Subpart 5142.1 - Contract Audit Services

Parent topic: Part 5142 - Contract Administration and Audit Services

5142.190 Follow-up on contract audit reports.

5142.190-1 Responsibilities.

(a) The Deputy Assistant Secretary of the Army (Procurement) is the Army's contract audit follow-up official.

(b) The senior contracting official (SCO) shall perform the functions of the Army's contract audit follow-up official for their respective commands. SCOs shall –

(1) Establish Overage Audit Review Boards;

(2) Ensure that the effective resolution and disposition of audit findings and recommendations in a timely manner while fully protecting the Government's interests is a factor in organizational and individual performance standards and objectives; and

(3) Maintain close surveillance of all contract audit reports, resolve, and dispose any audit reported.

(c) Chiefs of contracting or contract administration offices shall track and assist Contracting officers in the resolution and disposition of those audit recommendations which appear unlikely to be resolved within six months of the date of an audit report.

(d) Contract audit follow up monitor

(1) The Monitor shall receive new audits and coordinate with Contracting officers, their SCO and the ODASA(P) to resolve and disposition audits in a timely manner.

(2) The Monitor shall ensure Contracting officers receive a copy of the audit and status updates on the resolution and disposition of the audit on a monthly basis.

(3) The Monitor shall maintain current information and status of the audits in the contract audit follow up system.

(e) Contracting officers shall –

(1) Resolve the recommendations as described in DoD Instruction (DoDI) 7640.02 not later than six months from the date of the audit report and dispose those recommendations within 12 months;

(2) Invite the auditor to participate in the review when it is considered necessary; and

(3) Appear before the Overage Audit Review Board to discuss the resolution and disposition of any audit reported in accordance with 5142.190-4(a)(4).

5142.190-2 Tracking of contract audit report recommendations.

(a) Centrally track all contract audit reports from request for audit through receipt, resolution and disposition. Each contracting or contract administration office, including satellite offices such as Government-owned contractor-operated, shall establish a single entity for requesting, receiving and tracking all audit reports. Provide the activity name, address, attention symbol, point of contact and telephone number of the single entity to the contract administration services office and Defense Contract Audit Agency regions involved.

(b) Centrally track and report audit report data in accordance with DoDI 7640.2. Maintain a file for each audit report and include in each file the following information:

(1) Report number.

(2) Activity address code.

(3) Issuing agency.

(4) Date of report.

(5) Contractor name.

(6) Contract number(s).

(7) Organization responsible for disposition.

(8) Contracting officer responsible for disposition.

(9) Total amount subjected to audit.

(10) Total questioned costs.

(c) For reportable audit reports, the central files shall also include the following information:

(1) Type(s) of recommendations contained in report. Use the codes in DoDI 7640.2.

(2) Target date of resolution.

(3) Actual date of resolution.

(4) Target date for disposition.

(5) Date of final decision (if any) of Contracting officer.

(6) Date of filing with Armed Services Board of Contract Appeals or court (if any) and docket or case number.

(7) Disposition results in terms of questioned costs sustained.

5142.190-3 Reporting.

(a) For unclassified audits, contracting or contract administrative offices shall ensure that all records in the contract audit follow up system have updated remarks prior to the 31 March and 30 September Department of Defense Inspector General data pull.

(b) For classified audits, contracting or contract administrative offices shall submit the Status Report on Specified Contract Audit Reports (RCS DD-IG (SA)1580), as required by DoDI 7640.2 to reach the addressee at 5101.290 Routing documents and mailing addresses.(b)(2)(ii)(A), not later than 15 March and 15 September of each year. Obtain the program and instructions from the addressee at 5101.290 Routing documents and mailing addresses.(b)(2)(ii)(A). Negative reports are required.

5142.190-4 Overage Audit Review Boards.

(a) Make every effort to resolve audit recommendations within six months of the date of an audit report and disposition them within 12 months. Each SCO shall establish and chair an Overage Audit Review Board (the Board) to review the status of open audits reported as overage or unresolved on the Status Report on Specified Contract Audit Reports. The SCO shall chair the Board. The Board shall –

(1) Be comprised of the contracting activity's senior legal, contracting, and pricing personnel;

(2) Review all open, unresolved audits over six months old and resolved audits over 12 months old that are reported as open on the most recent Status Report on Specified Contract Audit Reports;

(3) Meet early in November to consider the audits due to be reported on 30 November and early in May to consider those audits due to be reported on 31 May. The Board may meet at other times, as necessary;

(4) Hear the Contracting officer's presentation of efforts to resolve and dispose the audit recommendations;

(5) Assist the Contracting officer in developing a plan of action for timely resolution and disposition of the audit recommendations; and

(6) Provide the Contracting officer with necessary guidance and assistance to resolve and dispose the audit recommendations. This shall include reordering priorities, assigning additional or alternate resources or committing the personal attention of the HCA or the SCO to the effort.

(b) Upon completion of its review, but not later than 30 November and 31 May, the Overage Audit Review Board shall submit to the addressee in 5101.290(b)(2)(ii)(A), under a summary cover letter from the SCO, a detailed plan of action for the resolution and disposition of each audit report in the four major categories listed in (1).

(1) The Board shall separate the audits into the following four major categories for reporting:

(i) 6-12 months old, unresolved.

(ii) Overage (over 12 months old), unresolved.

(iii) Overage (over 12 months old), resolved.

(iv) Resolution date slip from previous report.

(2) Each plan of action shall contain the following information:

(i) Audit report number.

(ii) Report date.

(iii) Contractor name.

(iv) Type of audit.

(v) Cost questioned or cost avoidance.

(vi) A narrative plan of action for resolution and disposition of the audit findings.

(vii) Target resolution date.

(viii) Target disposition date.

(ix) Contracting officer's name.

(x) Contracting officer's phone number.

(3) The Board's report shall describe the action taken to resolve the audit and identify attendees and their role in the process, such as the Contracting officer.

5142.190-5 Processing Audit Findings.

(a) Resolution Status. The Contracting officer shall update the audit CAFU record to resolution status when the written pre-negotiation objective memorandum is approved. For audit reports covering CAS noncompliances, resolution is achieved when the Contracting officer issues a notice of potential noncompliance to the contractor. For audit reports covering business systems, resolution is achieved when the Contracting officer notifies the contractor in writing of the initial determination.

(b) Disposition Status. The Contracting officer shall provide a copy of the post-negotiation memorandum to the DCAA auditor and other affected government offices, as applicable. The Contracting officer shall update the audit CAFU record to disposition status when the written post-negotiation memorandum is approved and one of the following actions occurs:

(1) The Contracting officer notifies the contractor in writing of the final determination covering business systems findings and recommendations.

(2) The Contracting officer negotiates a settlement covering all audit issues with the contractor (including corporate or home office allocations) and executes any required contracting action (e.g. indirect rate agreement).

(3) The Contracting officer issues a final determination/decision on a CAS noncompliance audit or other matter pursuant to the disputes clause. The Contracting officer must reinstate the audit report as an open report ("in litigation status") if the contractor appeals to:

(i) The Armed Services Board of Contract Appeals (ASBCA) within 90 days, or

(ii) The U.S. Court of Federal Claims within 12 months.

(4) The Contracting officer makes a final determination on a disclosure statement submission or revision.

(5) The ASBCA or U.S. Court of Federal Claims renders a decision, any required actions directed by ASBCA or the Court are completed, and a contractual document is executed.

(6) DCAA supplements or supersedes the audit report.

(7) The Contracting officer determines final action on a CAS cost impact proposal.

(8) The Contracting officer makes a written determination that corrective actions have been taken, so that no further actions can be reasonably anticipated.

(c) Where to store files in PCF. Audit reports are stored in PCF based on the type of audit being resolved and dispositioned.

(1) Pre-Award Audits. Pre-Award Audit documentation shall be filed in PCF within the following section: I Pre-Award, C. Evaluation, 04. Evaluations, Technical Evaluations.

(2) Incurred Cost, Defective Pricing, Claims, Business System, Cost Accounting Standards, Operations, Earned Value Management System, Other shall be filed in PCF within the following section: II Award, F. Post Award Documents, 01 Post Award Documentation.

(3) Terminations shall be filed in PCF within the following section: II Award, I. Administration, 10 Post Terminations.