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

IN REPLY REFER TO

PPD 730.5.50.1 December 9, 2002
02-PPD-089(R)

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

SUBJECT: Audit Guidance on FY 2003 Strategic Plan Objective G2 – 01 – 3, Completion of DCMA Identified Incurred Cost Audits

Summary

This memorandum provides audit guidance on the FY 2003 MOCAS Priority audits and informs you of DCMA's renewed interest in our concurrent auditing program. FAOs should complete the DMIS coding of their FY 2003 MOCAS Priority audits by December 31, 2002.

Background

The reduction of overage contracts remains a continuing priority for the Department of Defense. To assist DCMA in reducing the backlog of overage contracts, DCAA established Strategic Plan Objective G2 – 01 – 3. This Objective states:

> *By FY 2002, 2003 and 2004, Complete The Incurred Cost Audits Identified By DCMA As Necessary To Accomplish DCMA Performance Goal 1.7.3 Of Reducing The Quantity Of Overage Contracts.*

Incurred cost audits identified under this objective are referred to as MOCAS Priority audits. The timely completion of MOCAS Priority audits is an important step in assisting the ACO in closing out overage contracts. Audit guidance to assist FAOs in identifying and planning their FY 2003 MOCAS Priority incurred cost audits was provided in MRD 01-OWD-042(NR), Fiscal Year 2003 Planning and Staff Allocation Document (PSAD), dated July 25, 2002. The MOCAS Priority planning guidance in the PSAD directed FAOs to coordinate with their respective DCMA Contract Management Offices (CMOs) and ACOs to specifically identify the audits that are MOCAS Priorities for FY 2003.

PPD 730.5.50.1 02-PPD-089(R) December 9, 2002

SUBJECT: Audit Guidance on FY 2003 Strategic Plan Objective G2 – 01 – 3, Completion of DCMA Identified Incurred Cost Audits

Guidance

All identified MOCAS Priority audits of contractor fiscal years where we have received adequate submissions by December 31, 2002 need to be completed by September 30, 2003. Maximum FAO efforts are required to also complete audits of identified MOCAS Priority years when submissions are received after that date. FAOs need to effectively manage their MOCAS Priority audits in order to ensure that they are successfully completed and not carried over to a future fiscal year. The MOCAS Priority audits need to be completed even if they were not originally programmed. Subsequent changes need to be coordinated with the ACO. The following guidance is provided to assist FAOs in the planning and performance of their FY 2003 MOCAS Priority audits:

- **Meet with the CMO and ACOs to specifically identify their FY 2003 MOCAS Priority Audits.** The guidance provided in the PSAD instructed FAOs to meet with their respective CMOs during the program planning process and have the ACO specifically identify their FY 2003 MOCAS priority incurred cost audits. If not already accomplished, FAOs need to complete this step and enter their MOCAS Priority codes in DMIS. The following criteria may be used in meetings with the ACOs to help identify the FY 2003 MOCAS Priority audits:

    - Contractors with contract funds due to cancel in FY 2003,
    - Contractors with contracts expected to be overage by the end of FY 2003, or
    - Contractors with unique circumstances necessitating the completion of the audit in FY 2003 (e.g., contractor going out of business).

- **DMIS Coding of MOCAS Priority Audits.** MOCAS Priority codes for FY 2003 should be entered into DMIS by December 31, 2002. The DMIS MOCAS Priority field name (ASN_MOCAS_PRIORITY_CD), is required for activity codes 10100 or 10110. FAOs should select MOCAS Priority code Yes (Y) for those audits identified by the ACO for completion in FY 2003.

- **Strategic Plan Objective G2 – 01 – 3 Performance Metric Baseline.** The FY 2003 metric that will be used for measuring performance under this objective is the percentage of audits completed in FY 2003 from the universe of DCAA/DCMA jointly identified incurred cost audits. The FY 2003 performance metric baseline will be established using the number of MOCAS Priority assignments with an adequate incurred cost proposal as of December 31, 2002. This baseline will be used for monitoring progress during the fiscal year and evaluating performance at year end. Assignments for which an adequate proposal is received after December 31, 2002 will not be included in the baseline but should be coded as a MOCAS Priority assignment and continue to be targeted for completion by fiscal year end. Completion of these assignments will count toward accomplishment of the goal (thus allowing for potential completion of more than 100% of

the goal). FAOs should continually keep the ACO apprised (at least quarterly), as to their progress in meeting their MOCAS Priority goals.

- **FY 2003 MOCAS Priority DMIS Assignment Due Date.** FY 2003 MOCAS Priority assignments should have an assignment due date in FY 2003. If the ACO does not need the audit in FY 2003, the audit should not be identified in DMIS as a FY 2003 MOCAS Priority. **A due date should be entered for all MOCAS Priority assignments even if an adequate proposal has not been received.**

- **MOCAS Priority Audits with Overdue Incurred Cost Proposals.** For identified MOCAS Priority assignments with an incurred cost proposal overdue six months or more where the contractor has not received an extension from the contracting officer, FAOs should follow the procedures for developing unilateral rate recommendations as discussed in MRD 02-PPD-049(R), *Audit Guidance on Procedures for Developing Unilateral Recommendations for Contracting Officers* dated June 17, 2002.

- **DMIS Strategic Plan Reports for Monitoring the Completion of MOCAS Priority Audits.** There are two DMIS Impromptu reports which are specifically intended to assist FAOs and regions in monitoring the status of their MOCAS Priority assignments. Following are explanations of these reports:

  - **StratPlan 3 - MOCAS Priority Status by FAO – Summary Strategic Plan Objective Under Goal 2:** This report shows the summary status of the MOCAS Priority assignments currently open, planned, in inventory, or closed within the current fiscal year. The count of assignments is shown by quarter within the current fiscal year based on the revised due date. Shown below is an example of this report with additional explanations for selected fields:

Defense Contract Audit Agency
Management Information System

FY **MOCAS Priority Status by FAO and Revised Due Date**
Strategic Plan Objective Under Goal 2
02 Northeastern
As of: 11/22/2002

Date: 11/22/2002
Page 2

Office	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Future FY			No Due Date			Total		Total %Compl.
	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	
02 Northeastern																					
RAM A																					
02171 Boston BO	2	1	50%							1	0	0%							3	1	33%

- **Future Fiscal Year**: This field lists the number of assignments with a revised due date in a future fiscal year. The MOCAS Priority audits should have a FY 2003 due date, therefore these columns should be blank. FAOs should review assignments listed in this column and either: (1) revise the due date to reflect an

estimated completion in FY 2003 or, (2) coordinate with the ACO and if the ACO does not need the audit in FY 2003 revise the MOCAS Priority field to No (N).

Defense Contract Audit Agency
Management Information System

FY MOCAS Priority Status by FAO and Revised Due Date
Strategic Plan Objective Under Goal 2
02 Northeastern
As of: 11/22/2002

Date: 11/22/2002
Page 2

Office	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Future FY			No Due Date			Total		Total %Compl
	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	%Compl	Due	Compl	
02 Northeastern																					
RAM A																					
02171 Boston BO	2	1	50%							1	0	0%							3	1	33%

- **No Due Date:** This field lists the number of assignments without a due date. All MOCAS Priority assignments should have a FY 2003 due date even if an adequate proposal has not been received, therefore these columns should be blank. FAOs should review any assignment listed in this column and enter an estimated due date. An estimated due date should be entered for assignments without an adequate proposal based on when the FAO anticipates receiving the proposal, and completing the audit within FY 2003.

- **StratPlan 3a - MOCAS Priority Status by FAO – Detail Strategic Plan Objective Under Goal 2:** This report displays assignment level detail for MOCAS Priority assignments currently open, planned, in inventory, or closed. It is designed to assist FAOs in monitoring the status of their MOCAS Priority audits. An example of this report is shown below:

Defense Contract Audit Agency
Management Information System

FY MOCAS Priority Status by FAO -
Strategic Plan Objective Under Goal 2
User Class: Agency
As of 11/25/2002
Drill Through Filter:

Date: 11/25/2002
Page 1

Office	Due Date Quarter	Assign No.	Assignment Description	Contractor Name	CAGE Code	Revised Due Date	Assn Status	Dispo Date	Ic Prop Status	Ic Prop Rec Date
01 Eastern										
RAM A										
01201 Huntsville BO	1st Quarter	1998L10100012	CFY 1998 I/C - INFINITY TECHNOLOGY	INFINITY TECHNOLOGY INC	0SYZ9	11/29/2002	OP		A	12/14/2000

These reports should be shared with the ACO as part of the quarterly status update. Headquarters is currently reviewing the format of the reports and obtaining regional feedback and suggestions for ways to enhance their usefulness. A complete description of these reports with detailed explanations of the data elements can be obtained by accessing the DMIS User Guide at https://mismanual.dcaaintra.mil/ and clicking on Reports under the Output section and then clicking on Strategic Plan reports.

Concurrent Auditing

In conjunction with the Department of Defense's continuing emphasis on expedited contract closeout, DCMA Headquarters has expressed renewed interest in pursuing opportunities to employ their 'real time rates' initiative, which is consistent with our concurrent auditing techniques. FAOs are encouraged to continue to explore the use of concurrent auditing in accordance with CAM 6-107, wherever practicable. Should the FAO be approached by the local CMO to implement concurrent auditing at a particular contractor location, FAOs should make every effort to accommodate them. In cases where the contractor does not meet the criteria outlined in CAM 6-107.1, auditors should identify the deficiencies and explain to the ACO what actions that need to be taken before we can apply concurrent auditing techniques.

Concluding Remarks

Regional offices provided valuable feedback on ways to improve the monitoring and status reporting of MOCAS Priority audits. We encourage FAOs and regions to continue to provide suggestions on ways to improve the process. FAOs with questions regarding this memorandum should contact their regional offices. Regions with questions should contact Mr. David G. Fleming, Program Manager, Policy Programs Division at (703) 767-2270, fax at (703) 767-3258, or e-mail dcaa-ppd@dcaa.mil.

/Signed/
Robert DiMucci
Assistant Director
Policy and Plans

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