



**Auditor**  
Contract Auditor, 851

Date

Contractor  
Contractor Address

Attention: Contractor

Based on our earlier discussions, the Contract Audit Department at Sandia National Laboratories (Sandia) will audit costs incurred through your fiscal year ending Day-Month-Year on the following contracts placed with your company. There are x contracts in this audit.

Contract(s): XXXXX

Please take all necessary actions to ensure no auditable records are disposed of before the completion of this audit. Failure to retain such records may result in adjusted costs or charges and you being billed back for the unsupported amounts.

This letter explains the scope and objectives of the audit engagement with your company. Please acknowledge that the information in this letter corresponds with your understanding of the engagement and that the preliminary contract listing represents all of your entity's auditable contracts with Sandia.

Please note that the purpose of this audit is to ensure Sandia and its government sponsor, the U.S. Department of Energy/National Nuclear Security Administration, that Sandia contracts are executed reasonably and appropriately and that no instances of fraud related to these contracts are apparent. We will not report on the adequacy of your company's accounting information system and related control procedures, nor will we provide you with early warning as to the likelihood of business failure. However, during the course of our audit, if we become aware of any fraud or significant weaknesses that impact the auditable contract(s), we may notify you if deemed appropriate.



We will conduct the audit in accordance with the International Professional Practice Framework. The objective of our audit is to obtain assurance as to whether all contract costs, in all material respects, are reasonable according to the nature and amount, allocable and allowable, in accordance with Cost Accounting Standards and Generally Accepted Accounting Principles. We audit per the contract terms and conditions, including relevant Department of Energy Acquisition Regulations (DEAR) and Federal Acquisition Regulations. We will communicate the results of our audit and the associated opinion to the appropriate Sandia Subcontracting Professional(s).

Please note that your company is responsible for the information contained on the cost claim, which allows us to provide an independent assessment on its presentation. Based on the adequacy and timely completion of your cost claim, we will notify you of our audit sample selection and conclusion. We will schedule a mutually agreeable date that allows you sufficient time to prepare for the audit and retrieve the necessary supporting source documentation.

Regarding the audit sample, we request that you provide us with the cost and transactions detail directly from your accounting system. You should then copy that information into Excel and forward us the document. We will provide you with more explicit directions when we provide you with the audit sample selection.

We require access to selected documentation, which includes but is not limited to general and subsidiary ledgers, timesheets and timekeeping records, payroll registers and payroll records, expense vouchers, subcontractor agreements and invoices, and vendor invoices. We must have access to various documents, and we must meet or interview with relevant personnel. Books of account and records relating to this contract shall be subject to inspection by our department in accordance with the provisions of Section II of your contract and in accordance with DEAR 970.5232-3. Our audit procedures will be carried out using sampling techniques and other audit procedures deemed appropriate on the contract(s). It is important to note that the audit may not involve the review of every transaction, as such an approach would be neither feasible nor cost-efficient.

Please be aware that there is a potential for adjusted costs or charges if supporting documentation is not available during scheduled testwork. Contract Audit's policy is to allow a one-week extension to supply supporting documentation that is not available during scheduled testing. After that time, an audit adjustment may be generated due to unsupported costs or charges. This adjustment may result in you being billed back for the unsupported amounts.

At the outset of the audit, you must provide us with a management representation letter. In this letter, you must certify that you will disclose all material facts and that your stated costs are current, accurate, and complete. The management representation letter is to be prepared and signed by an officer of your organization. We will provide a template to assist you in drafting this letter.

Sandia will treat this engagement as confidential. We will not disclose sensitive engagement-related information outside Sandia or our federal sponsor without your consent, except if required by law or Sandia's contract with the U.S. Department of Energy/National Nuclear Security Administration. All workpapers, reports, studies, or other information prepared by Sandia contract auditors in connection with this engagement shall be the property of Sandia.

We recognize that the company's officers and employees are generally fully occupied attending to their own duties. However, for us to conduct our audit effectively, we will need to make inquiries of and receive assistance from some of the company's officers and employees. We intend to carry out this work with as little disruption as possible.

We trust that this letter clearly sets out the scope and objectives of our audit of your company's auditable Sandia contract(s). We appreciate your attention to this matter. Please call or email if you have any questions.

Sincerely,

Auditor

Phone:

Fax:

Email: