(2)).	
c. Determine if the depreciation methods used to calculate the depreciation amounts for the ICRP are the same methods used for the University's financial statements (2 CFR 200.436(d)(2)).	
d. Determine if the depreciation costs are supported by adequate property records and physical inventories, and that physical inventories have been taken at least once every 2 years (2 CFR 200.436(e)).	
e. Determine if the method for allocating the depreciation cost pool complies with 2 CFR part 200, Appendix III, paragraph B.2.	

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f. Determine if gains and losses on the sale, retirement, or other disposition of depreciable property have been appropriately accounted for and complies with 2 CFR 200.443.	
6. Test the Facilities interest cost pool to determine if:	
a. Computations for interest comply with the provisions of 2 CFR 200.449.	
b. The allocation method for the interest cost pool complies with 2 CFR 200, Appendix III, paragraph B.3.	
c. Test the Facilities operations and maintenance cost pool to determine if:	
d. Costs are appropriately classified in this cost pool (2 CFR 200, Appendix III, paragraph B.4).	
e. Rental costs comply with the provisions of 2 CFR 200.465.	
f. The University’s accounting practices result in consistent treatment in like circumstances when classifying rearrangement and alteration costs, and reconversion costs as either direct or indirect cost.	
g. The allocation method for the operations and maintenance cost pool complies with 2 CFR 200, Appendix III, paragraph B.4.	
h. If a utility cost adjustment has been included in the indirect cost rate, determine if the adjustment complies with the provisions of 2 CFR 200, Appendix III, paragraph B.4.c.	
7. Test the Facilities library cost pool to determine if:	
a. Costs are appropriately classified in this cost pool (2 CFR 200, Appendix III, paragraph B.8).	
b. The allocation method for the library cost pool complies with 2 CFR 200, Appendix III, paragraph B.8.	
c. If the allocation method is based on a cost analysis study in accordance with 2 CFR 200, Appendix III, paragraph A.2.d, determine that the study:	
(1) Results in an equitable distribution of cost and represents the relative benefits derived	
(2) Is supported by documentation in sufficient detail for review by the cognizant agency for indirect costs	
(3) Is statistically sound	
(4) Is performed specifically at this University;	
(5) Is reviewed periodically, but not less frequently than rate negotiations, updated if necessary, and used	

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(6) Clearly states and adequately explains all assumptions included in the study	
8. Test the Administrative cost pools to determine if:	
a. Costs are appropriately classified in these cost pools and the distribution bases are compliant with 2 CFR 200, Appendix III, paragraphs B.5, B.6, and B.7.	
b. The administrative cost components comply with the limitation on reimbursement of administrative costs in 2 CFR 200, Appendix III, paragraph C.8, OR If the proposal is based on the alternative method for administrative costs in 2 CFR 200, Appendix III, paragraph C.9, then the limitation does not apply. and tests should be performed to determine if the University meets the criteria of paragraph C.9 and that this is adequately documented in the proposal.	
c. The Departmental administration expense pool complies with 2 CFR 200, Appendix III, paragraph B.6.	
d. Salaries and operating expenses included in the Academic Deans' Offices are limited to those attributable to administrative functions.	
e. Academic Departments (1) Determine if salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads), and other professional personnel conducting research and/or instruction, are limited to 3.6% of the modified total direct costs. (This category must not include professional business or administrative officers.) (2) Determine if the 3.6% allowance is added to the computation of the indirect cost rate for major functions. Determine if expenses covered by this allowance are excluded from the departmental cost pool (2 CFR part 200, Appendix III, paragraph B.6).	
f. Test for consistent treatment, in like circumstances, of other administrative and supporting expenses incurred within academic departments. For example, items such as office supplies, postage, local telephone, and memberships normally are treated as indirect costs.	
9. Summarize the results of testing on WP Q and carry the results forward to incorporate into the final determination of compliance with Compliance Requirement B – Allowable Cost /Cost Principles (WP F).	

R-1	Summary Schedule of Prior Audit Findings
Version 6.0, dated July 2020	

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<p>The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings as part of the Single Audit reporting package. The requirements for the content of the summary schedule of prior audit findings can be located in the Uniform Guidance at 2 CFR 200.511 Audit findings follow-up.</p>	
<p>Effect of Removal of Compliance Requirements: In any instance in which a compliance requirement has been removed from a program/cluster, (see the Uniform Guidance Appendix XI, Compliance Supplement, Part 2 matrix) if an audit finding related to a removed compliance requirement was reported in an audit conducted using the prior year's Compliance Supplement, that finding must continue to be reported in the summary schedule of prior audit findings and considered in the major program determination under 2 CFR section 200.518.</p>	
<p>Auditors must perform audit follow-up procedures regardless of whether a prior audit finding relates to the major program(s) in the current year. Coordinate with the IPA as necessary to ensure all prior audit findings are assessed and that duplicative actions are eliminated.</p>	
<p>AUDIT PROCEDURES</p>	
<p>Objective: To determine if the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.</p>	
<p>The following procedures should be tailored to the needs of the auditor and the circumstances.</p>	<p>WP Reference</p>
<p>1. Obtain the auditee's prepared Summary Schedule of Prior Audit Findings to determine whether the reported current status of the prior findings is materially misstated. Consider whether the schedule:</p>	
<p>a. Contains all elements required by 2 CFR 200.511, including the reference numbers assigned to the audit findings, the current status of the finding including any reasons why the auditee believes prior findings are no longer valid.</p>	
<p>b. Includes the status of all prior year findings that have not previously been listed as corrected, no longer valid, or not warranting further action, even if associated with a program that is not a current year major program.</p>	
<p>c. Review the information in the schedule for consistency with knowledge obtained through other audit procedures related to the status of prior audit findings.</p>	
<p>2. Review the information in the schedule for consistency with management's responses to inquiries about the status of prior audit findings.</p>	
<p>3. Obtain management decisions issued by Federal agencies and pass-through entities and any appeals of those decisions and evaluate whether actions taken by the auditee are consistent with those decisions.</p>	
<p>4. Identify activities that have been redesigned in order to correct or address prior-audit findings and perform procedures to determine if the new design sufficiently resolved the prior audit finding (e.g., observe</p>	

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employees performing the new process, perform analytical procedures to determine if the new design is effective, etc.).	
5. Test current-year transactions that are similar to the reported prior audit findings (this may be performed during tests for compliance) to determine if the findings previously reported are still evident.	
6. Summarize the results of procedures performed on WP R and report, as a current year finding, instances where the results of audit follow-up procedures disclose that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.	

U-1	Agency Compensation Team: Compensation Reasonableness and 2 CFR 200 Allowability Cap	WP Reference
Version 6.0, dated July 2020		
If specialist assistance is necessary to determine the reasonableness of compensation, coordinate with, and provide section U of the audit program to the DCAA Compensation team.		
1. Up Front Communication and Planning		
<p>a. Discuss and review the FAO's request to the comp team and accompanying data. Verify that all required information is available now or will soon be provided, including:</p> <ul style="list-style-type: none"> • Position descriptions, • Market pricing surveys, Outside consultant studies, • Compensation policies and procedures, etc. <p>If data is incomplete, make inquiries to determine when the data will be provided. If the data is unavailable, document the explanation and discuss with your supervisor the implications on the planned audit procedures.</p>		
b. Review all FAO-prepared risk documentation including inquiries, analytical analyses, etc. Coordinate with the FAO to clarify your understanding of risk, collaborate with the FAO to fine tune the risk conclusions, and document the rationale for the positions selected for further evaluation.		
c. Document your understanding of the University's basis for proposed compensation, including justifications for setting compensation higher than market mean (e.g., qualitative factors).		
2. <u>Evaluate Compensation Using 2 CFR 200 Compensation Limits</u> Determine applicable 2 CFR 200 Compensation Limitations. For each individual selected, identify the applicable Cap, determine whether the proposed		

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amounts comply with the compensation limitations, and classify costs in excess of the Cap prior to proceeding with the reasonableness testing.	
3. Evaluate Compensation Reasonableness	
a. Thoroughly read each position description and determine whether it is sufficiently described to match a survey description. If inadequate, obtain other documents describing the position’s duties and functions. If it remains inadequate or altogether absent, document this fact, and discuss with your supervisor whether additional procedures are required to effectively match the position to survey data.	
b. Identify the best-fit compensation survey for each selected job/position, finding the best match of the University’s revenue, industry, geographic location (area from which employees are recruited and lost), and participation by universities not performing Federal awards. Adjust these factors considering the skill and complexity of each tested position (e.g., advanced engineers are often recruited nationally while entry level engineers are not). Select the appropriate survey for each position classification and document your rationale.	
c. Determine if the University is following its established policy or procedure for issuing bonuses and that the bonus was actually awarded.	
d. Determine if the University’s allowable fringe benefits are below market level. If below market, consider the prevailing circumstances before adding an “offset” equal to the difference between the University’s allowable fringe benefits and the market fringe benefits.	
e. Determine if the University is claiming Long Term Incentive (LTI) compensation, or whether the circumstances call for an LTI offset. Ensure any LTI is evaluated for allowability and reasonableness. No offset consideration is necessary if LTI plans or LTI awards are not prevalent under the University’s circumstance. If LTI compensation is deemed appropriate, ensure it: <ul style="list-style-type: none"> • Only includes allowable cost components, and • Is founded using a reasonable base salary. 	
f. For each selection, compare the proposed compensation to the reasonable compensation level and question the difference.	
4. Summarize and Communicate Results	
a. For each selection, document the conclusion, basis of proposed cost, and audit evaluation. Provide the FAO the documentation necessary to understand the evaluation, and to meet our professional standards.	
b. Communicate the results with the FAO audit team and discuss the findings with the University as appropriate. Address questions and	

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University rebuttals as necessary through the FAO. If significant exceptions, offer to attend negotiations.	
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