



**DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219**

IN REPLY REFER TO

OTS 730.5

July 28, 2008
08-OTS-049(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA**

SUBJECT: Effecting Cost Suspensions and Disallowance on Cost Reimbursement Contracts for Direct Bill Authorized Contractors Using Wide Area Workflow

This memorandum provides supplemental guidance for effecting suspension and disallowance of costs under cost reimbursement contracts for direct bill authorized contractor cost vouchers submitted using the DoD Wide Area WorkFlow (WAWF) - Receipts and Acceptance system. This guidance will be incorporated into the appropriate sections of CAM 6-1007 - Direct Submission of Interim Public Vouchers to Disbursing Offices (Direct Billing). This guidance only applies to contractor cost vouchers submitted in WAWF (excluding final vouchers).

The WAWF routes direct bill authorized cost vouchers directly to the paying office, and does not provide for auditor adjustments to these direct billed cost vouchers. Auditors as Cost Voucher Approvers can only effect Form 1 adjustments on WAWF submitted cost vouchers for Contractors that are "Not Authorized to Direct Bill." Accordingly, when it is necessary to effect Form 1 adjustments to vouchers submitted by contractors that are currently direct bill authorized, the direct billing status must be rescinded in WAWF.

Existing CAM guidance on rescinding direct bill authority is found at CAM 6-1007.7. This guidance requires written notification to the contractor and notice to the ACO and disbursement offices within 24 hours using fax or e-mail. This memorandum supplements that guidance to provide procedures necessary to effect a rescission of direct billing authority for contractors submitting electronic vouchers in WAWF. Limitations in WAWF do not allow for billing status to be set at a contract by contract level, rather it is established by CAGE code for each contractor. The outcome is an environment where all cost vouchers submitted by the identified CAGE code are either all direct bill authorized or no cost vouchers are direct bill authorized.

This guidance clarifies the process for effecting Form 1 adjustments in WAWF for contractors that are authorized to direct bill. In addition, we are implementing a new process applicable to only direct bill authorized contractors in WAWF that allows for a temporary administrative rescission of direct bill authority while Form 1 adjustments are being made on cost vouchers. This temporary process is applicable in situations where the auditor may need to effect Form 1 adjustment – but does not need to rescind direct billing authority on a long term basis. This new procedure takes advantage of the WAWF processing cycle and will minimize the impact on the voucher process. These new procedures are detailed in the Enclosure to this memorandum.

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Each Region has established a minimum of one Electronic Business (EB-POC) position. These EB-POCs are responsible for deploying and administering the DoD-wide electronic systems, such as WAWF and EDA. If you have a comment or question on this process you should contact your cognizant EB-POC.

Any questions regarding this memorandum may be addressed to the Technical Audit Services Division at (703) 767-2238.

/s/

Karen K. Cash
Assistant Director
Operations

Enclosure (a/s)

DISTRIBUTION: C

Process for Effecting Cost Suspensions and Disallowance on Cost Reimbursement Contracts for Direct Bill Authorized Contractors Using Wide Area Workflow (WAWF)

When auditors need to effect adjustments on public vouchers to suspend and/or disallow costs on cost vouchers in WAWF they will encounter two categories of contractors. A contractor will either be "Authorized to Direct Bill" or "Not Authorized to Direct Bill." This authorization determines whether a contractor's interim public voucher will flow directly to a DoD disbursing office or to the auditor for electronic approval. WAWF effects this determination at the Commercial and Government Entity (CAGE) code (contractor) level rather than at the contract level. A CAGE code is either authorized to direct bill on all vouchers or none. This designation is used by WAWF to establish the routing of a voucher once submitted by the contractor.

An authorization control for electronic vouchers in WAWF requires DCAA to provide a daily upload of CAGE codes that are authorized to direct bill as controlled by the CAGE Code Table in DMIS. For a contractor's cost voucher to flow directly to a DoD payment disbursement office, the CAGE must be coded as "B - Eligible contractor submitting vouchers." The WAWF process, unlike hardcopy vouchers, relies on the DMIS electronic upload data and does not use the written authorization letters as defined in CAM 6-1007. Cost reimbursement vouchers submitted in WAWF will be processed in accordance with the current direct bill authorization status.

- Authorized to Direct Bill. A voucher submitted by a contractor with a CAGE code that is designated as authorized to direct bill will process directly to the payment office for action. The voucher will be labeled as Direct Bill in WAWF. The auditor (DCAA Cost Voucher Approver/Reviewer) is not in the workflow for approval action in WAWF. The auditor may view the voucher in the WAWF history folder; however the auditor will be unable to take any action on the voucher.
- Not Authorized to Direct Bill. When a contractor is identified as Not Authorized to Direct Bill in WAWF, any cost voucher submitted will route to the auditor for provisional approval. The auditor will need to access WAWF and take an action on the voucher to provisionally approve, effect cost adjustments (suspend or disallow) to the voucher, or reject the voucher as appropriate. The voucher will then flow to the disbursement office or back to the contractor for action.

The auditor will not be able to make an adjustment to cost vouchers (in WAWF) submitted by direct bill authorized contractors unless the contractor's status in WAWF is first changed to reflect that the contractor's CAGE is Not Authorized to Direct Bill. The "Direct Billing Initiative Code" for the contractor CAGE in the DMIS Contractor screen should be set to "D – Ineligible contractor – billing system deficiencies/criteria."

This new process is applicable to only direct bill authorized contractors in WAWF for which a DCAA Form 1 must be processed. It is simply an administrative process to temporarily remove direct bill authority in order to route cost vouchers to DCAA for processing. This new procedure takes advantage of the WAWF processing cycle and will minimize the impact to both the contractor and the government when Form 1 adjustments are being made. Auditors should follow the following procedures to effect Form 1 adjustments on cost vouchers:

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1. Coordinate with the Contractor (follow CAM 6-900 guidance). Request the contractor to voluntarily adjust vouchers – and not to bill the cost element in question (no audit action will be necessary to recoup the questioned amount as the contractor has not been reimbursed for it.). If the Contractor declines to voluntarily adjust costs; the Form 1(s) must be effected against impacted cost type contract billings (single, several, or all contracts) as appropriate. The auditor will encounter contractors that submit cost vouchers in various ways; which may include hardcopy SF1034/1035, WAWF or other electronic methods. The auditor will need a clear understanding of the contractor’s billing process and utilize the appropriate withhold method based on the method used on the contract(s) that need the Form 1 suspension or disallowed cost adjustment.

2. Determine if the contractor submits vouchers in WAWF.

- If not, follow CAM 6-907 – Deductions on Public Vouchers for Suspensions and Disapprovals as appropriate for the contractor's billing methods used.
- If yes, proceed to step 3.

3. Determine Contractor's WAWF Direct Bill Authorization status. If the contractor is not authorized to direct bill, the auditor needs to login to WAWF and effect the Form 1 adjustment on current interim cost vouchers and electronically attach the supporting Form 1. The auditor must enter the voucher adjustments - Suspended and Disallowed amounts in the appropriate input fields as shown below.

ALL OTHERS	MOCAS
<input type="checkbox"/> Recommend <u>P</u> rovisional Payment <input type="checkbox"/> Recommend <u>C</u> ost Suspension or Disallowance <u>S</u> suspended \$ <input style="width: 100px;" type="text"/> <u>D</u> isallowed \$ <input style="width: 100px;" type="text"/> <u>N</u> et Amount Approved \$ <input style="width: 100px;" type="text"/> <input type="checkbox"/> Recommend <u>R</u> ejection <div align="right"><input type="button" value="Submit"/></div>	<input type="checkbox"/> Recommend <u>P</u> rovisional Payment <input type="checkbox"/> Recommend <u>C</u> ost Suspension or Disallowance <u>D</u> isallowed \$ <input style="width: 100px;" type="text"/> <u>N</u> et Amount Approved \$ <input style="width: 100px;" type="text"/> <input type="checkbox"/> Recommend <u>R</u> ejection <div align="right"><input type="button" value="Submit"/></div>

If the contract is processed under the MOCAS entitlement system (i.e., only Disallowed is visible), then the auditor should combine the net adjustment (disallowed + suspended) into a single amount and enter this into the Disallowed field. In this situation, the auditor must include comments that separately identify amounts disallowed and suspended in the “Miscellaneous” section of the cost voucher.

4. If the contractor is eligible to direct bill, determine if the contractor's WAWF direct bill authority needs to be rescinded on a long term basis because of significant issues or administratively withdrawn to temporarily allow for voucher adjustment(s).

5. If Direct Bill authority is rescinded long term – follow current CAM 6-1007.7 procedures to rescind direct bill authority which require:

- Issue written notifications to contractor, ACO, and payment offices
- Update the DMIS CAGE code table to reflect the appropriate Direct Billing Initiative code

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- Make the necessary adjustments to vouchers considering CAM 6-907 – Deductions on Public Vouchers for Suspensions and Disapprovals.
- Login to WAWF and process the vouchers as explained in step 3 above. Note that contractors who are not direct bill approved must include supporting SF1035 type data as an attachment to the WAWF electronic Voucher. Vouchers submitted that are missing this information must be rejected as incomplete.

6. When Direct Bill authority only needs to be removed temporarily to effect the Form 1 adjustments; the auditor can administratively withdraw WAWF direct bill authorization. The status in WAWF can then be returned to direct bill authorized after the Form 1 adjustment(s) are made to the appropriate vouchers. Discuss with contractor and coordinate the planned dates for a change in direct billing status. If the specific vouchers to be adjusted are limited, the contractor may agree to process only these vouchers outside of a normal billing cycle to limit impact on all other vouchers when the direct bill status is temporarily rescinded. If the contractor is not willing or unable to bill out of cycle, then all cost vouchers submitted during the period when direct bill authority is temporarily rescinded will require individual approval by the auditor as the Cost Voucher Approver in WAWF.

SPECIAL REQUIREMENT: This administrative process can be used only when one of the conditions identified below is met:

- a. The contractor processes all DoD cost vouchers through WAWF - no other methods are used.
- b. The specific contract or contracts the auditor has targeted to adjust are all processed through WAWF - no other method is used.

This administrative process will require a minimum of 3 business days to accommodate WAWF processing cycles. The actual time period depends on the level of contractor cooperation as well as the volume of vouchers that may need to be processed during this period. This is a 3-cycle process.

Cycle 1. Auditor temporarily changes the contractor's direct billing CAGE code status to “D – Ineligible contractor – billing system deficiencies/criteria” in the DMIS – Cage Code Table. This update must be completed prior to 4:00 PM EST, when Headquarters initiates the process to populate the list of CAGE codes approved to direct bill. WAWF will access the DCAA DMIS data overnight and the changed status will be reflected in WAWF the next morning. Since WAWF only processes the direct bill CAGE table once a day, this cycle time needs to be considered as a critical factor in this process. If this is only a temporary change to the contractor's direct billing status in WAWF and the contractor only bills using WAWF, the auditor does not need to issue the formal notifications per CAM 6-1007 - Rescinding the Authority to Direct Bill.

Cycle 2. Verify that the contractor's CAGE code status in WAWF has now changed and is shown as "Not Authorized to Direct Bill". This can be verified as follows:

- Log into WAWF

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- Scroll down left side until and select Direct Bill Authority Look Up.
- Enter the Contractor's CAGE Code in the query block
- WAWF will return with the current Direct Bill status for that CAGE code

Any contractor submitted vouchers in WAWF during the Not Authorized to Direct Bill status will be designated as an Interim Cost Voucher. If the contractor has agreed to submit specific vouchers out of a normal billing cycle – they should submit them during this period. The auditor will need to access WAWF and individually approve or make cost adjustments to all affected cost vouchers submitted during this period. The contractor's CAGE code status must continue to reflect a Not Authorized to Direct Bill status in WAWF as well as in DMIS until such time the auditor has completed all the necessary voucher adjustments. In addition, while we are only temporarily removing the contractor's authority to direct bill in WAWF, the contractor would not be required to include as an attachment the supporting documentation (SF1035 type data) as part of its voucher in WAWF during this period. However, the contractor must still make supporting data available upon request in accordance with the provisions for direct bill approval, given the removal from direct billing is only temporary.

Cycle 3. Once the affected vouchers have all been adjusted in WAWF, the auditor should again update the DMIS CAGE Code Table and restore the contractor's CAGE code status "B". This change must also be completed by 4:00 PM EST so that it will be reflected as such in WAWF starting the next business day. Contractor vouchers submitted after this point will process as direct bill authorized and as such will not require individual provisional approval. Auditors should access WAWF the next morning to verify the contractor's status has returned to direct bill authorized.