

DCAA Audit Guidance – Readers Respond

Written by Nick Sanders

Friday, 18 September 2015 00:00

Readers may remember that we recently [expressed](#) confusion and concern over the fact that DCAA has not posted any Memos for Regional Directors (MRDs) on its website for nearly seven months. In our experience, that's an unprecedented length of time to go without updating existing audit guidance.

We wrote –

Has DCAA simply stopped issuing MRDs? Our sources say no. DCAA is still issuing audit guidance to its auditors. However, that audit guidance may be for internal use only (i.e., not releasable to the general public). Or perhaps the guidance *is* releasable ... and DCAA is choosing not to release it, for whatever reasons. We don't know what the situation is.

Well, some people know what's going on (or not going on, as the case may be). Some people know and they took the time to enlighten us.

“J. Doe” wrote us an email to list the releasable MRDs and Audit Alerts that should have been posted on the DCAA website, but have not been. The releasable MRDs/Alerts include—

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Proposal Adequacy Checklist Tool (2/19/2015)

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Introducing Benford's Law Analytical Technique (6/01/2015)

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Audit Alert on Evaluating Sample Results for Variable Statistical Samples (7/23/2015)

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Audit Alert on Determining Questioned Cost for Related Debit/Credit Transactions in Sample Universe (7/23/2015)

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Revised Checklist for Determining Adequacy of Contractor Incurred Cost Proposal (8/27/15)

We would be *fascinated* to read those documents, especially the audit guidance related to offsetting debit and credits. Rather than “wash” the transactions to net to zero, we’ve seen auditors add the debits to the credits to calculate an “absolute value” of questioned costs, and then we’ve seen that value used to project from a sample to a universe. We would *love* to know whether that approach was condoned or prohibited by official audit guidance. Unfortunately, “J. Doe” only listed the releasable audit guidance and did not provide copies.

“J. Doe” also noted that the electronic floorcheck questionnaire had been “greatly expanded” to 35 questions, and that there was now a 42-page guidebook to help auditors perform their MAAR 6 floorcheck audits. Alas, “J. Doe” did not provide them either.

That latter issue was quickly remedied by “George Kaplan” (George Kaplan was the name of the secret agent for whom Cary Grant was mistaken in Hitchcock’s *North by Northwest*.) “George” provided us with the new enhanced list of floorcheck questions, which we have asked our technology wizard and webmaster Mark to place into the site’s Knowledge Resources page.

So we have the new questionnaire, but we don’t have the 42-page guidebook. We note that the current audit program (July 15) states—

Formulate the questions to be asked during each interview. The questions should be factual in nature, tailored to each employee interviewed, and designed to confirm or dismiss the suspected mischarge. Avoid questions which solicit the employee's opinion. Each employee to be interviewed requires the formulation of specific tailored questions. However, general information should be solicited from each employee, such as;

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1. employee name and ID number
2. current job title, position description
3. current projects and period of performance
4. description of work performed during the period under evaluation
5. percentage of time spent on each project
6. charge numbers/accounts used to record time spent on each project
7. employee's timekeeping procedures, including any informal records used to record time and identify projects
8. if applicable, the employee's supervisory responsibilities and related procedures including assigning and reviewing the work of subordinates; reviewing, changing, and approving time charges; controlling project costs/budgets; approving overtime; etc.

But any other audit guidance (e.g., 42 pages of guidance) is missing in action.

We'd like to thank our anonymous contributors for helping us understand the fact that there is audit guidance to be published; and that DCAA is choosing not to publish it.

This is a troubling development.

In January, 2009, President Obama published a [Memorandum](#) "Transparency and Open Government" that committed his administration to "creating an unprecedented level of openness in government." This was official Whitehouse direction. It came from the top. The President issued the Memorandum. You know the guy. He's also the Commander-in-Chief.

It has become apparent that the Defense Contract Audit Agency believes itself to be exempt from orders issued by the Commander-in-Chief.

Kind of a puzzling position to take by an instrument of the Defense Department, right?