

## Master Document – Audit Program

<b>Activity Code 15400</b>		<b>Evaluation of Final Vouchers</b>
<b>Version 3.2, dated April 2010</b>		
<b>B-1</b>	<b>Planning Considerations</b>	
<b>Purpose and Scope</b>		
<p>1. To provide a standard program for performing an evaluation of a final voucher to determine the costs and fee (or profit) payable for closing of cost reimbursement, labor hour, T&amp;M and FPI contracts/subcontracts.</p>		
<p>2. This program is based upon the assumption that the final voucher has been prepared based on:</p> <ul style="list-style-type: none"> <li>• all costs incurred on the (sub)contract to be closed have been audited and cost issues finalized, or</li> <li>• all costs incurred on the (sub)contract to be closed have <b>not</b> been audited and/or settled and the contracting officer has determined that the contract meets the eligibility criteria in FAR 42.708, Quick-closeout procedures, or</li> <li>• all costs incurred on the (sub)contract to be closed have <b>not</b> been audited and/or settled; however, the contracting officer has determined to use a FAR 42.708 deviation to close the contract (e.g., DCMA’s Quick Closeout Class Deviation). The DCMA Quick Closeout Deviation waives the FAR 42.708 thresholds by authorizing contracting officers to close specific contracts prior to the establishment of final indirect cost rates, regardless of dollar value or percent of unsettled indirect costs as long as DCAA has completed the applicable incurred cost audits.</li> </ul>		
<p>3. If a complete Cumulative Allowable Cost Worksheet (CACWS) has been prepared, which includes this contract and covers the entire period of (sub)contract performance, coordinate with the contracting officer on the need for an evaluation of the final voucher. If it is determined that an evaluation is not necessary, forward the CACWS and closing documents to the ACO by transmittal memorandum. Discontinue any further effort unless specifically requested by the ACO.</p>		
<b>References</b>		
<p>1. CAM 10-900 - Audit Reports on Contract Audit Closing Statements, Other Contract Closings, and Price Redeterminations.</p>		
<p>2. CAM 6-1009 - Processing of Completion Vouchers</p>		

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3. CAM 6-1010 – Quick Closeout Procedures
4. FAR 52.216-7 – Allowable Cost and Payment
5. FAR 42.708 – Quick Closeout Procedures

B-1	Preliminary Steps	WP Reference
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1.	Perform the following steps to determine if the closing documents are properly prepared (if not properly prepared, return the final voucher to the contractor and notify the ACO in a memorandum):	
a.	SF 1034 is marked as “Final”.	
b.	Final voucher cumulative amount is consistent with the amount on the release document.	
c.	The amount on the SF 1034 is supported by the SF 1035 and that the SF 1035 contains allowable amounts by FY.	
2.	Check the permanent file for the following conditions which, if applicable, must be discussed with the contracting officer. Consider recommending that the contracting officer postpone closing the contract until the issues are resolved.  a. Any unresolved CAS noncompliance issues or accounting practice changes affecting this (sub)contract.  b. Any unsettled disallowances, outstanding subcontract legal actions, open insurance claims, defective pricing issues, ASBCA cases, or other unresolved items affecting this (sub)contract.	
3.	If the contracting officer intends to use FAR 42.708, Quick closeout procedures, ensure that the contracting officer has either determined that the contract meets the eligibility criteria in FAR 42.708, or has waived the eligibility criteria at FAR 42.708 using a class deviation (e.g., DCMA’s Quick Closeout Class Deviation).	
a.	Auditors must obtain a copy of the agreement (or other document) between the Government and the contractor that documents 1) the contracting officer’s determination of either FAR 42.708 eligibility or waiver from the eligibility criteria, and 2) the negotiated quick closeout rates to be used. If no such agreement exists, the auditor should discontinue any further effort, return the final voucher to the contractor, and notify the ACO in a memorandum.	
b.	If the criteria at FAR 42.708 is waived using a class deviation, auditors need to ensure that the contract meets the requirements for a waiver set forth in the deviation (e.g., DCMA’s deviation requires that DCAA audits be complete for all years involved). If	

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the criteria for the waiver is not met, the auditor should discontinue any further effort, return the final voucher to the contractor, and notify the ACO in a memorandum.	
4. Determine if all applicable assist audits have been performed. If required subcontract assist audits covering the entire period of subcontract period of performance are not completed, discontinue any further effort, return the final voucher to the contractor and notify the ACO in a memorandum, unless using quick-closeout procedures.	
5. If the original copy of the final voucher and accompanying documents are provided directly to DCAA, promptly submit them to the ACO. This will permit the ACO to expedite settlement procedures.	
6. Review the contract brief or copy of the contract and latest modifications. Document any special provisions (e.g., indirect rate ceilings, LOE hours, labor categories, contract limitations, FCCOM or profit/fee provisions) and add any additional steps to test compliance with these provisions, if not already covered in the detailed steps.	
7. Conduct an entrance conference with responsible contractor personnel, if possible.	

<b>C-1</b>	<b>Detailed Steps</b>	<b>WP Reference</b>
<b>Version 3.2, dated April 2010</b>		
1.	For fiscal years where audits are complete and settled: <ul style="list-style-type: none"> <li>a. Reconcile the claimed direct costs by year to annual audit files or audited contractor records and verify that questioned direct costs have been excluded from the final voucher.</li> <li>b. Verify that subcontract amounts claimed under the prime contract do not exceed amounts in the assist audit reports or subcontractor cumulative allowable cost worksheets.</li> <li>c. Verify that the lesser of the final indirect rates or contract ceiling rates have been applied to appropriate bases.</li> </ul>	
2.	If FAR 42.708, Quick closeout procedures are being utilized, perform these additional steps for the fiscal years where the costs have not been settled: <ul style="list-style-type: none"> <li>a. For fiscal years where both audits and settlements are not complete:               <ul style="list-style-type: none"> <li>(1) Reconcile the claimed direct labor, material, and other direct costs to contractor year-end records and document the specific records used).</li> <li>(2) For a T&amp;M Contract:</li> </ul> </li> </ul>	

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<p>a) Reconcile the claimed labor hours by labor category to the lesser of labor hours in the contractor year-end records (be sure to document the specific records used) or contractual limits.</p> <p>b) Reconcile claimed labor rates by labor category to labor rates in the contract brief or contract and latest modification.</p>	
<p>b. If audits are complete but years are not settled, reconcile claimed direct labor, material, and other costs by year to annual audit files or audited contractor records and verify that questioned direct costs have been excluded from the final voucher.</p>	
<p>c. Verify that the negotiated quick closeout indirect rates have been applied to appropriate bases.</p>	
<p>Steps 3 through 8 should be performed, if applicable, for all evaluations regardless of whether quick closeout procedures are used.</p>	
<p>3. Perform a math check of the computations in the final voucher and note any math errors.</p>	
<p>4. Compare the period of performance per the contract brief or contract and latest modification to the period of performance claimed per the final voucher, and note any amounts claimed outside the contract period of performance.</p>	
<p>5. For cost sharing contracts, determine if the claimed cost sharing reduction has been calculated in accordance with the contract cost sharing provisions.</p>	
<p>6. Determine that the total fee billed has been calculated in accordance with contractual fee provisions (i.e., fixed fee, award fee, incentive fee).</p>	
<p>7. For contracts with Level of Effort (LOE) clauses, determine if labor hours by category meet the required LOE per the contract and latest modifications. If the LOE requirements are not met, the memo will note that the fee requires adjustment.</p>	
<p>8. Verify that the total amount claimed does not exceed the lesser of the total allowable cost (based on the steps performed above) and fee or funding limitation per the contract brief or contract and latest modification.</p>	

A-1	Concluding Steps	WP Reference
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1.	Prepare summary of the final voucher evaluation results by cost element for supervisory review.	

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2. Prepare the draft memorandum to the ACO to report the final voucher costs and fee (profit) payable for closing the contract.	
3. If the final voucher reflects an over-recovery of costs, either:	
a. Request a copy of the check that refunded the overpayment; or	
b. Request that a check and a copy of the final voucher be furnished directly to the Paying Office.	
4. Conduct an exit conference and provide the findings to the contractor.	
5. Update permanent file.	