

# DCAA System Audits

## **Audit Planning and Risk Assessment**

- System Disclosure – organizational structure, polices, procedures, desk guides, checklists
- Planning Meetings and Requests for Information – DCAA meets to discuss the audit and to set up Walkthroughs/ Systems Demonstrations. DCAA requests information to fill in gaps and to plan the audit.
  - **Key requests**
- Walkthroughs and Systems Demonstrations – DCAA will request a live walkthrough of the Estimating System’s Compliance with the DFARS criteria.
- Confirmation of DCAA’s Understanding of Contractor’s System

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## Fieldwork

- DCAA gathers evidence to form an opinion on the contractor's compliance with the DFARS criteria.
- What can Evidence look like?
  - Checklists, Documented levels of review (signatures), Recorded automated workflows, Exception reports, Validations or potential error reporting, Documented justifications for judgment based actions, Training logs. Any documentation that is generated during the process can be useful.
- There is No “Cookie-Cutter” Approach – How do you meet the criteria?

# DCAA System Audits

## Reporting

- Constant Communication – Throughout the audit, as DCAA performs testing, DCAA maintains communication and regularly engages the contractor.
- DCAA’s policy is to communicate any potential deficiencies as soon as practicable (not waiting until the end of the audit) and to discuss with contractor, including a request for Contractor Comment, to be included in the report.
- At the conclusion of the audit, DCAA holds a formal Exit Conference – DCAA’s goal is “No Surprises!”

# Learning from Previous Contractor Experiences

- Effectively Prepare for Walkthroughs
  - Ensure adequate time and effort for walkthrough preparation
  - Establish clear expectations for each meeting
  - Designate departmental points of contact
- Managing and Monitoring Requests
  - Centralized point of contact
  - Numbered requests submitted in writing
  - Reasonable due dates
  - Clear expectations (content and dates)

# Learning from Previous Contractor Experiences

- **Constant Communication**
  - Recurring status meetings for status of RFIs and updated timelines
  - Communication of any potential audit findings
- **Supporting Documentation**
  - All audit requests and responses should be communicated in writing and documented.
  - Retain copies of all documents provided.

# DCAA Commonly Reported Findings

- **DFARS 252.215-7002(d)(4)** An acceptable estimating system shall accomplish the following functions:
  - iv. Identify and document the sources of data and the estimating methods and rationale used in developing cost estimates and budgets.
  - vii. Provide for detection and timely correction of errors.
  - ix. Provide for the use of historical experience, where appropriate.
  - xiii. Provide for internal review of the acceptability of the estimating system, including the budgetary data supporting indirect cost estimates and comparisons of projected results to actual results, and an analysis of any differences.
  - xiv. Procedures to update cost estimates and notify the Contracting Officer in a timely manner throughout the negotiation process.
  - xv. Provide procedures that ensure subcontract prices are reasonable based on a documented review and analysis provided with the prime proposal, when practicable.
  - xvi. Provide estimating and budgeting practices that consistently generate sound proposals that are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price.

# DCAA Commonly Reported Findings

- **DFARS 252.242-7006(c)** *System criteria*. The Contractor's accounting system shall provide for—
  - 1) A sound internal control environment, accounting framework, and organizational structure;
  - 8) Management reviews or internal audits of the system to ensure compliance with the Contractor's established policies, procedures, and accounting;
  - 12) Exclusion from costs charged to Government contracts of amounts which are not allowable in terms of Federal Acquisition Regulation (FAR) part 31, Contract Cost Principles and Procedures, and other contract provisions;
  - 15) Cost accounting information, as required—
    - i. By contract clauses concerning limitation of cost (FAR 52.232-20), limitation of funds (FAR 52.232-22), or allowable cost and payment (FAR 52.216-7); and
    - ii. To readily calculate indirect cost rates from the books of accounts;
  - 18) Accounting practices in accordance with standards promulgated by the Cost Accounting Standards Board, if applicable, otherwise, Generally Accepted Accounting Principles.

# Questions