



Audit Process

Audit Process Topics

- Adequacy Reviews
- Communication
 - Entrance Conference
 - Walkthroughs
 - Notification Letter
 - Interim Discussions
 - Exit Conferences
- Site Visits
- Requests for Information

Adequacy Reviews

- Many of the audits performed are evaluating a contractors assertion such as:
 - Forward pricing proposal,
 - Final indirect rate proposal (Incurred Cost)
 - Preaward accounting system design assertion
- When this is the case the audit process begins with DCAA assessing whether the assertion complies with the applicable regulation and is adequate for audit.

Entrance Conference

- An entrance conference with contractor's designated representative(s) are held at the start of each separate audit assignment (or each group of assignments to be covered in a single field visit)
- Requestors / Contracting officers are invited to attend.
- Explains the purpose of the audit, the overall plan for its performance including the estimated duration, and generally the types of books, records, and other data with which the auditor will be concerned.

Entrance Conference

- Discuss arrangements for any necessary work space and administrative support.
- Have the contractor designate primary and alternate officials with whom audit matters are to be discussed during the course of the assignment.

Entrance Conference

- Discuss other pertinent information such as:
 - General background information about your organization and structure
 - Discussions of assertions or policies and procedures
 - Corrective actions taken to correct prior issues
 - Relevant other internal / external audit results
 - Known or suspected fraud affecting audit subject matter

Walkthroughs

- Often during or shortly after the entrance conference we will request walkthroughs of an assertion or internal controls such as:
 - Proposal walkthrough
 - Incurred cost submission walkthrough
 - Internal control / process walkthroughs.

Notification Letters

- DCAA is required to send a notification letter to the contractor communicating certain information such as:
 - If the audit was requested or planned
 - Audit Assignment number
 - Audit Objective, compliance criteria, and scope
 - Management's responsibility
 - Auditor's responsibility
 - What to expect and when

Interim Discussions

- Through-out the audit, the auditor will discuss matters with the contractor and request additional support as necessary to obtain a full understanding of the subject to audit.
- The discussions will often disclose to the contractor any factual matters noted in the contractor's assertion, records, or supporting data.

Exit Conferences

- Upon completion of the field work on each separate assignment, the auditor will hold an exit conference with the contractor's designated representative to discuss the audit results and obtain the contractor's views concerning the findings, conclusions, and recommendations for inclusion in the audit report as required by GAGAS

Exit Conferences

- Requestors / contacting officers are invited to attend
- Held even if no findings or issues disclosed in audit
- Some audits allow us to provide copies of our audit report note to the contractor while other types of engagements limit us to discussing only the factual differences.

Audit Opinions

- Unqualified – The contractor's proposed amounts comply, in all material respects, with solicitation terms related to pricing. DCAA did not identify any reportable issues during the audit.
- Qualified Opinion - The contractor's proposed amounts comply, in all material respects, with solicitation terms related to pricing except for questioned amounts or audit procedures that were not performed.
- Adverse – The contractor's proposed amounts do not comply with solicitation terms related to pricing.

Audit Opinions

- Disclaimer – No audit opinion
 - A disclaimer of opinion states that the auditor does not express an opinion on the subject matter under audit. A disclaimer is appropriate when the auditor has not performed an audit sufficient in scope to enable him or her to form an opinion on whether the proposed amounts comply, in all material respects, with solicitation terms related to pricing.
 - Opinion you may see if we performed agreed upon procedures.

Site Visits

- Auditors will be at the contractor's site at times during the audit.
- Site visits could include main locations and satellite locations (sub-offices, manufacturing facilities, et cetera)

Requests for Information

- Auditor will submit written or oral requests to contractors to provide cost or pricing data, supporting documentation, or provide responses to questions.
- General Expectations
 - Electronic information when possible
 - Timely responses and communicate delays
 - Ask for clarification if you are not sure about what we are asking
 - Provide support in an organized fashion

Questions/Comments

