



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

OAL 730.3.B.2.4

November 10, 2008
08-OAL-073(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA
HEADS OF PRINCIPAL STAFF ELEMENTS

SUBJECT: Audit Guidance Revision to DCAA's Role in Source Selection Evaluation Boards (SSEB) and Providing Financial Liaison Advisory Services

Effective September 12, 2008, DCAA will no longer be a member of SSEBs. DCAA will continue to provide audit and financial advice related to SSEBs as discussed in this memorandum.

Effective November 23, 2008, Financial Liaison Advisory (FLA) services will be provided ONLY by officially assigned FLAs reporting to Headquarters, Operations, Audit Liaison Division (OAL). FLAs currently reporting to the Field Detachment will be reassigned to OAL.

Generally Accepted Government Auditing Standards (GAGAS) prohibit DCAA from auditing its own work or providing nonaudit services in situations where the nonaudit services are significant or material to the subject matter of audits (GAGAS 3.22). These standards also require audit organizations to be free from external impairments to independence both in appearance and in fact (GAGAS 3.10). To avoid any potential independence concerns, the Executive Steering Committee in September 2008 decided that DCAA will no longer be members of any new SSEBs. DCAA will continue to provide requested audit services in support of the SSEB. The FLA role in SSEBs will be **advisory only** and we will no longer provide price analyst type of support. FLAs may continue to provide general advisory services in support of SSEBs.

FLAs or auditors acting as FLAs who were members of an in-process SSEB as of the date of this memorandum may continue participation until the source selection is completed, but in a reduced role. We may continue to provide the services we committed to provide, as long as we do not participate in any meetings or debriefings with contractor personnel or participate in drafting or preparing any documents for these meetings. We should try to conclude our assistance to these SSEBs as soon as possible.

In addition, effective November 23, 2008, only FLAs that report to DCAA Headquarters, Operations, Audit Liaison Division will provide FLA-type support to the acquisition community. FLAs in the Audit Liaison Division are independent from the field audit offices by virtue of their placement in the DCAA organizational structure. Part-time FLAs are staffed out of the field audit offices and are therefore part of the organizations providing audits to the requesters. We want to ensure there is a clear distinction between the FLA role and the audit role and as a result are prohibiting all FAO personnel from participating in any FLA-type services. The part-time FLA 5-digit DMIS Activity Code 30000 will be disabled effective November 23, 2008. If continuing FLA services are considered necessary, regions may request Operations to consider assuming that function.

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The enclosure illustrates the types of SSEB services that may and may not be provided by the FLAs. However, these are examples only and may not cover all aspects of what an FLA may or may not do. The examples are not meant to imply that these were all services that FLAs had previously been permitted to provide. The examples are for illustration purposes only.

FLAs should immediately notify the contracting officials at their respective location of this change in DCAA audit policy.

If there are questions concerning the assistance an FLA may provide, please contact the Audit Liaison Division, at (703) 767-2238.

/s/
Karen K. Cash
Assistant Director
Operations

Enclosure:
Examples of OAL SSEB Assistance

DISTRIBUTION: C

**EXAMPLES OF OAL
SOURCE SELECTION EVALUATION BOARD (SSEB) ASSISTANCE
WHAT FLAS MAY AND MAY NOT DO**

<u>FLA MAY DO (ADVISE)</u>		<u>FLA MAY NOT DO (PREPARE)</u>	
<u>Planning Phase:</u>		<u>Planning Phase:</u>	
1.	Review the draft RFP's "Section L - Instructions, Conditions and Notices to Bidders" and "Section M Evaluation Factors for Award." This includes making recommendations for enhancements and providing advice on proposal templates and cost models to ensure consistent proposal submissions.	1.	Develop proposal templates or cost models.
		2.	Develop checklist for determining compliance with RFP.
2.	Advise procurement officials concerning types of DCAA services available. Inform procurement officials of realistic time requirements needed for proposal evaluation and cost realism reviews and the implications of not providing adequate time to perform audit services.	3.	Attend conferences when offerors are present.
3.	Provide advice to contracting officers on offerors' questions of a general nature.	4.	Provide input or answers to specific offeror's questions.
		5.	Draft responses to offeror questions submitted to contracting officer.
4.	Check for obvious errors in the independent government estimate. Government technical personnel develop an independent government estimate which is an estimate of the resources and projected cost of the resources an offeror will incur in the performance of a contract. The independent government estimate is often the baseline for evaluation of a realistic contract price/cost for all offerors.		
5.	Provide advice on Code of Federal Regulations, i.e. CAS and FAR applicability.		
<u>Receipt of Offerors' Proposals:</u>		<u>Receipt of Offerors' Proposals:</u>	
6.	Identify types of audit services available and information needed for the procurement official to request FAO services, e.g. financial condition risk assessment, accounting system reviews and proposal evaluation.	6.	Write the audit request. The procurement official is responsible for creating audit requests.
7.	Prior to the procurement officials request for audit, assist in performing preliminary review of proposal for obvious errors.	7.	Assist in reviewing proposals for compliance with requirements of RFP for cost/price factors.
8.	Provide FAOs advance notice of pending request for audit so FAOs can effectively plan and manage resources.		
<u>Evaluation Support:</u>		<u>Evaluation Support:</u>	
9.	Liaison with FAO and command to ensure FAO has necessary data to perform audit(s).		

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	<u>FLA MAY DO (ADVISE)</u>		<u>FLA MAY NOT DO (PREPARE)</u>
10	Coordinate with command if FAO requires additional time to complete the audit.		
11.	Assist procurement officials in understanding the audit reports.		
12.	Attend government only meetings on matters of interest to DCAA; brief FAOs as appropriate.		
13.	After FAO coordination, advise procurement officials on offerors' past performance with regard to cost and financial issues.		
		8.	Help prepare clarification and/or discussion questions on areas of the cost proposal that are unclear, incomplete, unsupported, or in error.
		9.	Prepare or populate spreadsheets/financial models to evaluate amounts.
		10.	Compute impact of cost team adjustments.
		11.	Help develop the price evaluation board (PEB) report covering cost realism, reasonableness, completeness, and degree of risk within each offeror's proposal.
		12.	Participate in discussions with offerors to ensure understanding of cost/price discussion questions, resolve misunderstandings and identify proposal weaknesses or deficiencies.
		13.	Help review revised proposals for each round of discussions.
		14.	Help prepare interim cost team briefing to the Source Selection Authority.
		15.	Help evaluate offerors' past performance regarding cost issues. Per CAM 15.305.9d, FLA duties do not include performing audits or evaluations of offerors' books and records.
		16.	Use offeror performance/price history and inherent risk in pricing methodologies to evaluate risk of price fluctuation.
	<u>Award Phase:</u>		<u>Award Phase:</u>
		17.	Assist in preparation of price competition memo documenting price analysis and risk inherent in offerors' cost models.
		18.	Assist with presentations and/or present cost team briefings to Source Selection Authority and Source Selection Advisory Councils.
		19.	Assist command in explaining how offerors can make possible improvements on future submissions.
		20.	Attend and assist with offeror debriefings.
		21.	Provide price evaluation report to losing offerors during debriefings.

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	<u>FLA MAY DO (ADVISE)</u>			<u>FLA MAY NOT DO (PREPARE)</u>
14.	Coordinate FAO support to procurement officials in their preparation of responses to bid protests related to audit findings. (CAM 1-406.3)			
15.	Attend lessons learned conferences where no offerors are present after award of contract, i.e. items related to “Section L - Instructions, Conditions and Notices to Bidders” and “Section M Evaluation Factors for Award” timelines allowing for audits, audit support or lack of audit support			
16.	Attend Acquisition Review Board meetings after award. The meetings provide contract information that FLAs can provide to the FAOs			