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IN REPLY REFER TO

4261 820.5  
2003K11015001

August 11, 2003

MEMORANDUM FOR RECORD

SUBJECT: Examination of Direct Billing Vouchers for University of Alaska

In accordance with CAM 6-1007.6(b), we performed an annual audit of University of Alaska – Fairbanks' (UAF) Fiscal Year (FY) 2003 paid vouchers to determine if continued reliance can be placed on UAF's procedures for the preparation of public vouchers. This audit is required to determine if UAF may continue to participate in the direct billing program.

We conducted our examination in accordance with generally accepted government auditing standards. Those standards require that we obtain a sufficient understanding of internal controls to plan financial audits and determine the nature, timing, and extent of tests to be performed. An examination of internal controls includes:

- identifying relevant system control objectives and associated control activities,
- obtaining an understanding of all applicable components of internal control for the identified control objectives and activities,
- determining if the internal controls are adequate and in operation, and
- assessing control risk to use as a basis for planning the nature, timing, and extent of substantive testing in other financial related audits.

We evaluated the billing system using the applicable requirements contained in:

- OMB Circular A-21,
- Federal Acquisition Regulation (FAR),
- Defense FAR Supplement (DFARS), and
- Applicable Cost Accounting Standards.

Our examination specifically tested the billing system's internal control procedures associated with the following control objectives:

- Management Reviews,
- Policies and Procedures, and
- Implementation of Policies and Procedures.

**FOR OFFICIAL USE ONLY**

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Test procedures were applied during February 2003. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over the billing system to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our audit, continued reliance can be placed on UAF's procedures for the preparation of interim vouchers. Accordingly, UAF has met the criteria for continued participation in the direct billing program.

/s/ Renee E. Hagen  
/for/ TERRY S. NUZZO  
Branch Manager