

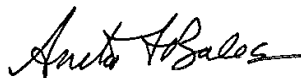
DCAA CONTRACT AUDIT MANUAL

FOREWORD

The DCAA Contract Audit Manual (DCAA Manual 7640.1) is an official publication of the Defense Contract Audit Agency (DCAA). It prescribes auditing policies and procedures and furnishes guidance in auditing techniques for personnel engaged in the performance of the DCAA mission.

All DCAA supervisory personnel should promote the study and use of the manual by their audit staffs. Further, all DCAA personnel are encouraged to submit recommendations for constructive changes or improvement to the manual.

The manual is designed to minimize the necessity of referring to other publications for technical and procedural guidance; therefore, technical supplemental guidance or instructions will not be issued by regional offices except as specifically authorized by the Director, DCAA.



Anita F. Bales
Director

Chapter 00

Introduction to the Contract Audit Manual

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0-001 Introduction **

Introductory material is presented in this section, along with an explanation of certain terms and abbreviations used frequently in this manual.

0-002 Purpose and Applicability of the Manual **

a. This manual is issued to provide technical audit guidance, audit techniques, audit standards, and technical policies and procedures to be followed by DCAA personnel in the execution of the contract audit mission (see also 0-006). The material in this manual is instructive. Reference to this manual should not be made in audit reports or correspondence addressed to offices other than those of DCAA.

b. The procedural and audit guidance in the manual is applicable to the audit of all types of contracts. The auditor, however, must use professional judgment in (1) selecting the procedures and techniques best suited to the audit objectives, and (2) determining the scope of the audit in each instance.

0-003 Citation **

The manual bears the title "DCAA Contract Audit Manual". It may be referred to as "CAM" and individual paragraphs may be cited as "CAM" followed by the paragraph number; for example, "CAM 1-103.". Within the manual this citation is "1-103."

0-004 Numbering **

Paragraphs are numbered as follows:

Chapter Number (Or Appendix Letter) 4-104

Section / Paragraph 4-104

Generally, paragraphs whose numbers include a decimal (as 1-203.1 through 1-203.3) are major, first-level subdivisions of the basic paragraph subject (as 1-203).

0-005 Revisions **

The process to update the CAM is continuous. The electronic version of the CAM is the most current and is available on-line in DCAA's Virtual Information Publication Enterprise Resource (VIPER). The electronic version of the CAM is also available to the public at dcaa.mil.

0-006 Other DCAA Audit Guidance **

Memorandums for Regional Directors (MRDs) provide a mechanism for disseminating audit guidance which supplements or revises audit guidance. Audit guidance in open MRDs is available in VIPER under MRDs. Changes in audit guidance issued in an MRD are generally incorporated in CAM simultaneously, but in some instances may be incorporated in CAM at a later date. If the latter, audit guidance in an open MRD supersedes the guidance reflected in CAM.

When an auditor starts a new assignment, open MRDs must be reviewed for any guidance that may apply to that assignment. Open MRDs can be identified using the link provided on the DCAA Intranet home page for "MRDs, AGMs, & AMGMs" and the date range function.

The on-line CAM, available within VIPER and the [public web site](#), is the most current version of the audit manual and should be used, considering any open MRDs, over other CAM versions to the extent possible.

0-007 User Comments/Suggestions **

User comments/suggestions are welcome. DCAA employees are encouraged to report any errors noted in the manual using the DCAA Single-Source Suggestion Forum available from the intranet home page.

Non-DCAA users can send comments/suggestions by fax to (703) 767-3234, by e-mail to DCAA-PPS@dcaa.mil, or mail to:

Headquarters, DCAA

Attention: Publications and Systems Division (PPS)

8725 John J. Kingman Rd., Suite 2135

Fort Belvoir, VA 22060-6219

0-008 Explanation of Terms and Abbreviations**

DCAA --- The Defense Contract Audit Agency

Director - Director, DCAA

Headquarters - Headquarters, DCAA

DoD - The Department of Defense

Regional office - The DCAA office having responsibility for all DCAA audit offices and auditors within a specified geographical area. Each is headed by a regional director and is the only organizational echelon between Headquarters and the field audit offices. Within each regional office, a particular regional audit manager exercises line authority over designated field audit offices.

Field audit office (FAO) - A DCAA term which encompasses both branch offices and resident offices. It does not include regional offices.

Resident office - The field audit office having responsibility for the DCAA mission, generally at one contractor location, and physically located at the contractor's plant.

Branch office - The field audit office having responsibility for the DCAA mission for all contractor locations in a designated area except those assigned to a resident office.

Auditor - An auditor performing the contract audit function of DCAA.

Financial liaison advisor (FLA) - A DCAA auditor assigned responsibility for coordinating contract audit matters with a procurement or contract administration office.

Assignment Code - The smallest scope of audit review which may be separately programmed, including a five-digit identifier, a title and a scope statement or the five-digit number recognized by the DCAA DMIS as specifying a discrete audit scope.

Audit Area - A set of interrelated internal controls or elements of risk within one of the four major functional groupings.

Major Functional Grouping - An element of the contractor's cost accounting system. The four major groupings presently in use are: General Controls (accounting and estimating systems, balance sheet, and income accounts); Direct Labor; Direct Material; and Indirect Expense.

Subarea - An element of internal control or risk within an audit area. For example, the audit area E.1, Special Purpose Reviews within the major functional grouping Indirect Expense is further analyzed through the subareas Insurance, Pensions, Cost Allocation Bases, IR&D/B&P, and Other Audits.

Workpackage - Any combination of predefined scopes of work programmed separately on the DMIS. It can include:

- * A single assignment code
- * Two or more assignment codes
- * An audit area or subarea (some subareas contain only a single assignment code)
- * A major functional grouping
- * All direct costs or all indirect costs
- * All costs included in the submission

This manual also uses definitions stated in Federal Acquisition Regulation (FAR) and Defense FAR Supplement (DFARS).

Acronym/Abbreviation	Description
A-E	Architect-Engineer
ABC	Activity Based Costing
ACMS	Advanced Cost Management Systems
ACO	Administrative Contracting Officer
ACRS	Accelerated Cost Recovery System
ADR	Alternative Dispute Resolution

Acronym/Abbreviation	Description
ADR	Asset Depreciation Range
ADV	Auditable Dollar Volume
AFAA	Air Force Audit Agency
AID	Agency for International Development
AICPA	American Institute of CPAs
ASBCA	Armed Services Board of Contract Appeals
AT	Attestation Standards
B&P	Bid & Proposal
BCA	Board(s) of Contract Appeals
BOA	Basic Ordering Agreement(s)
BOE	Basis of Estimate
BOM	Bill of Material
CAC	Contract Audit Coordinator (DCAA)
CACO	Corporate/Home Office ACO
CACS	Contract Audit Closing Statement(s) (DCAA)
CACWS	Cumulative Allowable Cost Worksheet
CAD/CAM	Computer-Aided Design & Manufacturing
CAIG	Cost Analysis Improvement Group (DoD)
CAM	Contract Audit Manual (DCAA)

Acronym/Abbreviation	Description
CAOs	Contract Administration Offices
CAS	Cost Accounting Standard(s)
CCDR	Contractor Cost Data Report(s)/ing
CDA	Contract Disputes Act
CDPMO	Contractor Disclosure Program Management Office
CECSR	Contractor Employee Compensation System Review
CFAO	Cognizant Federal agency official
CFR	Code of Federal Regulations
CFSR	Contract Funds Status Report(s)/ing
CFY	Contractor Fiscal Year
CHOA	Corporate Home Office Auditor (DCAA)
CIPR	Contractor Insurance/Pension Review
CLIN	Contract Line Item Number
CMTL	Computer Managed Training Library
CO	Contracting Officer
COBOL	Common Business-Oriented Language (IT)
COE	Corps of Engineers (Army)
COR	Contracting Officer's Representative

Acronym/Abbreviation	Description
CPA	Certified Public Accountant(s)
CPAF	Cost-Plus-Award-Fee (Contract)
CPFF	Cost-Plus-Fixed-Fee (Contract)
CPIF	Cost-Plus-Incentive-Fee (Contract)
CPR	Contract Performance Report (previously Cost Performance Report)
CPSR	Contractor Purchasing System Review
CPU	Central Processing Unit (IT)
C/SCSC	Cost/Schedule Control System Criteria
CSRA	Civil Service Reform Act
CSSR	Cost/Schedule Status Report(s)/ing
CUI	Controlled Unclassified Information
CY	Calendar Year
DAC	Defense Acquisition Circular
DAR	Defense Acquisition Regulation
DCAAI	Defense Contract Audit Agency Instruction
DCAAM	Defense Contract Audit Agency Manual
DCAAP	Defense Contract Audit Agency Pamphlet
DCAAR	Defense Contract Audit Agency Regulation

Acronym/Abbreviation	Description
DCAI	Defense Contract Audit Institute
DCMA	Defense Contract Management Agency
DCMD	Defense Contract Management District
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance & Accounting Service
DHHS	Department of Health & Human Services
DIIS	DCAA Integrated Information System
DL	General Counsel (DCAA Hqs)
DLA	Defense Logistics Agency
DLAD	Defense Logistics Agency Directive
DLAM	Defense Logistics Agency Manual
DMIS	Defense Contract Audit Agency Management Information System
DoDAAC	Department of Defense Address Activity Code
DoDD	Department of Defense Directive
DoDI	Department of Defense Instruction
DoDIG	Department of Defense Inspector General
DOE	Department of Energy
DOJ	Department of Justice

Acronym/Abbreviation	Description
DOL	Department of Labor
DOT	Department of Transportation
DPAPSS	Defense Procurement, Acquisition Policy, and Strategic Sourcing
DPRO	Defense Plant Representative Offices
DSCA	Defense Security Cooperation Agency
EAC	Estimate At Completion (Cost)
ECPF	Electronic Contractor Permanent File
EDP	Electronic Data Processing (Computer(s))
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
EPA	Economic Price Adjustment
EPA	Environmental Protection Agency
ERISA	Employee Retirement Income Security Act (1974)
ERP	Enterprise Resource Planning
ESOP	Employee Stock Option Plan
ESS	Estimating System Survey
ETC	Estimate to Complete (Cost)
EVMS	Earned Value Management System

Acronym/Abbreviation	Description
FAC	Federal Acquisition Circular
FAO	Field Audit Office
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FASC	Financial Advisory Services Center
FAT	First Article Testing
FCR	Federal Contracts Report (BNA)
FCRC	Federal Contract Research Center(s)
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
FFP	Firm-Fixed Price (Contract)
FFRDC	Federally Funded R&D Center(s)
FICA	Federal Insurance Contributions Act (Social Security)
FLA	Financial Liaison Advisor
FLRA	Federal Labor Relations Authority
FLSA	Fair Labor Standards Act
FMS	Foreign Military Sales
FPI	Fixed-Price Incentive (Contract)

Acronym/Abbreviation	Description
FPR	Fixed-Price Redeterminable (Contract)
FPRA	Forward Pricing Rate Agreement(s)
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
G&A	General & Administrative (Expense)
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAC	Group Audit Coordinator (DCAA)
GAGAS	Generally Accepted Govt. Auditing Standards (GAO)
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
GBL	Government Bill of Lading
GFAE	Government-Furnished Aeronautical Equipment
GFM	Government-Furnished Material
GFP	Government-Furnished Property
GOCO	Government-Owned, Contractor-Operated (Plant)
GPO	Government Printing Office
GSA	General Services Administration

Acronym/Abbreviation	Description
GSBCA	General Services Administration Board of Contract Appeals
HCFA	Health Care Financing Administration
I/PS	Insurance/Pension Specialist
IG	Inspector General
IIA	Institute of Internal Auditors
IPA	Independent Public Accountant
IPT	Integrated Product Team
IR&D	Independent Research & Development (Cost)
IRC	Internal Revenue Code
IRS	Internal Revenue Service
IS	Information Systems
IT	Information Technology
JCL	Job Control Language (IT)
JTR	Joint Travel Regulation
MAAR	Mandatory Annual Audit Requirement(s)
MICOM	U.S. Army Missile Command
MMAS	Material Management and Accounting System
MOU	Memorandum of Understanding

Acronym/Abbreviation	Description
MRD	Memorandum for Regional Directors (DCAA)
MRP	Material Requirements Planning (Inventory Control System)
MWS	Major Weapon System
NASA	National Aeronautics and Space Administration
NGB	National Guard Bureau (DoD)
NRC	Nuclear Regulatory Commission
OAL	Audit Liaison Division (DCAA Hqs)
ODC	Other Direct Cost
OFPP	Office of Federal Procurement Policy (OMB)
OIG	Office of the Inspector General
OMB	Office of Management and Budget
ONR	Office of Naval Research
OPSEC	DoD Operations Security Program
OT	Other Transactions
OTS	Technical Audit Services (DCAA Hqs)
OWD	Workload and Trends Division (DCAA Hqs)
PAC	Accounting & Cost Principles Division (DCAA Hqs)
PACO	Principal ACO

Acronym/Abbreviation	Description
PAS	Auditing Standards Division (DCAA Hqs)
PAT	Process Action Team
PBIS	Performance Based Incentive System
PBP	Performance Based Payment
PCO	Procuring Contracting Officer
PDR	Plantwide Data Report
PII	Personally Identifiable Information
PL	Public Law
PMM	Personnel Management Manual
PNM	Price Negotiation Memorandum
PPD	Programs Division (DCAA Hqs)
PQA	Quality Assurance Division (DCAA Hqs)
PROCAS	Process Contract Administration Services (DLA)
PS&C	Production Scheduling & Control
PSAD	Planning and Staff Allocation Document
PSP	Special Projects (DCAA Hqs)
PWT	Participative Work Team
R&D	Research & Development (Cost)
RAM	Regional Audit Manager

Acronym/Abbreviation	Description
RD	Regional Director
RFP	Request(s) for Proposal(s)
SAM	System for Award Management
SAS	Statement on Auditing Standards (AICPA)
SAS	Statistical Application Software
SEC	Securities & Exchange Commission
SF	Standard Form
SIC	Suspected Irregular Conduct
SIS	Synopsis Information System(s) (DCAA)
SSAE	Statements on Standards for Attestation Engagements
SSEB	Source Selection Evaluation Board
T&M	Time-and-Materials (Contract)
TBSR	Total Business System Review (ONR)
TCO	Termination Contracting Officer
TEFRA	Tax Equity and Fiscal Responsibility Act
TQM	Total Quality Management
TRASOPs	Tax Reduction Act Stock Ownership Plans
TSC	Technical Services Center

Acronym/Abbreviation	Description
U.S.C.	United States Code
VAP	Vulnerability Assessment Procedure(s) (DCAA)
VLSI	Very Large Scale Integration
WAWF	Wide Area Workflow
W/P	Working Papers
WBS	Work Breakdown Structure(s)
ZBB	Zero-Based Budgeting