

## What Hath DCAA Wrought?

Written by Nick Sanders  
Thursday, 19 July 2012 00:00

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We have wondered aloud what DCAA has been doing with its time, since the agency doesn't appear to be performing any audits—or, at least, issuing any completed audits. Since the auditors haven't been auditing, we've been wondering what they've been doing. And now we think we have an answer.

They've been revising policies, procedures, and audit programs.

We visited the [DCAA website](#) recently, and found lots and lots of new stuff, most of it dated June 2012. So much new content doesn't happen overnight; we expect DCAA HQ has been very busy typing away, developing new guidance and new audit procedures to help auditors perform more efficient and more effective audits.

First, the DCAA Publication, "Information for Contractors" (DCAAP 7641.9) has been updated and reissued, effective June 26, 2012. That's a good thing, since the last time the document was updated was January 2005. It's an important document, especially for smaller contractors that are relatively new to this whole government contracting thingee. In the words of the Introduction—

The manual is designed to assist contractors in understanding applicable requirements and to help ease the contract audit process. It describes what contractors should expect when doing business with the U.S. Government and interacting with DCAA auditors.

We skimmed through the new publication and did not see much that merited comment. (Readers, if you see something we missed, then send us an e-mail!)

Another new item at the DCAA website is a new and improved Incurred Cost Electronically ("ICE") Excel workbook that allegedly complies with the requirements of the Allowable Cost and Payment contract clause (52.216-7, June 2011). But as the DCAA noted in the ICE Model—

Please note that while the ICE model is intended to aid the contractor in providing an adequate submission to DCAA, its use does not guarantee that the submission will be judged adequate. It is the purview of your cognizant DCAA Office to determine, in the judgment of the auditor reviewing your submission, whether or not it is adequate, regardless of what model is used.

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That's kind of irksome, really. That note tells users that the ICE Model is designed to comply with contractual requirements, but not necessarily to lead to a submission that would be deemed "adequate" by a DCAA auditor. We are somewhat irked by an audit agency that would posit that a submission that complied, in all material respects, with contract requirements might still be deemed inadequate in some other—*non-contractual*—respects. Guess what, DCAA? A contractor's duty is to comply with contract requirements. Period.

And let's be very, very clear here: It is NOT DCAA that determines whether or not the submission is adequate, it is the cognizant Contracting Officer. The note quoted above is indicative of the arrogance of the modern DCAA—on one hand reserving for itself the right to tell contractors that their indirect rate submissions are inadequate, even though fully compliant with contract requirements—while on the other hand usurping the Contracting Officer's official responsibility in making the determination of submission adequacy in the first place.

So that's enough ranting. Let's keep going, looking at other changes made by DCAA.

We noted that many audit programs have been updated, some significantly, in the past month or two. Here's a list of the audit programs that DCAA updated just in June 2012—

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10100 – Incurred Costs, Concurrent, Major and Non-Major

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10100 – Non-major Desk Review

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10100 – Incurred Costs, Post Year-end Audit

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10100 – Incurred Costs, Corporate Shell

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10110 – A-133 Audit

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10160 – Consultant and Professional Services

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10310 – Non-Major Contractors, Labor Floorchecks

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10320 – MAAR 13, Purchase Existence and Consumption

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10501 – Operations Audit, Management Systems

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10502 – Operations Audit, Materials and Other Costs

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11010 – Billing Audit

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11015 – Annual Testing of Contractor Eligibility for Direct Bill Program

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11020 – Audit Program for Budget and Planning System and Related Internal Controls

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11060 – Audit Program for Control Environment

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11090 – Audit Program for Deficiency Report

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11510 – Audit Program for EDP General Controls

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12030 – Audit Program for Purchasing Controls

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12500 – Audit Program for MMAS Controls

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13020 – Audit Program for Compensation Controls

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13500 – Audit Program for Major Contractors, Labor      Floorchecks/Interviews

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15400 – Evaluation of Final Vouchers

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15600 – Audit Program for QLOP Statements

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17100 – Audit Program for Termination, Cost Contracts

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17100 – Audit Program for Termination, Fixed Inventory Basis

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17100 – Audit Program for Termination, Total Cost Basis

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17200 – Audit Program for Claims, Delay/Disruption

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17200 – Audit Program for Claims, Other

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17310 – Audit of Contract Overpayments

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17330 – Audit Program for Reconciliation of Contracts

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17390 – Contractor Compliance with Billing Instructions

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17500 – Audit Program for Progress Payments Based on Costs Incurred

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17500 – Audit Program for Progress Payments Based on Percentage or Stage of Completion

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17600 – DFAS Financial Capability Audit

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17741 -- Post Award Accounting System Audit at Contractors with DoD Commercial  
Time-and-Materials (T&M) or Labor-Hour (LH) Contracts

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17741 – Post Contract Award Accounting System Audit at Non-Major Contractors

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17850 – CPRs, C/SSRs, and CFSRs

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17860 – Other Program Management System Effort

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17870 – CCDR

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17900 – Other

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17900 – Defense Security Cooperation Agency (DSCA)

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17910 -- Contract Audit Closing Statements for DoD Commercial Time-and-Materials  
(T&M)/Labor-Hour (LH) Contracts

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19100 – Audit Program for Adequacy of Initial Disclosure Statement

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19100 – Audit Program for Compliance of Initial Disclosure Statement

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19100 – Audit Program for Revised Disclosure Statement Adequacy and Compliance

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19403 -- Audit Program for Cost Accounting Standard No. 403, Allocation of Home Office Expenses to Segments

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19404 -- Audit Program for Cost Accounting Standard No. 404, Capitalization of Tangible Assets

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19407 -- Audit Program for Cost Accounting Standard No. 407, Use of Standard Costs For Direct Material and Direct Labor

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19408 – Audit Program for Cost Accounting Standard 408

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19409 – Audit Program for Cost Accounting Standard 409

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19410 -- Audit Program for Cost Accounting Standard No. 410, Allocation of Business  
Unit General and Administrative Expenses to Final Cost Objectives

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19410 -- Audit Program for Cost Accounting Standard No. 410, Allocation of Business  
Unit General and Administrative Expenses to Final Cost Objectives for Offsite Locations

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19411 -- Audit Program for Cost Accounting Standard No. 411, Accounting for Acquisition  
Costs of Material

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19412 -- Audit Program for Incurred Pension Cost and CAS 412 and 413 Compliance

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19413 -- Joint Review Program for Segment Closing Adjustments

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19414 -- Audit Program for Cost Accounting Standard No. 414, Cost of Money as an  
Element of the Cost of Facilities Capital

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19415 -- Audit Program for Cost Accounting Standard No. 415, Accounting for the Cost of  
Deferred Compensation

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19416 -- Audit Program for Incurred Insurance Costs and CAS 416 and FAR Compliance

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19417 -- Audit Program for Cost Accounting Standard No. 417, Cost of Money as an



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### Element of the Cost of Capital Assets Under Construction

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19418 -- Audit Program for Cost Accounting Standard No. 418, Allocation of Direct and Indirect Costs

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19420 -- Audit Program for Cost Accounting Standard No. 420, Accounting for Independent Research and Development Costs and Bid and Proposal Costs

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19500 -- Audit Program for CAS Impact Proposal Evaluations

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21000 -- Audit Program for Price Proposal

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23000 -- Audit Program for Audit of Forward Pricing Rate Agreement

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24010 -- Audit Program for Estimating System Controls

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27000 -- Audit Program for Cost Element Review

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27010 -- Audit Program for Evaluation of Cost Realism in Price Proposals

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28500 -- Program for Application of Agreed-Upon Procedures - Single Process Initiative  
(SPI) Cost-Benefit Analysis

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42000 -- Audit Program for Post Award Audits

*Whew!*

We want to emphasize that the list of audit programs, above, includes only those that were modified and reissued in the month of June 2012. That's quite a few, isn't it? And it explains what HQ has been up to in the past months.

Obviously, we didn't have time to review each audit program to see what DCAA revised. As always, if you are interested in the details of a particular audit program, you should visit the [DCAA website](#) and click on "Standard Audit Programs." Then find the one you want and open the associated .pdf file.