

CESWL-CT

DEPARTMENT OF THE ARMY
Little Rock District, Corps of Engineers
P. O. Box 867
Little Rock, AR 72203-0867

SWLR 715-1-12
Change 1

Regulation
No. 715-1-12

8 November 1995

Procurement
REQUEST, CONTROL, AND REPORTING
OF CONTRACT AUDITS

1. This is change 1 to SWLR 715-1-12, dated 21 February 1995.
2. Substitute the revised pages as shown below:

REMOVE

page 1

page 2

page 3

INSERT

page 1 ✓

page 2 ✓

page 3 ✓

3. Change 1 is effective upon receipt.
4. File this change sheet in front of the regulation for reference purposes.



P. S. MORRIS
Colonel, Corps of Engineers
District Engineer

DISTRIBUTION A

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Procurement
REQUEST, CONTROL, AND REPORTING
OF CONTRACT AUDITS

1. Purpose. This Regulation provides guidance and procedures incidental to the Little Rock District's policy in connection with contract audit request, control, and reporting of contract audits.

2. Applicability. This regulation applies to the Little Rock District, Corps of Engineers.

3. Responsibility. The Chief, Contracting Division, will ensure compliance with procedures set forth herein.

4. References/authority.

a. Department of Defense Directive (DODD) 7640.2, Policy for Followup on Contract Audit Reports.

b. Army Federal Acquisition Regulation Supplement (AFARS) Part 15.891, Followup on Contract Audit Reports.

c. Army Regulation 36-2, Audit Reports and Followup.

d. Engineer Federal Acquisition Regulation Supplement (EFARS) 15.891-2 "Tracking of Contract Audit Report Recommendations"; 15.891-3 "Reporting"; 15.891-3 b "Overage Audit Review Boards."

5. Background.

a. Pursuant to AFARS 15.891-2, all contract audit reports shall be tracked from request for audit through disposition by the Contracting Office. A register should be established and maintained of reportable contract audits. The register should be reviewed for a record of reportable audits and thereby assure accurate reporting, the Contracting Division should coordinate with USACE Audit Office and the cognizant Defense Contract Audit Agency (DCAA) for the status of military and civil works audits. The Audit Office should identify and validate the reportable audits.

b. Pursuant to DFARS 215.805-5, Field Pricing Support, the threshold for reportable audits are listed below. Field Pricing Support may be requested by the Contracting Officer below these thresholds to ensure a fair and reasonable price.

(1) \$500,000 for Fixed-Price proposals.

(2) \$500,000 for Cost-type proposals exceeding \$500,000 from offerors with significant estimating system deficiencies.

(3) \$1 million from offerors without significant estimating system deficiencies, cost-type proposals. The Contracting Officer (KO) may, with adequate written justification, waive the requirement for the field pricing reports.

c. Reportable audits are defined in DODD 7640.1. Reportable audits include:

(1) Those containing findings and recommendations, whether or not the findings are qualified, covering estimating system surveys, accounting system reviews, defective pricing reviews, Cost Accounting Standards (CAS) non compliance issues, including CAS disclosure statements if they contain noncompliance issues.

(2) Those covering internal controls, operations audits incurred cost, settlement of final indirect cost rates, final pricing submissions, termination settlement proposals, equitable adjustment claims, hardship claims, and escalation claims, if reported cost or rates questioned or qualified equal \$100,000 or more.

(3) Final indirect cost rates where the auditor cannot reach an agreement with the contractor and forward the audit report to the Contracting Officer (KO) or cognizant Administrative Contracting Officer (ACO) for final decision.

d. Nonreportable audits are reports covering preaward proposals; forward pricing labor, overhead, and other advance rate proposals; progress payments; preaward surveys; proposals for change orders or modifications; assist audits and closing statements are not to be reported. Should such audits contain reportable findings and recommendations, they are not to be treated as a reportable report; however, if deemed appropriate, the Contracting Officer should request the Audit Office to issue a separate audit report addressing the reportable issues in detail. Reports containing only positive findings and recommendations, such as recommending that a contractor's proposed cost accounting standards change be approved, are not to

be reported. Any interim reports that will be incorporated into a future report shall not be reported. Final indirect cost audits that are auditor-determined are not to be reported. Final indirect cost audits that are auditor-determined are not to be reported if the auditor is successful in reaching an agreement on the rate(s) with the contractor.

6. Procedures.

a. The Contracting Division is required to establish and maintain a register of reportable contract audits. The register will contain audit number, date, contractor name, contract number, audit type, and dollar amount of costs questioned. The register should be maintained until the audit is dispositioned. The audit register shall be updated and posted monthly. The register may be used for preparation of the semi-annual report. The Contract Audit Followup (CAF) Monitor assigned by the contracting activity is responsible for these tasks.

b. Request for Audits.

(1) The Contract Specialist or A-E Contract Personnel for A-E Contracts assigned the contract will submit a memorandum request for audit in duplicate to the CAF Monitor.

(2) The request shall contain the following:

(a) Contract Pricing Proposal (SF 1411), and the obligation document for Civil Works Projects.

(b) Technical Analysis, if available. If not available, the Contract Specialist will provide the technical analysis at least five days prior to the audit due date.

(3) CAF Monitor will assign an audit control number and return one copy of the audit request to the Contract Specialist.

(4) The Contract Specialist will forward the audit request to the cognizant Defense Contract Audit Agency (DCAA).

(5) Upon acknowledgement of audit request from the cognizant audit office, the requestor will forward a copy of the acknowledgement to the CAF Monitor.

(6) Upon receipt of the audit report, the Contract Specialist will forward a copy of the audit to the CAF Monitor.

(7) CAF Monitor will maintain a tracking system of all audit reports. This system will serve as a source for follow-up status reports. The tracking system will track each audit from receipt to resolution.

c. KOs and field activities responsible for contracting or contract oversight shall pursue timely, proper resolution and disposition of contract audit reports. Resolution of contract audit reports, other than preawards, are required by P.L. 96-304 (Establish procedures to ensure the proper, timely resolution and disposition of contract audit reports).

d. KOs shall:

(1) make every effort to accomplish resolution as described in DOD 7640.2 not later than six months from the date of the audit report.

(2) appear before the Overaged Audit Review Board to discuss the resolution and disposition of any audit reported in 15.891-4 (a)(3). This would include all open audits over six months old, and open unresolved audits over 12 months that are reported on the most recent status Report on Specified Contract Audit Reports. The Overaged Audit Review Board shall be chaired by the Principal Assistant Responsible for Contracting, and be composed of HQUSACE senior legal, technical, pricing and procurement personnel.

e. Disposition of Audit Reports. Disposition is achieved when:

(1) The contractor implements the audit recommendations or the KO's decision.

(2) The KO negotiates a settlement with the contractor and a contractual document has been executed.

(3) The KO issues a final decision pursuant to the "Disputes" clause and 90 days has elapsed without contractor appeal to the Armed Services Board of Contract Appeals (ASBCA). Should the contractor appeal to the Claims Court within the 12 months after decision, the audit must be reinstated as an open report in litigation.

(4) A decision has been rendered on an appeal made to the ASBCA or U.S. Claims Court and corrective actions directed by the Board or court have been completed and a contractual document has been executed.

(5) Audit reports have been superseded by, or incorporated into, a subsequent report.

(6) Any corrective actions deemed necessary by the KO have been taken, so that no further actions can be reasonably anticipated.

f. Notification of Disposition.

(1) The KO shall:

(a) Provide to the CAF Monitor, within two calendar days of award, a copy of the Price Negotiation Memorandum (PNM) and/or other documentation defining qualified amounts to include rationale for determinations made.

(b) Forward PNM and other documentation pertaining to resolution to the cognizant audit office, with copy furnished to the CAF Monitor.

(c) Provide the CAF Monitor, written documentation of any cancellation of acquisitions and unsuccessful offerors not receiving award for which an audit report was issued.

(d) Appear before the Overage Audit Review Board in accordance with AFARS 15.891.4.

(2) The CAF Monitor shall submit reports on the status of reportable contract audits semiannually, in accordance with DOD Directive 7640-2 - Policy for Followup of Contract Audit Reports.

g. Semiannual contract audit status reports shall be submitted to HQUSACE, CEPR by 5 April and 5 October for the 6-month periods ending 31 March and 30 September. Traditionally, hard copies of the Status Report on Specified Audit Reports were forwarded to HQUSACE, CEPR. The Army Contract Followup Automated Program shall now be used in lieu of the hardcopy status report. Furthermore, a copy of the actual Audit Summary Sheet and the first and last sheet of each audit report shall be sent to Office of the Principal Assistant Responsible for Contracting (OPARC) ATTN: (CEPR-O) after receipt from the appropriate audit office. See the "Contract Audit Follow-up (CAF) Software End User's Manual" for specific instructions on automated reporting. These reports shall include the following data:

(1) For open reports - the report number, report date, contract name, type of audit, costs questioned or cost avoidance,

SWLR 715-1-12
21 Feb 95

Armed Services Board of Contract Appeals (ASBCA) docket number (U.S. Claims Court case number) when the report is in litigation, date of request by an investigative agency for deferral of action on a report (when applicable), whether the report is resolved or unresolved, resolution target date, and disposition target date.

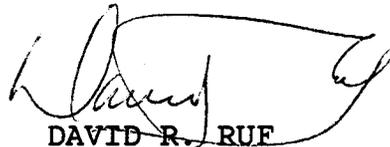
(2) For reports closed during the reporting period: the report number, report date, contractor name, type of audit, date of disposition, costs questioned or potential cost avoidance, and costs questioned or avoidance sustained. Costs questioned and sustained shall be reported as zero when a report is superseded, replaced, or incorporated into a new report. In such cases, the Date of Disposition column should show the new report number with the date of the new report.

h. For all open audits reported as over 12 months old (overaged), and for unresolved audits 6 to 12 months old, the USACE field activity reporting the audit shall furnish the following data to CEPR semiannually, not later than 25 October and 25 April:

(1) one copy of the contract audit report.

(2) a chronology of events leading to the overage or unresolved status for each audit.

7. Effective Date and Implementation. This regulation is effective immediately.



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District Engineer

DISTRIBUTION A