



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

IN REPLY REFER TO

OWD 720.9.A.2.1

May 22, 2012  
12-OWD-021(R)

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

SUBJECT: Audit Management Guidance on Time Charging for Incurred Cost Adequacy Reviews

Effective with the issuance of this MRD, FAOs should discontinue charging time for incurred cost adequacy reviews to activity code 4xxxx assignments. Hours should be recorded within the 101xx incurred cost series. The purpose is to have a more consistent approach across the Agency.

There are three acceptable methods. The preferred method is to record the hours for adequacy review on the 10100 incurred cost assignment for the contractor fiscal year. The assignment must be in an open (not inventory) status in order to charge hours.

Second, the hours can be charged to a 10160 assignment set up to accumulate the hours for adequacy review for a specific contractor's proposal. The associated 10100 assignment must be in an open (not inventory) status. This approach may be appropriate for major contractors which expect to incur a significant number of hours on the adequacy review where the FAO typically divides the audit into individual packages. It may also be appropriate for a contractor that has non-DoD contracts where the reimbursing agency will not provide funding until the audit is ready to begin. The 10160 adequacy review assignment can be set up as non-reimbursable.

The third method is to set up a blanket 10100 assignment for an FAO, then establish an associated 10160 assignment to accumulate the hours for the adequacy review of multiple incurred cost proposals. The 10100 assignment should then be cancelled without recording any hours. The rationale for this approach is that the 10100 assignment is not an actual contractor fiscal year, but DMIS will not allow an FAO to set up a 10160 assignment without associating it with a 10100 assignment. At the end of the fiscal year, the FAO should close the 10160 assignment with an "N" for No Report Issued because the adequacy review is a non-audit service and the assignment was completed. The FAO should prepare a Memorandum for Record documenting the non-audit service performed.

OWD 720.9.A.2.1

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Any questions regarding this memorandum should be directed to the Workload Analysis Division, at (703) 767-2238.

/s/

Thomas J. Peters

Assistant Director, Operations

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