DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PPS 730.4.A.4 February 23, 2012
12-PPS-005(R)

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

SUBJECT: Audit Guidance on Agreed-to Dates Performance Measure for Forward Pricing Audits

Effective immediately, we are revising our practices to require an agreed-to due date be established and entered into DMIS for all forward pricing assignments (see activity codes below). We also are implementing a new performance measure to assess our progress in meeting agreed-to dates that audit teams establish. Our forward pricing audits play a critical role in the procurement process and failing to provide, as promised, could compromise the negotiation schedule or result in our valuable audit effort not being used to assist in the negotiation of a fair and reasonable price. This performance measure will help DCAA to continually improve our services and processes.

Adequate planning is an essential component of a quality audit and assists the audit team in managing the workflow and increases the likelihood a quality audit will be completed by the agreed-to date. A good plan includes detailed tasks, team roles and responsibilities, and a realistic completion date. Realistic completion dates should be established by the audit team based on the risk assessment and audit scope as well as consideration of the Contracting Officer's needs. In establishing the due date, the audit team should allow for the necessary reviews for report issuance and other considerations, such as experience of the auditor, scheduled leave and holidays. After considering these factors, the audit team should coordinate with the requestor to establish a mutually agreed-to date. If a wide disparity exists between the contracting team deadline and the amount of time the audit team needs to perform the work, the audit team needs to discuss with the requestor this disconnect in expectations immediately. The audit team should explain clearly to the requester the value of the audit procedures that need to be performed to properly address the risks. If an agreed-to date cannot be reached, auditors should elevate the concerns through the chain of command.

After committing to a due date, everyone involved in the audit needs to make every effort to ensure that we provide the audit on or before the due date. The auditor should provide the completed work paper package for review with sufficient time to allow for completion of the necessary reviews. Independent reference, supervisory and other management reviews should be completed in a timely manner to ensure that we meet the scheduled due date.

A best practice for establishing agreed-to dates and for properly planning and executing a timely audit is through the use of milestone plans. Milestone plans are intended to be a useful audit management tool that assists the audit team in successfully accomplishing its audit by the

agreed-to due date. Milestone plans provide a visual document to manage work flow and assist in meeting common objectives. A well-developed milestone plan will allow the audit team to recognize when established due dates are no longer achievable or when increased staffing is required to meet the due date. MRD 12-PPS-001(R), dated January 25, 2012, provides guidance on the development and use of a milestone plan.

Occasionally, unforeseen circumstances preclude us from meeting the original due date. In these instances, it is imperative that we discuss the reasons for the delay with the requestor and solicit their assistance, as necessary. As currently required by CAM 4-105b, continuous communication with the requestor must take place throughout the audit process. The auditor or supervisor should call the requestor as soon as he or she knows the due date cannot be met. In addition, buying commands have noted that the written confirmation serves no real value; therefore, we are eliminating the current requirement on issuing extension letters. As required by CAM 4-105d, documentation of this continuous communication must be maintained in the working papers.

Headquarters is in the process of pushing down a new version of DMIS (5.1), which will contain both a risk assessment due date and an original due date field on the setup tab for activity codes 21000, 22000, 23000, 27000, 27010, 28000 and 28500 (in the future, we will look at expanding this to other five-digit activity codes). The original due date should be entered once the risk assessment is complete and a due date is agreed to with the requestor. Once a date is entered in the original due date field and the record is updated, the original due date cannot be changed.

Once DMIS contains sufficient data, the Agency will measure the percentage of time the Agency met our original agreed-to due date. DCAA will analyze the data to determine why dates are being met – that is, identifying best practices like milestone plans – or, identifying why dates are not being met – such as delays in obtaining contractor information. This will allow management the visibility needed to identify concerns and address the underlying issues to implement process improvements.

FAO personnel should direct questions to their regional points of contact, and regional personnel with questions should contact Policy Publications and Systems Division at (703) 767-3274 or by e-mail at DCAA-PPS@dcaa.mil.

/Signed/
Kenneth J. Saccoccia
Assistant Director
Policy and Plans

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