

Master Document – NASA Property Agreed-Upon Procedures

Activity Code 17800	NASA Property
Version 5.7 dated May 2019	
B-1	Planning Considerations
Type of Engagement - Agreed Upon Procedures	
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 procedures, or reporting on this audit as a member of the audit team who are performing as a consultant have signed this work paper. For example, an FAO may add additional auditors (e.g., technical specialists) to the audit assignment or may need to consult with an internal specialist (e.g., industrial engineers, and operations research specialists) as the audit progresses.)</i></p>	
Purpose and Scope	
<p>The National Aeronautics and Space Administration (NASA) selects contracts on which the audit team will perform agreed-upon procedures. In addition, NASA has determined that the extent of procedures necessary depend upon (1) the contractor’s risk level NASA assigns, (2) whether DCAA has evaluated the contractor in prior NASA property engagements, and (3) whether the contractor has the type of property that needs evaluating.</p> <p>Complete Section C for those contracts where DCAA reported findings in the last report on the contract, or the previous contract if the current contract is a follow-on. The audit team performing the agreed-upon procedures is to identify open findings from the previous report and document what the contractor has implemented to address them.</p> <p>The extent the audit team performs the procedures in Section D depends on whether or not DCAA has previously reviewed the contractor’s property. For a contractor DCAA has never reviewed, the audit team needs to address questions for all policies and procedures. For contractors DCAA has evaluated in prior years, the audit team should compare the current policies and procedures with last year’s. For each question the audit team answers the same this year as in the prior engagement, identify in the working papers and report there is no change. If the answer to a question changes from the prior year or the contractor has made changes to a policy and procedure since the last engagement, provide the appropriate “Yes” or “No” response. In addition, indicate if a policy and procedure is not applicable. Provide an explanation for a question with a “No” or not applicable response.</p> <p>Complete Sections E, F, and H for contractors NASA identifies as “high” risk or those DCAA has not evaluated in prior NASA property engagements.</p> <p>Complete Sections G, M, N, and O for all contracts.</p> <p>Complete Sections I and L on Materials only for contracts NAS 15-10000, NNJ10GA35C, NNJ10TB01C, NNJ13GA12C, and NNK13MA14C if selected by NASA.</p> <p>Complete Sections J and K for all contracts containing Property, Plant, and Equipment (PP&E) and work-in-process (WIP).</p>	

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<p>Other Planning Considerations</p> <p>Prior to commencing the audit, review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.</p>

B-1	Preliminary Steps	WP Reference
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1.	Write to the contractor using the pro forma letter found in administrative working paper 31. The letter should include a request for the Monthly/Quarterly Reports from the contractor’s property system from October 1, 2014 to June 30, 2015, and the following supplemental information:	
a.	A complete year-to-date listing of the additions/transfers-in (Government-furnished and acquired), deletions/transfers-out, and asset category balances from October 1, 2014 to June 30, 2015 for the contract NASA selects for each of the following Monthly/Quarterly Report property categories: land, buildings, other structures, leasehold improvements, equipment, and agency-peculiar property. The audit team should obtain additions/transfers-in and deletions/transfers-out in electronic format, if possible.	
b.	A complete listing of the current Materials inventory (indicating the “as of” date) for contractors on which the audit team will perform Section L procedures.	
c.	A detailed listing of the Contract Work-in-Process (WIP) as of June 30, 2015 for all contracts selected by NASA.	
d.	For a-c above, have the contractor identify the location(s) of each type of property – PP&E, WIP and Materials – applicable to the contract.	
e.	A copy of the contractor’s policies and procedures for inventorying, safeguarding, and accounting for Government property; for restricting access to the property system; and specific documentation of the changes to the system since the last DCAA engagement, if applicable.	
f.	If applicable, an itemization of the corrective actions taken by the contractor, as well as related supporting documentation, or a corrective action plan to resolve the findings/errors identified in the last DCAA report on the contract (or the previous contract if the current contract is a follow-on).	
2.	Contact the contracting officer to ascertain any known concerns that will affect the agreed-upon procedures.	
3.	Electronically transmit an acknowledgement/notification to the ACO/Buying Command notifying them of the commencement of the agreed-upon procedures engagement and the agreed to due date (CAM	

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<p>2-305). The acknowledgement/notification process should be within the timeframe and in accordance with the procedures in CAM 4-104.</p>	
<p>4. Invite the NASA Property Administrator (PA), NASA Center accountants, NASA Management Office or the DCMA Administrative Contracting Officer (if NASA has delegated property administration responsibilities to DCMA), and NASA Headquarters Accounting Division and Quality Assurance Division representatives to attend the entrance conference. Send invitations for NASA Headquarters representatives through DCAA Headquarters, Policy and Plans, Pricing and Special Projects (PSP) Division, who is the point of contact for NASA Headquarters representatives. Use the pro forma memorandum to the PA found in administrative working paper 31 and enclose a copy of the NASA request letter.</p>	
<p>5. Hold an entrance conference with the contractor. If findings were disclosed in the last DCAA report on the contract (or the previous contract if the current contract is a follow-on), and the contractor has not implemented corrective actions or prepared a corrective action plan, the audit team should request, at the entrance conference, that the contractor prepare a corrective action plan to correct those findings (see C-1, Step 1). Request assistance from NASA Center representatives directly or NASA Headquarters representatives through DCAA Headquarters, PSP, if necessary.</p>	
<p>6. Hold a planning meeting with the team performing the agreed-upon procedures (e.g., RAM, Manager, Supervisor, Auditors) to discuss matters relevant to the engagement (e.g., prior experience and current procedures). The team should also discuss the requirements of AT Section 201.40. If a matter comes to the audit team’s attention by other means than performance of the agreed-upon procedures that significantly contradict the subject matter referred to in the report, the audit team should include this matter in the report (See Concluding Steps, No. 3 below if applicable).</p>	
<p>7. Throughout the AUP be aware of the parameters for results of application of procedures, including quantification of findings. Note: The audit team should not report:</p> <ul style="list-style-type: none"> a. Rounding differences less than \$500. b. Differences between the annual NF 1018 generated by NESS and the Monthly/Quarterly reports generated by CHATS because NASA indicated that there may be valid differences between these two reports due to different reporting requirements. c. The lack of Industrial Property Officer (IPO) approval of CHATS errors as a finding; IPO approval is required for errors on the SF 1018, but not for CHATS. 	

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8. The audit team should plan on participating in bi-weekly teleconferences with NASA Headquarters to communicate progress, any issues encountered and contractor disagreements.	
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C-1	Follow-up on Prior Findings	WP Reference
Version 5.7 dated May 2019		
	1. Document all findings previously communicated to the contractor in the last DCAA report on the contract or the previous contract if the current contract is a follow-on along with the contractor’s corrective actions or corrective action plan. Document what the contractor has implemented to address the findings (<i>by completing the corresponding procedures in Section D-1</i>). Previously reported findings and completed corrective actions resolving them do not need reporting again in the current engagement. Address in the current report findings previously reported where the contractor did not take action to resolve them by the previous report date.	
	2. Summarize the results of the procedures performed on the corrective actions taken or action plan to resolve disclosed findings.	

D-1	Policy and Procedures	WP Reference
Version 5.7 dated May 2019		
	<p>Note: The audit team needs to follow up on policy and procedure questions in the prior DCAA report that contained “No” responses. The audit team needs to review current policies and procedures for all contracts. For contractors DCAA has never reviewed, the audit team will address questions for all policies and procedures. For contractors DCAA has evaluated in prior years, the audit team should compare the current policies and procedures with last year’s. For each question the audit team answers the same this year as in the prior engagement, identify in the working papers and report there is no change. If the answer to a question changes from the prior year or the contractor has made changes to a policy and procedure since the last engagement, provide the appropriate “Yes” or “No” response. In addition, indicate if a policy and procedure is “Not Applicable” (N/A). Document contractor explanations for a question with a “No” or “Not Applicable” response. The performance of the following agreed-upon procedures is to assist NASA in evaluating the contractor’s policies and procedures for inventorying, safeguarding, and accounting for NASA property in the possession of contractors for conformity with Generally Accepted Accounting Principles (GAAP), the Federal Acquisition Regulations (FAR), and the NASA FAR Supplement (NFS). The audit</p>	

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team should apply these agreed-upon procedures by inspecting the contractor’s documented policies and procedures.	
1. Follow-Up on Prior Policies and Procedures. In instances where the response to any policy and procedure question was “No” in the last DCAA report, compare last year’s policy and procedure with the current year’s to identify if the contractor revised last year’s. If the contractor revised the policy and procedure, document the change. If the contractor did not revise the policy and procedure, have the contractor explain why and document the explanation. Also, document contractor explanations for “Not Applicable” answers.	
Note: Perform the following procedures on the current policies and procedures.	
2. Do the contractor's procedures require its inventory records to contain the following information as required by FAR 52.245-1(f)(1)(iii):	
a. The name, description, and National Stock Number, including the Federal Supply Classification (FSC) Codes for Equipment (if furnished by the Government or available in the property control system);	
b. Quantity acquired, transferred in, or fabricated, and balance on hand’	
c. Unit Acquisition Cost;	
d. Unique-item identifier or equivalent	
e. Unit of measure	
f. Acquisition Date or date placed in service (if fabricated);	
g. Contract Number or Equivalent Code Designation;	
h. Location;	
i. Disposition; and	
j. Posting Reference and Date of Transaction.	
3. Does the contractor have a written code of ethics addressing the use and management of government property?	
4. Additions	
a. Do the contractor’s policies and procedures require obtaining approval from the Contracting Officer prior to purchasing or beginning fabrication of any Property, Plant, & Equipment (PP&E) with an anticipated total acquisition cost equal to or greater than \$100,000 that the contract does not specifically identify?	
b. Do the contractor’s policies and procedures distinguish between Government-furnished and contractor-acquired property?	
c. Do the contractor’s policies for accounting for additions to the various equipment categories include:	
(1) How the contractor accounts for additions to property in its records?	
(2) A unique NASA Work Breakdown Structure (WBS) to identify and track the contractor-acquired property for PP&E items equal to or greater than \$100,000 that have an estimated useful life of 2 years or more? Refer to NASA Procedural Requirements	

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(NPR) 9250.1b. P2 & 2.2. <i>(Note: WBS requirement could vary depending on individual contract terms and conditions. Consult with the responsible NASA Center POC for assistance in identifying the specific requirements for the contract being evaluated.)</i>	
(3) A requirement for the contractor to maintain documentation on the additions to property.	
(4) A documented procedure to ensure that the contractor tags and records in the property system all property it receives or moves from WIP to finished goods.	
d. Do the contractor’s policies and procedures provide for determining PP&E acquisition cost as “all costs incurred to bring the property to a form and location suitable for its intended use?” Refer to NFS 1845.7101-3(a) for examples of costs that the contractor should include in unit acquisition costs.	
e. Do the contractor’s policies and procedures require the contractor to include in acquisition costs the related fees or a pro rata portion of fees paid by NASA to the contractor for Equipment, Agency Peculiar Property, and Contract WIP when the contractor designs, develops, fabricates, or purchases property for NASA? Refer to NFS 1845.7101-3(b).	
f. If the contractor assigns a fee to contractor-acquired or fabricated assets, do the contractor’s policies and procedures specify guidelines on assigning the fees?	
g. If the contractor assigns fee to the asset category, as opposed to the individual assets, do the contractor’s policies and procedures require assignment of the total fee to each category?	
h. If the contractor assigns fee to the asset category, do the policies and procedures document how to “remove” fee from a category when the contractor disposes of or transfers equipment?	
i. Do the policies and procedures document how the contractor computes unit acquisition cost for fabricated or purchased PP&E items?	
(1) For fabricated PP&E items does the unit acquisition cost include all direct and indirect costs of fabrication, including installation and other set-up costs?	
(2) Does the contractor adjust the unit acquisition cost to the end item for modifications/improvements that are greater than or equal to \$100,000? If so, does the contractor account for them as follows?	
(a) The contractor capitalizes modifications that meet the capitalization threshold and enlarge, improve, or enhance the capacity of the existing PP&E by adding the cost of the modification to the end item.	

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(b) The contractor links modifications that meet the capitalization criteria to the end item (parent-child relationship) in the contractor’s property accounting system.	
(c) The contractor accounts for modifications that meet the capitalization threshold of \$100,000, but do not extend the useful life of the asset by two years or more, or do not expand the capability of the end-item as repairs and maintenance and expenses these costs as incurred. This could include an overhaul, rehab or refurbishment.	
j. If the contractor initially bases the value of the PP&E on an estimate, do the policies and procedures call for the contractor subsequently to adjust the amount to reflect actual costs?	
k. If the contractor does not adjust the estimates to actual cost, does the contractor have a methodology for developing estimates, and has the contractor documented its methodology?	
l. Do the contractor’s policies and procedures require the acquisition date for contractor-acquired property to be the date the contractor places the item in service?	
m. Do the contractor’s policies and procedures require the acquisition date for contractor-fabricated property to be the date the contractor completes and removes the item from contract WIP?	
n. Do the contractor’s policies and procedures require the acquisition date for Government-furnished property to be the acquisition date on the shipping document?	
o. Do the contractor’s policies and procedures require the contractor to report the costs of each capital asset as a separate item on required cost reports, typically its Contractor Financial Management Report (NF 533)? These reporting requirements will not apply to contracts awarded prior to October 1, 2007 or to firm-fixed price (FFP) contracts.	
p. Do the contractor’s policies and procedures have provisions in place to prevent and detect reporting errors to alleviate adjustments to the financial data?	
5. <u>Deletions</u>	
a. Do the contractor’s policies and procedures provide for documenting and recording deletions of NASA PP&E, as listed in NFS 1845.7101-4, to support monthly property reporting in CHATS?	
b. Do the contractor’s policies and procedures provide for the appropriate official with property disposal authority to authorize and/or approve property deletions?	
c. Do the contractor’s policies and procedures provide for how to account for deletions of obsolete assets from the property system?	
6. <u>Transfer-In/Transfers-Out</u>	

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<p>a. Do the contractor’s policies and procedures provide for the contractor to complete documentation for recording of transfers in and/or out of NASA PP&E to support detailed <i>monthly</i> reporting in CHATS? This includes transfers between prime contracts, NASA Centers, and other Government agencies. Refer to NFS 1845.7101-2.</p>	
<p>b. Do procedures establish and require an authorized signature on all transfer documents (e.g., DD-1149) for property the contractor receives or sends, corroborating approval, as well as the dollar amount of the transferred asset, the FSC number, and the original acquisition date in accordance with NFS 1845.7101-2(a)?</p>	
<p>c. Do the contractor’s policies and procedures require the contractor to request any missing information directly from the shipping contractor or through the property administrator as required by NFS 1845.7101-2(c).</p>	
<p>7. <u>Inventory</u></p>	
<p>a. Do the contractor’s policies and procedures require the contractor to reconcile NASA property inventories with its official property records?</p>	
<p>b. Do the contractor's policies and procedures require the contractor to submit inventory reports to the Government property administrator within 10 calendar days after inventory completion in accordance with NFS 1852.245-78(c)?</p>	
<p>c. Do the contractor's policies and procedures require review of subcontractor data and provide for procedures when the prime contractor does not receive subcontractor data to complete detailed <i>monthly</i> property reporting in CHATS? (See Section N-1 for the requirement to perform a walkthrough with the contractor to document the contractor’s procedures for review of subcontractor data.)</p>	
<p>d. Do the contractor’s policies and procedures require that the methodology the inventory system(s) use(s) for the valuation of inventory comply with Statement of Federal Financial Accounting Standard (SFFAS) No. 3, paragraphs 20-23, valuing inventory at historical cost or latest acquisition value cost (i.e., weighted average, moving average, etc.)?</p>	
<p>e. Does the contractor have policies and procedures that address the purchase of items it receives into inventory?</p>	
<p>f. Does the contractor have policies and procedures covering the issuance/release of items for consumption from inventory?</p>	
<p>g. Does the contractor have policies and/or procedures to account for obsolete or lost inventory?</p>	
<p>8. <u>Safeguarding Assets</u></p>	
<p>a. Does the contractor have policies and procedures for safeguarding and limiting access to the NASA PP&E to appropriate personnel?</p>	

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<p>b. Do the contractor’s policies and procedures provide for recording and tagging of PP&E items into the property system within the timeframe specified in the contract or approved by the Property Administrator from when the assets are received? <i>(Note: NPR 4200.001G 3.1.2.4 requires recording and tagging of equipment within 3 to 5 days of receipt and acceptance. This requirement may not be applicable to all contracts. Consult with the responsible Property Administrator to identify the specific requirement for the contract being evaluated or included in the referenced policy.)</i></p>	
<p>c. Do the contractor’s policies and procedures provide for investigating all property losses and discovery of unrecorded property to determine the causes and corrective actions necessary to prevent recurrence (FAR 52.245-1(f)(1)(vii)?</p>	
<p>d. Do the contractor’s policies and procedures require prompt recording and reporting of lost, damaged, or stolen NASA PP&E in accordance with FAR 52.245-1(f)(1)(vii)(B), which states that unless otherwise directed by the Property Administrator, the contractor shall investigate and report to the Government all incidents of property loss as soon as the facts become known?</p>	
<p>9. <u>Property System</u></p>	
<p>a. Do the contractor’s policies and procedures limit access to the electronic property system to authorized personnel? Document how the contractor controls access.</p>	
<p>b. Do the contractor’s policies and procedures address the segregation of duties among authorizing, recording, and custody of Government property? Summarize the contractor’s described controls concerning segregation of duties among authorizing, recording, and custody of Government property and include the summary in the AUP report.</p>	
<p>c. Does the contractor perform backups of the property system? If so, how often and where are the backups stored?</p>	
<p>d. Can the inventory system provide issuances and receipts?</p>	
<p>10. <u>Work-in-Process</u></p>	
<p>WIP consists of property items under development (i.e., not complete) and includes the costs of all WIP, regardless of value, for all categories of property, including real property and all types of equipment and material.</p>	
<p>a. Do the contractor's policies and procedures provide for the contractor to compute WIP in accordance with NFS 1845.7101-3(h), which states that the computation of WIP shall include direct and indirect costs of fabrication, including associated systems, subsystems, spare parts, and components furnished or acquired and charged to WIP pending incorporation into a finished item? Also included are deliverable items on which the contractor or subcontractor has begun work and issued Materials from inventory. Note: The computation of WIP shall incorporate the other requirements for unit acquisition costs, as outlined in NFS</p>	

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<p>1845.7101-3(a) through 3(e). In addition, the contractor should include acquisition costs of property furnished by the Government, which the contractor has included in the property item under construction or in process of fabrication. The contractor should not include costs for operation or repairing existing completed property items. Once the property is complete, all the costs outlined above in its acquisition value in the property record should be included.</p>	
<p>b. Does the contractor have policies and procedures that provide for the transfer of WIP to PP&E once the production of the deliverable end item is complete and the asset is capable of performing its intended use?</p>	
<p>c. If the contractor bases WIP transferred to PP&E on estimates, do the contractor’s policies and procedures:</p>	
<p>(1) Provide a separate methodology for developing the WIP estimates?</p>	
<p>(2) Require the contractor to document and base the estimates on the contractor’s methodology?</p>	
<p>(3) Require an adjustment of the estimates to actual costs?</p>	
<p>11. <u>Monthly/Quarterly Reports (in Contractor Held Asset Tracking System (CHATS) and Annual NASA Form (NF) 1018</u></p>	
<p>a. Does the contractor have policies and procedures for evaluating the data its subcontractors submit for NASA property (i.e., PP&E and Materials) in the subcontractors’ possession that the prime contractor is reporting on its Monthly/Quarterly Reports and Annual NF 1018?</p>	
<p>b. Do the contractor's policies and procedures require a review by the prime contractor to ensure it does not duplicate additions/deletions that subcontractors and off-site prime locations have reported on their Monthly/Quarterly Report or Annual NF 1018? For example, the prime contractor should not report an item it transferred to or from a subcontractor on the same contract as an addition or deletion since the item is already included on the prime contractor's Monthly/Quarterly Reports or Annual NF 1018 reporting.</p>	
<p>c. Do the contractor's policies and procedures provide for detecting and correcting errors the contractor reports on the Monthly/Quarterly Reports and Annual NF 1018? If the contractor discovers errors on the Annual NF 1018 after submission (not applicable to Monthly/Quarterly Reports), do the contractor’s policies and procedures require the contractor to report them to the NASA Center Industrial Property Officer, as required by NFS 1852.245-73(c)(1)?</p>	
<p>12. Summarize the results of the procedures performed on the contractor policies and procedures for inventorying, safeguarding, and accounting for NASA property in its possession.</p>	

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E-1	Safeguarding Assets	WP Reference
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1.	The audit team will perform the following procedures to assist NASA in evaluating the contractor’s implementation of the policies and procedures identified in WP D-1, Section 8 - Safeguarding Assets. Document the results and reference their location.	
a.	Inspect the contractor's facilities and identify physical protection techniques that exist over PP&E, WIP, and materials. Document the techniques used. Examples include fire alarms and extinguishers, fences, security guards, burglar alarms, limited access, and requisitioning procedures for portable equipment.	
b.	Interview personnel the contractor identifies as responsible for physical custody of property and equipment to identify those that perform any duties relating to the accounting of property records or any purchasing functions. Document and report any such functions performed by these personnel.	
c.	Inspect documentation evidencing that the contractor performed physical inspection of items of PP&E and Materials and compare to detailed property records as required by NFS 1852.245-78(a). Document how often the contractor conducts a 100% physical inventory over PP&E and materials.	
d.	For “high risk” contractors identified by NASA and those DCAA has not previously performed a NASA Property AUP, document the dates when the contractor performed the last two physical inventories. Compare the inventory steps the contractor performed with requirements of the DoD Guidebook for Contract Property Administration, Consumption, dated April 2012, and note any differences.	
e.	Obtain a copy of the last inventory report submitted to the Government PA. Did the contractor submit it within 10 calendar days of inventory completion per NFS 1852.245-78 (c)?	
f.	Obtain the contractor's most recent reconciliation of the NASA-owned contractor-held property inventories with its official property records. If there were differences between the NASA property inventories and the contractor’s official property records, document how the contractor resolved the differences.	
g.	Interview the contractor representative (i.e., property administrator/manager) and inspect supporting documentation for the 5 (or all if less than 5) highest dollar items of lost, damaged, or stolen NASA PP&E and document if the contractor recorded and reported to the Contracting Officer. (FAR 52.245-1(f)(1)(vi)).	
h.	Interview the contractor representative (i.e., property administrator/manager) and inspect supporting documentation for the following:	

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(1) Did the contractor representative investigate property losses and the discovery of unrecorded property occurring in FY 2015 to determine the causes and develop corrective actions to prevent recurrence?	
(2) If the contractor maintains perpetual inventory counts, what actions does the contractor take when physical inventory does not agree with the perpetual inventory?	
(3) If the contractor does not maintain perpetual inventory counts, how frequently does the contractor count inventory?	
2. Summarize the results of the procedures performed on safeguarding assets.	

F-1	Restricting Access to the Contractor’s Property System	WP Reference
Version 5.7 dated May 2019		
1.	The audit team shall perform the following procedures to assist NASA in evaluating if the contractor’s implementation of the policies and procedures identified in Working Paper D-1, Section 9 – Property System, documents the results and reference of their location. Interview the contractor representative (i.e., property system administrator/manager) to obtain and document the following:	
	a. A description of the system.	
	b. Existence of electronic access controls are in place over the property system for passwords and enforcing segregation of duties over who has access to different functions in the system.	
	c. How physical access at the location housing the property system (i.e., data center) is limited to authorized personnel.	
	d. Who has the authority to make overrides?	
2.	Summarize the results of the procedures performed on restricting access to the contractor’s property system.	

G-1	Detecting and Correcting Errors Reported on the Monthly-Qtrly Rpts and NF1018	WP Reference
Version 5.7 dated May 2019		
1.	If the contractor identified any errors subsequent to the submission of its Monthly/Quarterly Reports, did the contractor contact the NASA Center Property Accountant to inform him/her of the error? Identify the volume, value, and the contractor reported causes for the subsequent adjustments to its report submissions for indications of internal control deficiencies.	

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<p>2. If the contractor identified any errors subsequent to the submission of its Annual NF 1018, did the contractor contact the cognizant NASA Center Industrial Property Officer within 30 days after discovery of the error to discuss corrective action (see NFS 1852.245-73(c)(1))? Identify the volume, value, and the contractor reported causes for the subsequent adjustments to their report submissions.</p>	
<p>3. Trace balances in the Total Active Property column from the CHATS Monthly/Quarterly June 30, 2015, Report to the balances reported in the Contractor’s Property System. <i>(NASA will provide, through DCAA Headquarters, PSP, the June 30, 2015, CHATS reports for DCAA to verify to what the contractor submitted via CHATS.)</i> Discuss with the contractor and document their explanation of any discrepancies noted. Document the discrepancies resolved (i.e., discrepancies addressed in the subsequent period) and unresolved (i.e., discrepancies that have not been addressed at the time of this review) in the reconciliation above.</p>	

H-1	Training	WP Reference
Version 5.7 dated May 2019		
	<p>1. Interview the contractor to identify personnel responsible for compiling property and equipment information who attended NASA-sponsored training within the last two years. Report when the contractor has not sent at least one of its personnel responsible for compiling property and equipment information to NASA-sponsored training within the 24 months ended [<i>insert end date as established by NASA for this engagement</i>].</p>	
	<p>2. Document the results.</p>	

I-1	Material Issuance Testing	WP Reference
Version 5.7 dated May 2019		
	<p>1. Test the ability of all inventory systems that contain 20 percent or more of the Materials held (in dollars), to track Materials issued from the system(s). To test the system(s), have the contractor set-up “dummy” issuances from the inventory by completing the following procedures:</p>	
	<p>a. Obtain a listing from the contractor’s system of the 10 most recent issuances. If the contractor has fewer than 10 issuances, use the entire population of issuances.</p>	
	<p>b. Prior to having the contractor set-up “dummy” issuances from the inventory for the same items identified in the most recent 10 issuances, obtain system printouts or system screen prints from the</p>	

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<p>contractor, that document the system-calculated inventory levels and dollars <u>prior</u> to processing the “dummy” inventory issuances.</p>	
<p>c. For accuracy, observe the contractor staff inputting the data for the “dummy” issuances of items from the inventory system.</p>	
<p>d. Obtain the system printouts or system screen-prints from the contractor that document the system-calculated inventory levels and dollars immediately <u>after</u> the contractor has updated the system for the corresponding distributed Materials item.</p>	
<p>e. Using the information obtained in steps a. to d. above, manually recalculate the inventory levels subsequent to processing the distributed Materials information. Document any differences between manually calculated values and the system-calculated values. Then have the contractor reverse the “dummy” issuances from the inventory.</p>	
<p>f. For the items selected in the “dummy” issuances, perform a physical count of the actual items in inventory and compare to the actual (not “dummy”) system-calculated inventory levels. Discuss any discrepancies noted with the contractor and document the contractor’s explanation and contractor’s final results including any unresolved differences.</p>	
<p>2. Summarize the results of the procedures performed on material issuance testing (see the Materials Issuance Testing summary format below).</p>	

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Materials Issuance Testing

Details of Materials Issuance Testing (Note 1)

Part No.	Contractor Recorded for Issuance		In System Prior to Issuance		In System After Issuance		Agreed-Upon Procedures		Difference Between Contractor Recorded and Agreed-Upon Procedures	
	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units
(For Example) XXXX	\$272	4	\$5,780	85	\$5,508	81	\$5,508	81	\$0	\$0

1. Materials Issuance Testing: *[Describe the results of the testing of the ability of the inventory system to track accurately Materials issued from the system.]*

a. Agreed-Upon Procedures:

[Summarize the procedures performed based on Section I in the Agreed-Upon Procedures program. Summary should include the selection criteria as established with NASA in the AUP [e.g. We selected for transaction testing the 10 most recent issuances from XX inventory system that contains XX percent of Materials.]]

b. Summary of Findings:

c. Contractor’s Reaction:

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d. Auditor's Response:

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J-1	Property, Plant and Equipment	WP Reference
Version 5.7 dated May 2019		
<p>Note: NASA does not consider a transfer (addition or deletion) to the prime contractor from a subcontractor or a prime off-site location (or vice versa) as an addition or deletion to the prime contract. However, the audit team should still include any item selected for review that meets this criterion in the application of the agreed-upon procedures and identify the item in the report as an “intra-contract” transfer.</p>		
<p>1. The audit team should reconcile the prime contractor’s PP&E asset category balance (Total Active Property column) on the June 30, 2015 Monthly/Quarterly CHATS Report to a prime contractor cost accounting system output report. If a system output report is not available to perform the reconciliation, the audit team shall document the contractor’s source (contractor’s property system, etc.) of the total dollar value of the additions/transfers-in and deletions/transfers-out.</p>		
<p>2. The audit team shall draw separate selections for real property and personal property from capitalized assets only using the criteria described below. Real property consists of property categories: land, buildings, other structures and facilities, and leasehold improvements. Personal property consists of equipment and agency-peculiar (Refer to NFS 1845.7101-1 and NPR 9250.1 Appendix A for the property classification and definitions). The audit team shall select the following items occurring in the period October 1, 2014 through June 30, 2015 (utilizing the Monthly/Quarterly Reports):</p> <p>Additions:</p> <ul style="list-style-type: none"> • 5 highest dollar value items for capitalized real property equal to or greater than \$100,000 • 5 highest dollar value items for capitalized personal property equal to or greater than \$100,000 <p>Deletions:</p> <ul style="list-style-type: none"> • 5 highest dollar value items for capitalized real property equal to or greater than \$100,000 • 5 highest dollar value items for capitalized personal property equal to or greater than \$100,000 <p>The sample items shall be selected from the asset listing the contractor provides for additions/transfers-in and deletions/transfers-out (see B-1, Step 2a). To ensure the audit team selects only capitalized assets for application of the agreed-upon procedures, the NASA Headquarters Property Branch will provide to DCAA an Asset Balance Monthly Report from NASA’s records (SAP) for each contract containing only capitalized assets. The audit team shall select the highest dollar value items from the contractor’s asset listing that are also on the Asset Balance Monthly Report from SAP until five items are selected for each of the four categories above (if the contractor has less than five</p>		

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<p>transactions in any of the categories, select all transactions for testing in that category). The baseline for reporting the results of the application of agreed-upon procedures should be the asset listing provided by the contractor for additions/transfers-in and deletions/transfers-out. The audit team should not comment in the application of agreed-upon procedures report about the sampled items related to the Asset Balance Monthly Report from SAP except for a description of the sample selection. The audit team is not to use the Asset Balance Monthly Report directly to select the sample. The Asset Balance Monthly Report should only be used to identify capitalized PP&E in the contractor’s asset listing from where the sample is selected.</p>	
<p>a. PP&E Additions Greater Than or Equal to \$100,000 during the timeframe of October 1, 2014 through June 30, 2015 (for real and personal property) (both Government-furnished and contractor-acquired). The audit team shall document the selection and the results of each procedure performed. The documentation must also identify the acquisition value of the selected items, the property identification number as well as the total value of errors, and the cause of noted errors. For selected prime contractor/prime off-site location additions, the audit team shall perform steps 1 through 12 below, and for selected subcontractor additions, the audit team shall perform steps 13 through 16. Summarize the results on the Additions summary format below and explain in the notes the location of each addition either at the prime, off-site prime, or subcontractor location.</p>	
<p>(1) For qualifying acquisitions (applicable to new awards and contract modifications after October 1, 2007), verify that the contractor is using a separate and unique NASA WBS to track and identify the capital acquisition in the cost accounting system. If so, compare that NASA WBS in the cost accounting system back to the contract. Per NPR 9250.1, paragraph 1.4.2.2.1, costs incurred by NASA or its contractors, for an asset meeting the capilization criteria shall be identified and tracked using separate unique WBS element. <i>(Note: WBS requirement could vary depending on individual contract terms and conditions. Consult with the responsible NASA Center POC or HQ POC for assistance in identifying the specific requirements for the contract being evaluated.)</i></p>	
<p>(2) Trace the value back to source documents (e.g., approved purchase order, invoice, and check copy/wire transfer confirmation). If the contractor uses an estimate, obtain the contractor’s documented methodology and verify the value of the estimate by recalculating the estimate using the contractor’s documented methodology. Note the amount of any difference. Document the recorded amount, results of agreed-upon</p>	

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<p>procedures amount, and cost not supported in the working papers. In addition, separately document selected items on which the contractor computes estimates, noting whether the contractor used their written methodology or not. Note: the results of agreed-upon procedures amount should not include any amount the contractor cannot support. The auditor should separately report this amount as unsupported (e.g., if the contractor reports a value of \$100,000, but can only support \$30,000, report the \$30,000 amount as results of the agreed-upon procedures amount and the \$70,000 as unsupported).</p>	
<p>(3) For qualifying acquisitions, ensure that the contractor is reporting the costs of each capital asset as a separate item on required cost reports, typically its Contractor Financial Management Report (NF 533). Refer to NPR 9501.2E for guidance on which acquisitions qualify for this requirement.</p>	
<p>(4) For each selected item, compare the cost elements making up the asset value to those shown in NFS 1845.7101-3, Unit Acquisition Cost (i.e., did the contractor include all applicable costs (e.g., amounts paid to vendors; handling and storage costs; labor and other direct or indirect production costs, fee, etc.) in the asset purchased or fabricated). If the contractor did not include all costs, when applicable, compute the acquisition cost in accordance with NFS 1845.7101-3.</p>	
<p>(5) If NASA or another contractor furnished the selected property item to the contractor, inspect the transfer documentation for accuracy, and completeness in accordance with NFS 1845.7101-2, Transfers of Property, document the following:</p> <ul style="list-style-type: none"> (a) Did the contractor include an authorized signature approving the transfer and the dollar amount of the asset transferred. (b) in addition, confirm that the amount reported as an addition agrees with the amount deleted by the transferor by preparing and sending a confirmation letter (found in administrative working paper 31) addressed to the transferor identified in the transfer document (i.e., Block 1 of the DD 1149). 	
<p>(6) For each selected item, inquire if there were any modifications/improvements to the item greater than or equal to \$100,000 and validate the contractor’s response by inspecting the sub-asset number and the related capitalization date in the Asset Balance Monthly Report, (i.e., Column heading “SNo”). If the sub-asset number is other than zero with a different capitalization date from its parental asset, the transaction represents a modification. If the sampled transaction is a modification, did the contractor account for it as follows?</p>	
<ul style="list-style-type: none"> (a) The contractor should capitalize modifications that meet the capitalization threshold and enlarge, improve, or enhance 	

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<p>the capacity of the existing PP&E by adding the cost of the modifications to the end items.</p>	
<p>(b) The contractor should link modifications that meet the capitalization criteria to the end items (parent-child relationship) in its property accounting system.</p>	
<p>(c) The contractor should account for modifications that meet the capitalization threshold of \$100,000 but do not extend the useful life or expand the capability of the asset as repairs and maintenance and expense the cost as incurred. This could include overhauls, rehabs or refurbishments.</p>	
<p>(7) For assets that are physically located at the site the audit team is testing, observe the existence of the asset and document the results accordingly. If assets the audit team selects are off-site, notify NASA Headquarters, through DCAA Headquarters, PSP, to verify physical existence. Document the results.</p>	
<p>(8) For each selected item, observe that the contractor tagged it with an identification number and recorded pertinent information into the property system.</p>	
<p>(9) For each selected item, identify if the contractor made adjustments to the Monthly/Quarterly Report from October 1, 2014 to June 30, 2015 that impact the selected item by inspecting the CHATS Adjustment Report, Column heading “Entry Type,” provided by NASA. The information in the “Entry Type” Column identifies if the transaction is an adjustment. (Note: the data in the CHATS Adjustment Report is data the contractor inputs into the CHATS database.) For each adjustment made during the period of review, obtain supporting documentation and document the reason for the adjustment and report the contractor’s rationale.</p>	
<p>(10) Identify the recorded acquisition date. Compare this date to the acquisition date on the supporting documentation, such as the DD 1149 transfer document or receiving report. If the acquisition date is not available, document this fact, as well as the manufacture date (if available) or the contractor’s estimate.</p>	
<p>(11) Compare the recorded asset category (i.e., Land, Buildings, Other Structures, Leasehold Improvement, Equipment, or Agency-Peculiar) to the asset observed by the audit team for agreement (see NFS 1845.7101-1), and report any differences.</p>	
<p>(12) For all selected items, document the recorded amount, results of agreed-upon procedures amount (from steps 2.a.(2) and (4)), and cost not supported in the working papers. In addition, separately document selected items on which the contractor computes estimates, noting if the contractor used its written methodology. Finally, document the recorded acquisition date of the selected items. Note: The results of agreed-upon procedures amount should not include any amount the contractor cannot support.</p>	

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<p>The audit team should separately report this amount as cost not supported (see the Additions summary format below for documenting results).</p>	
<p>(13) Subcontract Items – Have the prime contractor/prime off-site location obtain supporting source documentation from the subcontractor for the addition from the subcontractor’s system. Ensure the supporting documentation identifies the source of the subcontractor’s system output. Have the prime contractor obtain the subcontractor support to identify if the subcontractor used estimated costs in the valuation of the subcontract item. If the prime contractor cannot obtain subcontractor records, the audit team should report the costs as unsupported.</p>	
<p>(14) Subcontract Items – For subcontract assets that are physically located at the site the audit team is testing, observe the existence of the asset and document the results accordingly. If subcontract assets the audit team selects are off-site, notify NASA Headquarters, through DCAA Headquarters, PSP, to verify physical existence. Document the results.</p>	
<p>(15) Subcontract Items – Document the recorded acquisition date and compare it to the supporting documentation. If the acquisition date is not available, document this fact, as well as the manufacture date (if available) or the subcontractor’s estimate.</p>	
<p>(16) For all subcontract items the audit team selects, document the recorded amount, results of the agreed-upon procedures amount (see step 2.a.(13)), cost not supported, estimated amount, and the recorded acquisition date (see the Additions summary format below for documenting results).</p>	
<p>b. PP&E Deletions Greater Than or Equal to \$100,000 (for real and personal property). For each selected prime contractor/prime off-site location deletion, perform steps 1 through 7, and for selected subcontractor deletions, perform steps 8 through 10. Summarize the results on the Deletions summary format below and explain in the notes the location of each deletion either at the prime, off-site prime, or subcontractor location.</p>	
<p>(1) Trace the recorded value back to the source documents. , Verify the deleted amount to the amount initially added to the contractor records. The audit team should document the cost of the item not supported by the contractor records and the source documents (i.e., cost without the source documents and discrepancies between the contractor and the source documents).</p>	
<p>(2) For each selected item, compare the cost elements making up the asset value to those shown in NFS 1845.7101-3, Unit Acquisition Cost (i.e., did the contractor include all applicable costs (e.g., amounts paid to vendors; handling and storage costs; labor and other direct or indirect production costs fee, etc.) in</p>	

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<p>the unit acquisition cost for assets purchased or fabricated). If the contractor did <u>not</u> include all applicable costs, compute the acquisition cost in accordance with NFS 1845.7101.3. If the contractor used estimated costs in the valuation of the selected item, obtain the contractor’s written estimating methodology, compare it to the methodology used, and document any differences noted.</p>	
<p>(3) Did the contractor follow their written policies and procedures for approving deletions?</p>	
<p>(4) Identify the type of deletion. Refer to NFS 1845.7101-4.</p>	
<p>(5) For deletions involving transfers, inspect the transfer documentation for accuracy, and completeness per NFS 1845.7101-2, Transfers of Property, including:</p> <ul style="list-style-type: none"> (a) an authorized signature approving the transfer and the dollar amount of the asset transferred. (b) In addition, confirm that the amount reported as a deletion agrees with the amount recorded by the transferee by preparing and sending a confirmation letter (found in administrative working paper 31) addressed to the transferee identified in the transfer document (i.e., Block 2 of the DD 1149). (c) Document the results. 	
<p>(6) Document the approval date of the deletion/transfer, the date contractor recorded it, and the recorded acquisition date of the deleted item.</p>	
<p>(7) For all selected items, document the recorded amount, results of the agreed-upon procedures amount (from 2.b.(1) and (2)), and cost not supported. In addition, separately document selected items on which the contractor computes estimates, noting if the contractor calculated them using its documented methodology for estimates (see the Deletions summary format below for documenting results). Note: The results of agreed-upon procedures amount should exclude any amount the contractor cannot support. The audit team should separately report this amount as unsupported (e.g., if the contractor reports a value of \$100,000, but can only support \$30,000, report the \$30,000 amount as results of the agreed-upon procedures amount and the \$70,000 as unsupported.)Separately report any selected items/amounts that the contractor bases entirely on estimates.</p>	
<p>(8) Subcontract Items – Confirm that the prime contractor/prime off-site location obtains supporting source documentation from the subcontractor and trace the value back to the source documents. Ensure the supporting documentation identifies the source of subcontractor’s system output. If the subcontractor records do not support the cost of the item, have the prime contractor/prime off-site location obtain the necessary data from</p>	

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<p>the subcontractor to verify that the deleted amount is the same as the amount initially added to the subcontractor records. If the contractor cannot obtain subcontractor supporting documentation, the audit team should report the costs as unsupported.</p>	
<p>(9) Subcontract Items – Confirm that the prime contractor/prime off-site location obtained the documentation that indicates the approval date of the deletion, when the subcontractor recorded the transaction, and identifies the recorded acquisition date of the deleted item. Compare the deletion date recorded in the prime contractor’s property system to acquisition date in the subcontractor’s records and document any differences.</p>	
<p>(10) For all subcontract selected items, document the recorded amount, results of agreed-upon procedures amount (see step 2.b.(8)), cost not supported, the estimated amount, and the recorded acquisition date of the deleted item (see the Deletions summary format below for documenting results).</p>	
<p>3. Summarize the results of the procedures performed on Property, Plant, and Equipment.</p>	

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Additions

Selected Items:

<u>Part No.</u>	<u>Contractor Recorded Amount</u>	<u>Results of Agreed- Upon Procedures Amount</u>	<u>Difference Between Contractor Recorded and Results of Agreed-Upon Procedures Amount</u>	<u>Difference Which Is Not Supported</u>	<u>Contractor Recorded Amount Based on Estimates</u>	<u>Contractor Recorded Acquisition Date</u>	<u>Notes</u>
Real Property: <i>(Include if applicable)</i>							
Personal Property: <i>(Include if applicable)</i>							
Selected Items Total							
Additions Not Tested							
Total Additions							

Explanatory Notes: *[Include the results of all items tested.]*

1. Part No. XXX-XXX

a. Agreed-Upon Procedures:

[Summarize the procedures performed based on Section J in the Agreed-Upon Procedures program. Summary should include the selection criteria as established with NASA in the AUP.]

b. Summary of Findings:

c. Contractor’s Reaction:

d. Auditor’s Response:

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Deletions

Selected Items:

<u>Part No.</u>	<u>Contractor Recorded Amount</u>	<u>Results of Agreed-Upon Procedures Amount</u>	<u>Difference Between Contractor Recorded and Results of Agreed-Upon Procedures Amount</u>	<u>Difference Which is Not Supported</u>	<u>Contractor Recorded Amounts Based on Estimates</u>	<u>Contractor Recorded Acquisition Date</u>	<u>Notes</u>
Real Property: <i>(include if applicable)</i>							
Personal Property: <i>(include if applicable)</i>							
Selected Items Total							
Deletions Not Tested							
Total Deletions							

Explanatory Notes: [Include the results of all items tested.]

1. Part No. XXX-XXX

a. Agreed-Upon Procedures:

[Summarize the procedures performed based on Section J in the Agreed-Upon Procedures program. Summary should include the selection criteria as established with NASA in the AUP.]

b. Summary of Findings:

c. Contractor’s Reaction:

d. Auditor’s Response:

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K-1	Contract Work-in-Process	WP Reference
Version 5.7 dated May 2019		
<p>Note: WIP consists of property items under development (i.e., not complete) and includes all development/construction costs incurred to date, regardless of the value for all PP&E including real property and all types of equipment and materials.</p>		
<p>1. The audit team shall reconcile the prime contractor’s contract work-in-process (WIP) balance (Total Active Property column) on the June 30, 2015 Monthly/Quarterly CHATS Report to a prime contractor cost accounting system output report. If the audit team cannot reconcile the information to a system output report, the source of the contract WIP balance provided by the contractor shall be documented.</p>		
<p>2. The audit team shall select the five highest value capitalized items recorded in the period of October 1, 2014 through June 30, 2015 from the contractor’s Monthly or Quarterly Reports from CHATS as of June 30, 2015 (see B-1, Step 2c). To ensure that the audit team only selects capitalized assets for application of the agreed-upon procedures, the NASA Headquarters Property Branch will provide to DCAA an Asset Balance Monthly Report from SAP for each contract containing only capitalized assets. Choose the highest dollar value items from the contractor’s Monthly or Quarterly Reports that are also on the Asset Balance Monthly Report from SAP until the audit team selects five items (if the contractor has less than five transactions, DCAA should select all transactions for testing). The baseline for reporting the results of the application of agreed-upon procedures is still the contractor’s Monthly or Quarterly Reports from CHATS. Audit teams should not comment in the application of agreed-upon procedures report about the sampled items related to the Asset Balance Monthly Report from SAP except for a description of the sample selection. Audit teams must use the contractor’s Monthly or Quarterly Reports from CHATS to select the sample and are not to select the sample from the Asset Balance Monthly Report from SAP that NASA provides.</p>		
<p>3. If testing, of WIP, as noted in the step 2 above, is not possible, the audit team shall, indicate the reason and then document the contractor’s methodology for calculating WIP.</p>		
<p>4. For each selected prime contractor/prime off-site location WIP item, the audit team shall perform steps a. through g. below. For selected subcontractor WIP items, the audit team shall perform steps h. through j.</p>		
<p>a. Trace the value back to source documents (e.g., approved purchase order, and/or invoice). If the contractor uses an estimate, obtain the contractor’s written methodology for the estimate and recalculate the estimate based on that methodology, noting the amount of any difference.</p>		

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<p>b. For each selected item, compare the cost elements making up the asset value to those shown in NFS 1845.7101-3, Unit Acquisition Cost (i.e., did the contractor include all applicable costs (e.g., amounts paid to vendors; handling and storage costs; labor and other direct or indirect production costs, fee, etc.) in assets purchased or fabricated). If the contractor has not included all costs, when applicable, compute the acquisition cost in accordance with NFS 1845.7101-3.</p>	
<p>c. For qualifying fabrications, document if the contractor tracks and reports its fabrication costs using the assigned NASA WBS element in its cost accounting system. Refer to NPR 9250.1b. for guidance on which acquisitions qualify for this requirement. (<i>Note: WBS requirement could vary depending on individual contract terms and conditions. Consult with the responsible NASA Center POC or HQ POC for assistance in identifying specific requirements for the contract) being evaluated.</i>)</p>	
<p>d. For qualifying fabrications, document if the contractor reports the costs of each capital asset as a separate item on required cost reports, typically the Contractor Financial Management Report (NF 533). Refer to NPR 9501.2E for guidance on which acquisitions qualify for this requirement.</p>	
<p>e. Document instances when the contractor made any subsequent adjustments to selected WIP items (if applicable). Obtain the supporting documentation for the adjustments and document their dollar value.</p>	
<p>f. For WIP items that are physically located at the site the audit team is testing, observe the existence of the asset. If assets are off-site, notify NASA Headquarters, through DCAA Headquarters, PSP, to verify physical existence. Document the results</p>	
<p>g. For all selected items, document the recorded amount, results of the agreed-upon procedures amount, and cost not supported. In addition, separately document selected items on which the contractor computes estimates (see the WIP summary format below for documenting results). Note: The results of agreed-upon procedures amount should not include any amount the contractor cannot support. The audit team should separately report this amount as unsupported.</p>	
<p>h. Subcontract Items – Confirm that the prime contractor/prime off-site location obtained supporting source documentation for the WIP item from the subcontractor’s system. Ensure the supporting documentation identifies the source of the subcontractor’s system output. Confirm that the prime contractor/prime off-site location obtained the necessary support to identify if the subcontractor used estimated costs in the valuation of the WIP item. If the prime contractor cannot obtain subcontractor data, the audit team should report the costs as unsupported.</p>	

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i. Subcontract Items – For subcontract WIP items that are physically located at the site the audit team is testing, observe the existence of the asset. If subcontract assets are off-site, notify NASA Headquarters, through DCAA Headquarters, PSP, to verify physical existence. Document the results.	
j. Subcontract Items – Document the recorded amount, results of the agreed-upon procedures amount (from step 4.h.), costs not supported in the working papers, and estimated amount.	
5. Summarize the results of the procedures performed on Contract Work-in-Process.	

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Work-in-Process

Selected Items:

Part No.	Contractor Recorded Amount	Results of Agreed-Upon Procedures Amount	Difference Between Contractor Recorded and Results of Agreed-Upon Procedures Amount	Difference Which is Not Supported	Contractor Recorded Amount Based on Estimates	Notes
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Selected Items Total

WIP Not Tested

Total WIP

Explanatory Notes: *[Include the results of all items tested.]*

1. Part No. XXX-XXX

a. Agreed-Upon Procedures:

[Summarize the procedures performed based on Section K in the Agreed-Upon Procedures program. Summary should include the selection criteria as established with NASA in the AUP.]

b. Summary of Findings:

c. Contractor’s Reaction:

d. Auditor’s Response:

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L-1	Material	WP Reference
Version 5.7 dated May 2019		
1.	<p>The audit team shall reconcile the prime contractor’s Materials balances (in the Total Active Property column) on the June 30, 2015 Monthly/Quarterly Report from CHATS to the prime contractor Materials system output report. If the audit team cannot reconcile the information to a system output report, the audit team shall document the source of the total dollar value of the Materials provided by the prime contractor.</p>	
	<p>Note: The audit team shall conduct the following steps for all systems that the contractor or subcontractor uses to track or account for more than 20 percent of the costs of the Materials the contractor or subcontractor holds. If no one system contains 20 percent of the cost of the Materials, the audit team shall perform the following agreed-upon procedures on the one system containing the largest dollar amount.</p>	
2.	<p>Document the percentage of coverage for Material dollars the audit team will test to the overall balance the contractor reports at June 30, 2015 using the NASA selection criteria below.</p> <p>Select the following items occurring in the period October 1, 2014 through June 30, 2015, from the contractor’s material output report:</p> <ul style="list-style-type: none"> • 5 highest total extended value (based on quantity of items) for receipts with unit prices equal to or greater than \$100,000 • 5 highest total extended value (based on quantity of items) for issuances with unit prices equal to or greater than \$100,000 <p>If the information on receipts and issuances is not available, select the following from the current Material inventory provided by the contractor:</p> <ul style="list-style-type: none"> • 5 highest total extended value (based on quantity of items) for items with unit prices equal to or greater than \$100,000 <p>If the information is not available to test receipts and issuances, report this accordingly in the Testing of Materials section of the report.</p>	
3.	<p>Did the contractor adjust the inventory amounts based on the physical inventories/physical inspections? If so, obtain the supporting documentation for the adjustments and document their dollar value.</p>	
4.	<p>For Materials the audit team selects for testing (receipts) that are physically located on-site, physically observe the existence of the item and document the results accordingly. If the selected Materials (receipts) are off-site, notify NASA Headquarters personnel, through DCAA Headquarters, PSP, so they can verify physical existence. Document the results.</p>	
5.	<p>Using the selection obtained in step 2 above, for Materials at the prime contractor/prime off-site location, perform the applicable procedures in</p>	

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steps a. or b. below. For selected subcontractor Materials, perform the procedures in step c. below.	
a. For contractor system(s) that value inventory using the historical cost basis (as indicated in the contractor’s policies and procedures), perform the following for each selected item:	
(1) Compare the amount to the supporting documentation (e.g., purchase/procurement/vendor invoice). If the contractor used estimated costs for the valuation of the selected item, inquire as to whether the contractor has a documented estimating methodology. Recalculate the estimate using the contractor’s documented methodology, if applicable. Compare the contractor’s amount to the recomputed estimate and report difference over \$500.	
(2) Foot the supporting documentation for mathematical accuracy.	
(3) Compare the quantity and price information entered into the inventory system to the supporting documentation obtained in a.(1) above to see if they agree.	
(4) Document any discrepancies.	
b. For system(s) that value inventory using a moving-average (or similar costing method), perform the following for each selected item:	
(1) Obtain printouts or system screen prints from the contractor that document the system-calculated inventory price and the system-calculated inventory levels.	
(2) Obtain the supporting documentation (e.g., purchase/procurement/vendor invoice) for two of the most recent purchases and issuances from the items the audit team selects in step 2 above. If the contractor used estimated costs in the valuation of the sampled item, inquire as to whether the contractor has a documented estimating methodology. Recalculate the estimate using the contractor’s documented methodology, if applicable. Compare the contractor’s amount to the recomputed estimate and report difference over \$500.	
(3) Foot the supporting documentation for mathematical accuracy.	
(4) Using the information obtained in b.(1) and (2), recalculate the updated inventory quantity amounts and the updated inventory valuation (i.e., price) from supporting purchases, procurement, vendor documentation, or issuances and compare to the unit cost per the systems printout (or system screen prints). Document the amounts the audit team calculates including the contractor’s explanation for differences between the manually calculated unit cost values and the Materials listing, and the system-calculated information obtained in b.(1) through (3) above.	
c. For selected subcontractor Materials, perform the following:	
(1) Have the prime contractor/prime off-site location obtain supporting source documentation for the item from the	

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subcontractor. Ensure the supporting documentation identifies the source of the subcontractor's system output.	
(2) Have the prime contractor/prime off-site location identify if the subcontractor used estimated costs in the valuation of the subcontract item and obtain the subcontractor support for those estimates.	
(3) Foot the supporting documentation for mathematical accuracy.	
(4) Compare the quantity and price information entered into the inventory system to the documentation obtained in c(1) above to see if they agree and note any differences.	
6. Summarize the results of the procedures performed on Materials using the following Materials or Weighted Average Materials summary format as appropriate.	

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Materials

Selected Items:

Part No.	Contractor Recorded Amount	Contractor Recorded Units	Results of Agreed-Upon Procedures Amount	Results of Agreed-Upon Procedures Units	Difference Between Contractor Recorded and Results of Agreed-Upon Procedures		Difference (Cost) Which Is Not Supported	Contractor Recorded Amount Based on Estimates	Notes
					Amount	Units			
Receipts: <i>(include if applicable)</i>									
Issuances: <i>(include if applicable)</i>									
Sampled Items Total									
Materials Not Tested									
Total Materials									

Explanatory Notes: *[Include the results of all items tested.]*

1. Part No. XXX-XXX

a. Agreed-Upon Procedures:

[Summarize the procedures performed based on Section L in the Agreed-Upon Procedures program. Summary should include the selection criteria as established with NASA in the AUP.]

b. Summary of Findings:

c. Contractor’s Reaction:

d. Auditor’s Response:

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Weighted Average Materials

Selected Items

<u>Part No.</u>	<u>Contractor Recorded From Printout</u>		<u>Beginning</u>		<u>Purchase</u>		<u>Issued</u>		<u>Agreed-Upon Procedures</u>		<u>Difference Between Contractor Recorded and Agreed-Upon Procedures</u>		<u>Notes</u>
	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>Units</u>	
<i>(For Example) XXXX Receipts: (include if applicable)</i>	\$1,119.00	90	\$377.82	28	\$865.51	72	\$124.33	10	\$1,119.00	90	\$0	0	1
Issuances: <i>(include if applicable)</i>													
Sampled Items Total													
Materials Not Tested													
Total Materials													

Explanatory Notes: [Include the results of all items tested.]

1. Part No. XXX-XXX
 - a. Agreed-Upon Procedures:

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[Summarize the procedures performed based on Section L in the Agreed-Upon Procedures program. Summary should include the selection criteria as established with NASA in the AUP.]

- b. Summary of Findings:
- c. Contractor's Reaction:
- d. Auditor's Response:

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M-1	Reconciliation of Monthly-Quarterly Report	WP Reference
Version 5.7 dated May 2019		
1.	Trace prime contractor balances in the Total Active Property column from the CHATS Monthly/Quarterly June 30, 2015 Report to the balances reported in the Contractor’s Property System. NASA will provide, through DCAA Headquarters, PSP, the CHATS reports.	
2.	Discuss with the contractor and document their explanation of any discrepancies noted. Document the discrepancies resolved (i.e., discrepancies addressed in the subsequent period) and unresolved (i.e., discrepancies that have not been addressed at the time of this review) in the reconciliation step 1 above.	

N-1	Subcontractor Property System	WP Reference
Version 5.7 dated May 2019		
1.	Interview the prime contractor on whether its employees perform evaluations of the subcontractor's property system, internal controls, and source documentation to determine if the amounts the subcontractor reports comply with the FAR and NFS, and document the contractor’s response. If the response is positive, document how the prime contractor verifies the accuracy of the values and nature of the transactions (additions and deletions) that the subcontractor submits and subsequently the prime contractor reports on its Monthly/Quarterly CHATS Reports and Annual NF 1018. Refer to FAR 52.245-1(f)(v). If subcontractors hold more than 10% of the NASA property on the contract, perform the following additional procedures:	
	a. Perform a walkthrough of the prime contractor/prime off-site location’s policies and procedures to document if the prime contractor/prime off-site location performs a review and validation of the data the subcontractor submits prior to incorporating the subcontractor submission into its Monthly/Quarterly CHATS and NF 1018 submissions to NASA. If so, document whether the contractor personnel look at all property classifications and amounts the subcontractor submits. If the prime contractor/prime off-site location uses a threshold during the review, document the threshold.	
	b. As part of the walkthrough, review and document whether the prime contractor identified through a variance analysis of the subcontractor data, any significant (for NASA significant is 10%) fluctuations between the previous reporting period and the current reporting period.	
2.	Summarize the results of the procedures performed on the Subcontractor Property System.	

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O-1	Capital Leases	WP Reference
Version 5.7 dated May 2019		
Note: Capital leases are leased PP&E with a fair value of \$100,000 or more and meet any one of the following criteria: 1) the lease transfers ownership to NASA at the end of the term; 2) the lease contains an option to purchase at a bargain price; 3) the non-cancelable length of the lease is equal to or greater than 75 percent of the estimated economic life of the PP&E; or 4) the present value of the rental or other minimum lease payments, excluding that portion of the payments that represents executory costs, such as insurance, maintenance, and taxes to be paid by NASA, equals or exceeds 90 percent of the fair value of the PP&E.		
1. Inquire if the contractor has any NASA capital leases.		
2. Document the contractor’s response and report if the contractor states there are Capital Leases. (<i>Note: No contractor should have a NASA capital lease.</i>)		

A-1	Concluding Steps	WP Reference
Version 5.7 dated May 2019		
1. The audit team shall adequately support in the working papers all the information contained in the agreed-upon procedures report.		
2. Throughout the AUP, the audit team will participate in bi-weekly teleconferences with NASA Headquarters, and communicate progress, any issues encountered, and contractor disagreements.		
3. Draft a report that details the results of the above procedures, including the following, not an all-inclusive, list:		
a. Executive summary.		
b. Scope of application of agreed-upon procedures, including coverage.		
c. Results of application of procedures, including quantification of findings. Note: The audit team should not report: <ul style="list-style-type: none"> • Rounding differences less than \$500. • Differences between the annual NF 1018 generated by NESS and the Monthly/Quarterly reports generated by CHATS because NASA indicated that there may be valid differences between these two reports due to different reporting requirements. 		

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<ul style="list-style-type: none"> • The lack of Industrial Property Officer (IPO) approval of CHATS errors as a finding; IPO approval is required for errors on the SF 1018, but not for CHATS. 	
<p>d. Summary of policies and procedures, including any departures from NASA policy, and quantification of departures, (if applicable), explanations for all N/A responses provided by the contractor.</p>	
<p>e. Results of PP&E, WIP, Materials testing and Capital Leases. Include a statement in the Testing of Materials section in the body of the report if the contractor was not able to provide Materials receipts and issuances to test (Section L-1, Step 3).</p>	
<p>3. Include in the report matters that come to the audit team’s attention by other means than performance of the agreed-upon procedures that significantly contradict the subject matter referred to in the report according to AT Section 201.40.</p>	
<p>4. Provide a copy of the draft report for review prior to the exit conference through the regional point-of-contact to Headquarters, PSP, dcaa-psp@dcaa.mil.</p>	
<p>5. After DCAA Headquarters, PSP, review and approval, provide a copy of the draft report to the Property Administrator and the Center point of contract (POC) and conduct a meeting with them to discuss results. PSP will provide a copy to the NASA Headquarters POC.</p>	
<p>6. Hold an exit conference with the contractor and request from the contractor a written response to any exceptions noted in the report. Invite the NASA Property Administrator, NASA Center accountants, NASA Management Office or the DCMA Administrative Contracting Officer (if DCMA has been delegated property administration responsibilities), and NASA Headquarters Accounting Division and Quality Assurance Division representatives to attend. Send invitations for NASA Headquarters representatives through PSP.</p>	
<p>7. Incorporate the contractor’s response and auditor rejoinder in the report.</p>	
<p>8. If the contractor disagrees with the findings in the draft report promptly notify NASA Headquarters, and send a copy of the final draft report to Headquarters, PSP, prior to issuance through the DCAA regional point-of-contact for review of the contractor/subcontractor’s response and auditor rejoinder. PSP will forward the final draft report to NASA. If the contractor agrees with the findings in the draft report, there is no need to send the final draft report to Headquarters prior to issuance.</p>	