

# UNIT 35: AUDITS

*October 2003*

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<b>Duty</b>	Obtain any necessary audit support.
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<b>Conditions</b>	Given acquisition planning, a solicitation, and offer(s).
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<b>Overall Standard</b>	Request audit information (when necessary) to support cost analysis, price analysis, or cost reasonableness analysis. Obtain sufficient information to develop negotiation objectives.
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## Policies

<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
15.403-5		Instructions for submission of cost or pricing data or information other than cost or pricing data, including access to offeror records.
15.404-2		Information to support proposal analysis.
15.405(a)		Requirement to adopt audit recommendations or explain why not.
15.406-1(a)		Prenegotiation objectives including a requirement to consider audit input.
15.406-3		Documenting the negotiation including audit recommendations and known defective pricing.
42.1		Contract audit services.
43.204(b)(5)		Requirements for field pricing support request.
52.214-26		Audit and records – sealed bidding.
52.215-2		Audit and records – negotiation.

## Other KSAs

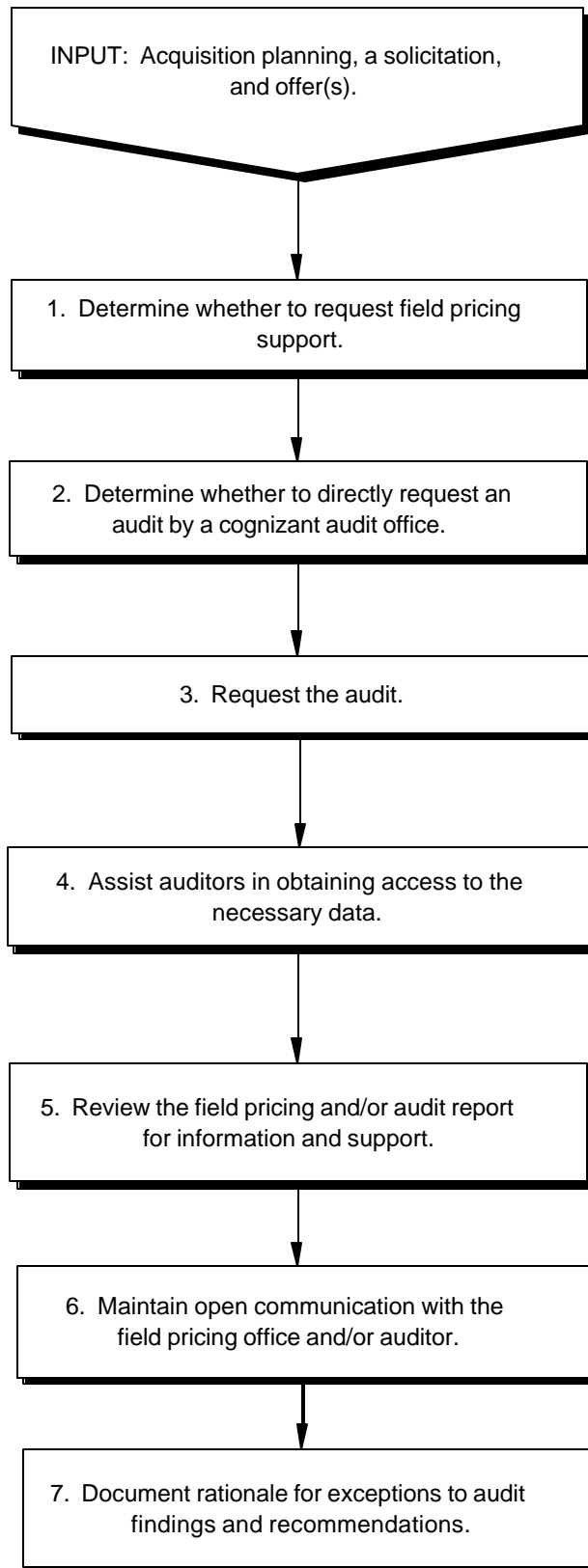
1. Knowledge of accounting terms and concepts typically encountered in audit reports.
2. Knowledge of available sources of audit support.
3. Knowledge of the organizational relationship between contracting and available sources of audit support.
4. Ability to demonstrate the interpersonal skills required to relate well to different parties involved in the audit process – contracting, auditor, and contractor.
5. Ability to communicate effectively with auditors orally and in writing.
6. Ability to effectively encourage and facilitate teamwork between auditors and others involved in proposal analysis.
7. Ability to read and understand audit reports and related information.
8. Ability to maintain the honesty and integrity of the acquisition process.

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## Other Policies and References (Annotate As Necessary):

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## Tasks

## Related Standards

Tasks	Related Standards
1. Determine whether to request field pricing support.	<p>Request field pricing support (which may include an audit review by the cognizant contract audit activity) when the situation merits a request. Generally, request support when:</p> <ul style="list-style-type: none"><li>• The information available at the buying activity is inadequate to determine a fair and reasonable price. Field pricing assistance is generally available to provide:<ul style="list-style-type: none"><li>- Technical, audit, and special reports associated with the cost elements of a proposal, including subcontracts;</li><li>- Information on related pricing practices and history;</li><li>- Information to help contracting officers determine commerciality and price reasonableness; and</li><li>- Information relative to the business, technical, production, or other capabilities and practices of an offeror.</li></ul></li><li>• The risk associated with the acquisition merits the request.</li><li>• Agency policy permits/requires a request for support.</li></ul>
2. Determine whether to directly request an audit by a cognizant audit office.	<p>Consider requesting support directly from the cognizant audit office when:</p> <ul style="list-style-type: none"><li>• Audit support is required to supplement information available at the buying activity to determine whether a price is fair and reasonable;</li><li>• Other field pricing support is not available or not required; and</li><li>• Agency policy does not preclude a direct request.</li></ul>

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<p>3. Request the audit.</p>	<p>When audit support is needed, team with the auditor throughout the acquisition process. Early communication will assist in determining the extent of support required.</p> <p>Never request a separate preaward audit of indirect costs unless the information already available from an existing audit, completed within the preceding 12 months, is considered inadequate for determining the reasonableness of the proposed indirect costs.</p> <p>Include in the request:</p> <ul style="list-style-type: none"> <li>• A list of any significant contract events that may aid in understanding the request.</li> <li>• Extent of support needed.</li> <li>• Specific areas for which input is required.</li> <li>• Information needed to perform review.</li> <li>• Need date for receipt of report.</li> <li>• Need to audit costs proposed by a prospective subcontractor.</li> <li>• Relevant information not already available to the auditor (e.g., solicitation or proposal).</li> </ul>
<p>4. Assist auditors in obtaining access to the necessary data.</p>	<p>Take immediate action to obtain access to necessary data upon auditor notification that the offeror/contractor has:</p> <ul style="list-style-type: none"> <li>• Provided deficient data for audit; or</li> <li>• Denied the auditor access to relevant records.</li> </ul> <p>Request the auditor to confirm the notification in writing for the contract file.</p> <p>If the offeror/contractor continues to refuse to provide adequate data or provide access to necessary data withhold the award or price adjustment and refer the contract action to a higher authority. Provide the higher authority with details of the attempts made to resolve the matter and a statement of the practicability of obtaining the supplies or services from another source.</p>

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Tasks	Related Standards
<p>5. Review the field pricing and/or audit report for information and support.</p>	<p>Depending on the complexity of the pricing review, results may be reported orally, in writing, or by any other means acceptable to the parties involved.</p> <p>Review the information received to:</p> <ul style="list-style-type: none"> <li>• Extract relevant facts;</li> <li>• Identify missing or insufficiently documented findings of fact;</li> <li>• Identify any fallacies (quantitative or logical) in the auditor's report; and</li> <li>• Identify inconsistencies between audit findings and other available data (e.g., from proposal or market research).</li> </ul> <p>When appropriate develop follow-up questions for the auditor.</p>
<p>6. Maintain open communication with the field pricing office and/or auditor.</p>	<p>Maintain open lines of communication.</p> <ul style="list-style-type: none"> <li>• Resolve any questions with the report, including those relating to:               <ul style="list-style-type: none"> <li>- Numbers and totals;</li> <li>- Other areas of concern; and</li> <li>- Missing data that are necessary to prepare negotiation objectives.</li> </ul> </li> <li>• Submit any new information for review and possible issuance of supplemental oral or written report.</li> <li>• Invite the auditor and/or price analyst to be on negotiation team.</li> </ul>
<p>7. Document rationale for exceptions to audit findings and recommendations.</p>	<p>Document any exceptions in the price negotiation memorandum.</p>