

CUI

Defense Contract Audit Agency: Valuable Support to Your Acquisition

“Supporting the Warfighter and Protecting Taxpayer Dollars.”



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CUI

Controlled by: DCAA Audit Liaison Division

CUI Category: PRVCY

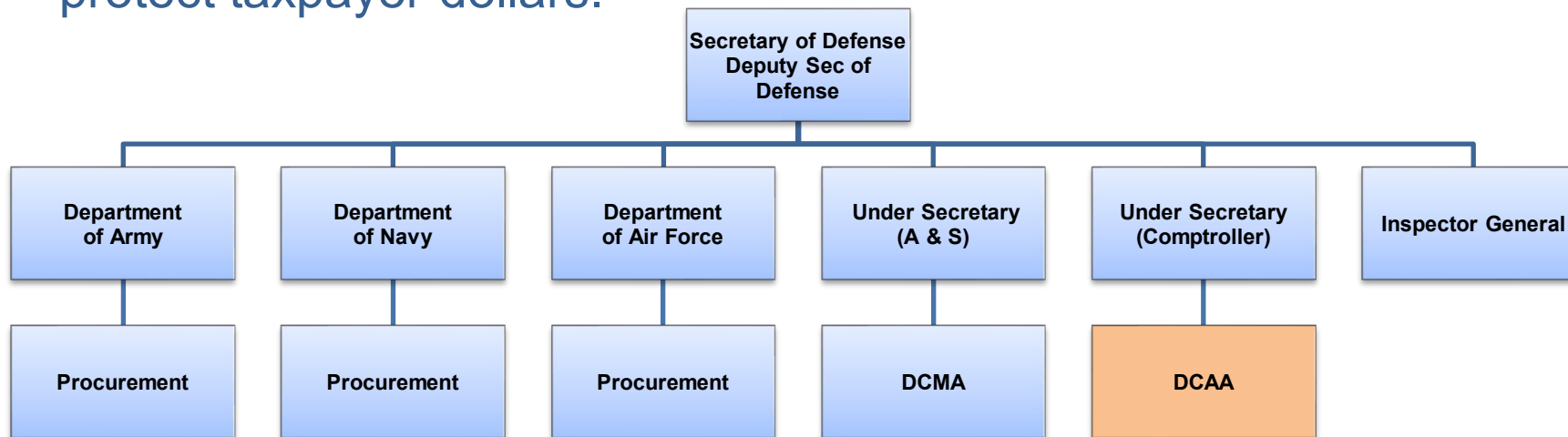
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One Agency – One Mission

- DCAA Overview
- What Can a DCAA Audit Provide You?
- Early Engagement
- Tailored Support
- Audit Process
- Commitment to Customer Milestones
- DCAA POCs & Resources

History and Mission

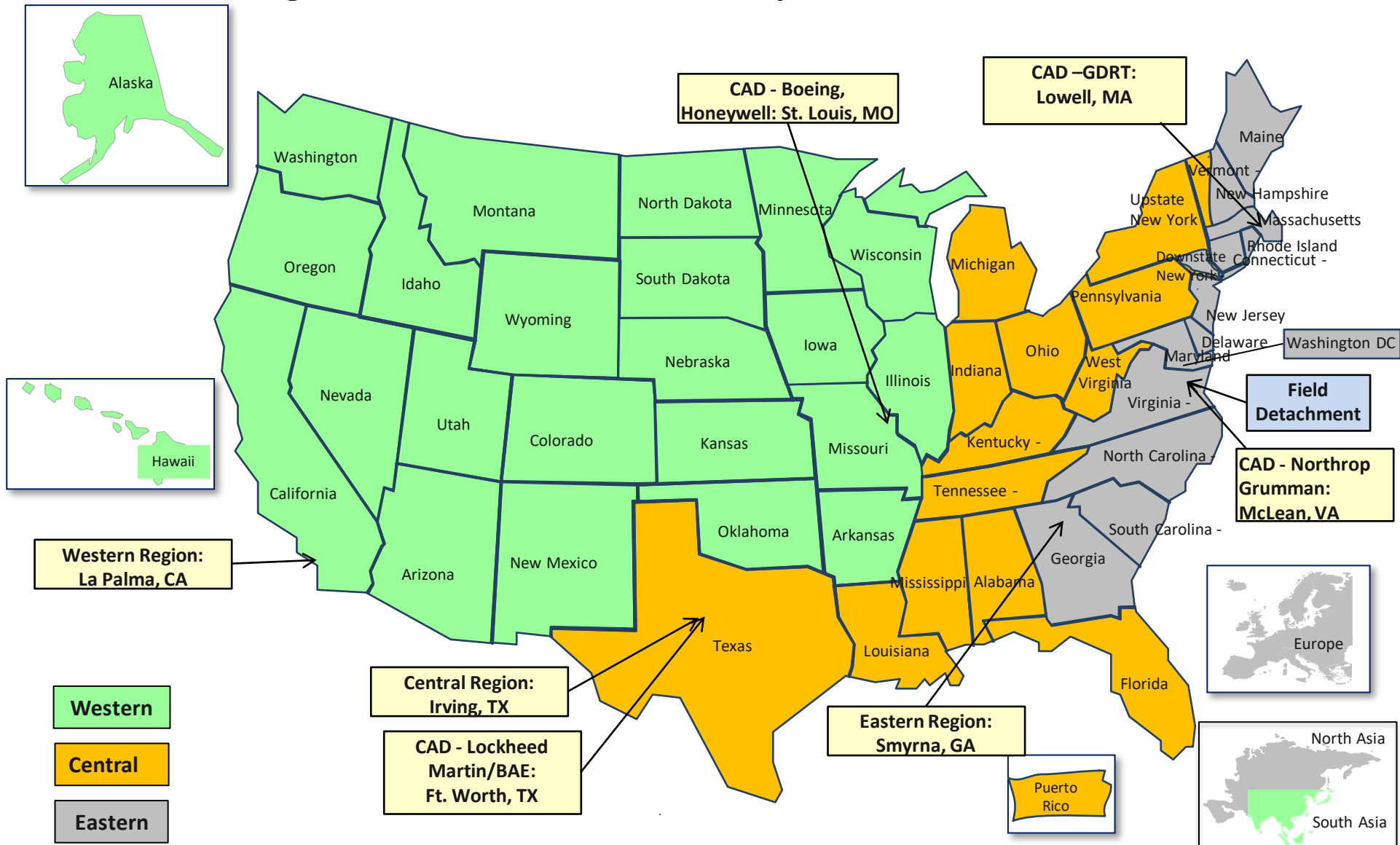
- Established in 1965 by transferring the existing contract audit functions from each of the military services into a single contract audit agency (DoD Directive 5105.36)
- Single mission organization that conducts contract audits and related financial services for the DoD and other federal entities responsible for acquisition and contract administration at all stages of the contract life-cycle. Our mission is to support the warfighter, protect taxpayer dollars.



DCAA Overview

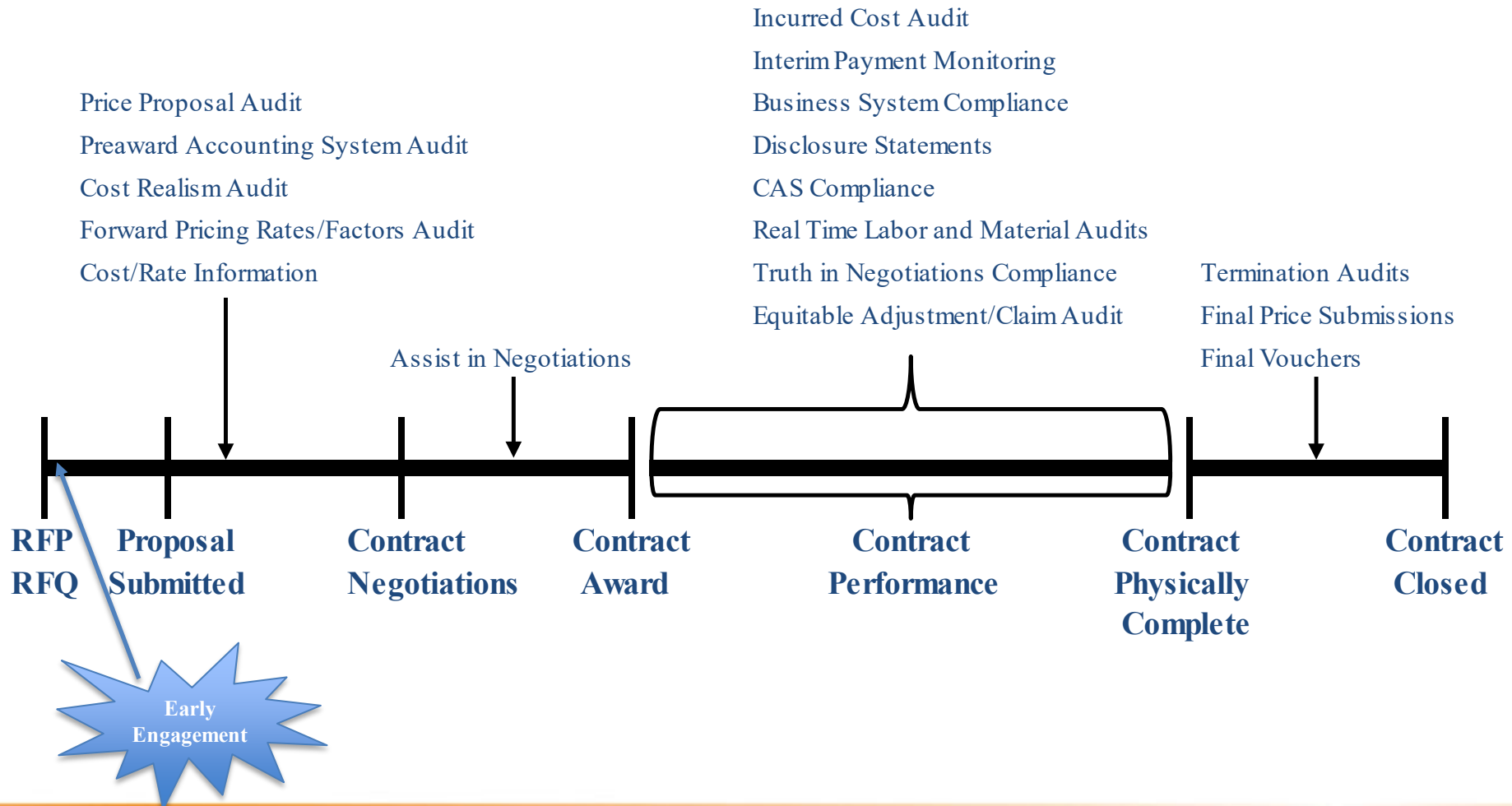
- Conduct contract audits and related financial advisory services
- Assist in determining whether contract costs are allowable, allocable, and reasonable
- Examine and review contractor accounts, records, and business systems
- Provide recommendations and advice to government officials responsible for acquisition and government contract administration

3 Regions, Field Detachment, 4 Corporate Audit Directorates



Field Detachment - 351 not shown above

DCAA's Value to Acquisition Process



DCAA's Involvement in the Acquisition Process

- DCAA efforts in FY21 resulted in reviewing \$336B in contract costs and identification of more than \$6.4 billion of audit exceptions
- Reported Net Savings of \$3.7B (calculated based only on formal DCAA audits)
- Return on Investment of \$5.7 to \$1

What Can a DCAA Audit Provide You?

- Upfront evaluation of overall proposal adequacy
- Sufficient procedures and testing of each cost element within the scope of audit to provide you with reasonable assurance the underlying contractor data is reliable and complies with solicitation terms
- Identification of high risk subcontracts, coordination of the request for assist audit, and incorporation of the subcontract audits

What Can a DCAA Audit Provide You?

- A detailed Audit Report summarizing questioned costs and incorporating the results of all requested assist audits and the results of any DCAA requested technical reviews
- DCAA will identify unsupported costs and coordinate with you to resolve the underlying issues prior to report issuance. If not resolved, we will perform alternative procedures to reduce risk and support negotiation of these costs

DCAA Audits vs. Advisory Services

Audits

- Can be fully customizable & tailored for each customer's needs
 - All costs elements in a proposal
 - Only specific costs elements
 - Or even specific vendors

Advisory Services

- Situations where a short turnaround time would not allow for an audit
- Also very customizable for each customer and their specific needs

Examples:

- Providing analytical procedures on vendors the customer has knowledge of being high risk
- Analyzing only specific part numbers based on prior concerns
- Informal requests utilizing our running prior vendors and parts database
- This helps the customer determine in a particular part or vendor are high risk
- Memorandum –not an audit or attestation engagement

DCAA Audits vs. Advisory Services

Negotiation Support both Audits and Advisory Services

- DCAA support does not stop with issuance of audit report or memorandum
 - Review and provide positions on information that came in after field work cut off date
 - Review contactor's Cost Analysis Reports (CARs) and provided analysis
 - Update our position based on revised information either from the Government and or Contractor (competition packages and updated firma quotes)
 - Available to be in person at Negotiations to provide real -time feedback

When to Request Assistance from DCAA

- FAR 15.404-2: Data to Support Proposal Analysis
 - When buyer or CO cannot determine if a price is fair and reasonable.
- If information is needed on:
 - Acceptability of Accounting System
 - Acceptability of Estimating System
- Proposals exceed DFARS PGI 215.404-2(c) Threshold
 - FFP > \$10M
 - Cost Type >\$100M
 - or Exceptional Circumstances Exist

Audit Request Concerns

- DCAA takes too long to do an audit.
- DCAA will only do full proposal audits and will not tailor their audit scope.
- DCAA does not provide any support for procurements under the thresholds.
- DCAA will just issue an adverse opinion or disclaimer and offer no additional support.

Early Engagement

- Engagement at the beginning of the acquisition cycle - **before** proposal submission
- Government team (Program Office, PCO, DCMA, DCAA) risk based approach
 - Effective use of resources
 - Minimize duplication of prime and subcontract review
 - Continuous communication on progress and challenges
 - Establish timeframes and process for resolving disagreements

Early Engagement - Assistance with RFP

- When engaged early in the procurement cycle, DCAA can provide helpful advice on the structure of the RFP that can minimize contractor delays and inadequacies
 - Assist in addressing known risks and importance of obtaining information timely
 - Provide input on the status of key considerations
 - Addressing major system deficiencies
 - Anticipated major subcontractors
 - Contractor reorganization

Tailored Support

- DCAA provides the necessary risk information so audit coverage is appropriate to meet specific requirements of the procurement and the needs of the customer
 - Evaluating management approved parts of a proposal as soon as available
 - Reviewing rates well in advance of proposal submission (FPRP audits in coordination with DCMA)
- Utilize Early Engagement opportunities to structure the Request for Audit to address the risks

Audit Process - Proposal Adequacy

Top Reasons for Inadequate Contractor Proposals

- Significant variances between proposed amounts and basis of estimate/supporting documentation
- Significant variances between prior buy actual cost data and proposed amounts without supporting justification/explanation
- Lack of consolidated Bill of Material
- Unsupported additive factors applied to various elements of costs often leading to duplicate costs proposed
- Rates not based on contractor budgetary or trend data
- Inadequate Support for Subcontract Proposals
 - Inadequate prime contractor cost or price analysis
 - Inadequate subcontract proposal
- Proposal does not reflect anticipated cost accounting changes
- Lack of adequate support for commercial item pricing

Audit Scope Based on Detailed Risk Assessment

- Coordination with requestor on requirements
- Proposal walkthrough and determination of basis of proposed cost
- Consideration of prior findings, previously identified deficiencies and fraud risk factors
- Documentation of internal controls
- Planned audit scope based on above factors, including the detailed audit steps

Commitment to Customer Milestones

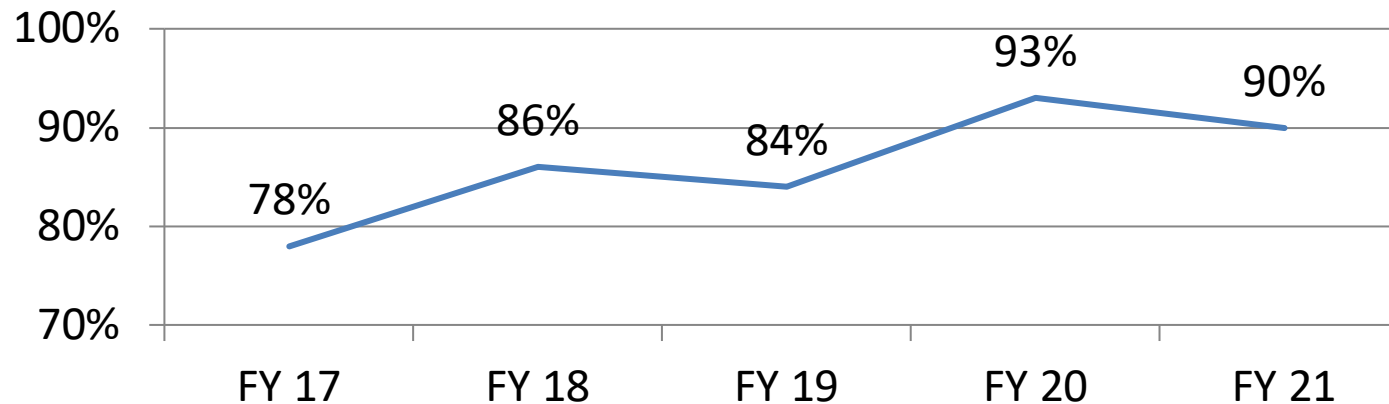
- After receiving an adequate contractor proposal and performing an in-depth risk assessment, we will lock in agreed-to dates for completing the audit in support of customer needs
- Changes will be communicated as they occur - not at the end of the cycle
 - Scope changes based on audit findings
 - Lack of contractor cooperation

DCAA Customer Focus

Auditing to Customer Milestones

- Improved performance over several years

Forward Pricing Audit By Original Agreed to Date



- Forward pricing proposal avg elapsed days FY21: 81

Improving the Process

Keys to Future Success

- Continue to work to understand and address existing challenges and to meet your needs
- Increased use of early engagement/Government team risk-based approach
 - Enhanced acquisition planning will provide appropriate time necessary to protect the taxpayer and meet your needs
 - Provide tailored audit support (value based on risk)
 - Collaborate on strategies to address contractor behavior
- Ongoing communication throughout the process
- Provide **defensible audit results** to support your negotiations

DCAA Internet Resources

www.dcaa.mil

- **Guidance**
 - Audit Process Overview – Information for Contractors Manual
 - Director of Audit Programs
 - Contract Audit Manual
 - Select Area of Cost Guidebook (FAR 31.205 Cost Principles)
 - Links to Acquisition Regulations
- **Checklists and Tools**
 - Cost of Money Rates
 - Incurred Cost Electronically (ICE) Model
 - Contractor Submission Portal
 - Adequacy Checklists - Preaward Accounting System Adequacy, Contract Pricing Proposal, Forward Pricing Rate Proposal, DCAA Incurred Cost Termination Settlement Proposal.
- **Frequently Asked Questions For Contracting Officers, Contractors and COVID-19**

Small Business Presentations

- Accounting System Requirements
- Contract Briefs
- Incurred Cost Submissions
- Monitoring Subcontracts
- Proposal Adequacy
- Provisional Billing Rates
- Public Vouchers
- Real-time Labor Evaluations
- Intro to Contracts with Commercial Organizations
- Audit Process Overview



DCAA
DEFENSE CONTRACT AUDIT AGENCY



HOME ABOUT DCAA CAREERS CUSTOMERS LOCATOR CONTACT AGENCY NEWS SMALL BUSINESS

HOME > SMALL BUSINESS > SMALL BUSINESS RESOURCES



- Small Business Resources
- Small Business Presentations > Business Navigation
- Small Business FAQs Small Business Program
- Small Business Seminars Business Presentations
- Small Business Resources
- Small Business FAQs
- Small Business Seminars and Workshops

Questions/Comments

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