

DEPARTMENT OF THE ARMY
Corps of Engineers, Omaha District
215 North 17th Street
Omaha, Nebraska 68102-4978

DM 1180-1-9

CEMRO-CT

Memorandum
No. 1180-1-9

1 May 1992

Contracts
PROCEDURES FOR AUDIT TRACKING SYSTEM (ATS)
(RCS DD-1G(SA)1580)

1. Purpose. The purpose of this memorandum is to establish responsibility for and the procedure to request, track, and implement an ATS for military and civil contracts.
2. Applicability. This memorandum is applicable to the Omaha District and serviced organizations.
3. Reference. AFARS 15.874-91
4. Terms. Terms used in this memorandum are listed in Appendix D.
5. Policy. It is Department of the Army and Omaha District policy that an ATS be developed and implemented by the Contracting Division to assure that audits:
 - a. Will be reported semiannually.
 - b. Are tracked to completion or disposition.
6. Responsibilities.
 - a. Contracting Division shall track all audit reports from request for audit through receipt, resolution, and disposition.
 - b. The organization requesting an audit shall submit any information on audits as it is received to Contracting Division.
 - c. Upon receipt of any audit information from Construction Division, Contract Administration Branch, or Contracting Division, Contracts Branch, it will be entered into the Unisys computer by Contracting Division.
 - d. The Contracting Division will send out a monthly memorandum requesting audit information which has occurred during the previous month. Requested information will be submitted to Contracting Division using an audit checklist format similar to the example in appendix A.
 - e. When audit information has not been requested or received, a negative report will be submitted by each site with contract administration responsibilities.

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f. Appendix B, Status Report on Specified Contract Audit Report, Open Reports, shall be used for reporting all open audits.

g. Appendix C, Status Report on Specified Contracts Audit Report, Closed Reports, shall be used for reporting all closed audits.

FOR THE COMMANDER:

4 Appendices
App A - Checklist
App B - Specified Contract
Audit Report, Open
App C - Specified Contract
Audit Report, Closed
App D - Definitions

for 
DONALD E. NEEDHAM
LTC, EN
Deputy Commander

DISTRIBUTION:
D

(SITE OFFICE OR ORGANIZATION)

AUDIT TRACKING SYSTEM

AUDIT CHECKLIST FORMAT

Project Title:
Project Location:
Person Requesting Audit:
Organization Responsible:
Responsible Contracting Officer:
Type of Audit:
Solicitation No.:
Solicitation Issued By:
Contract No.:
Modification No.:
Contractor:

Total Amount Subject to Audit:
Advance Notice of Audit Request:
Date Request for Audit:
Date Receive Audit Acknowledgement:
Date Audit Received:

Report Number:
Activity Address No:
Audit Issuing Agency:
Date of Report:
Total Questioned Costs or
Total Cost Avoidance:

Type of Recommendation:
Target Date Resolution (Orig/Rev):
Actual Date of Resolution:
Target Date Disposition (Orig/Rev):
Date of Final Decision of CO:
Date Filed with ASBCA:
Litigation Docket Number (ESBCA, ASBCA, APPELLATE):
Total Costs Sustained:
Disposition Results:
Plan of Action: (Provide Narrative Plan of Action for Resolution or
Disposition of Audit Findings, include Milestones.)

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APPENDIX B

STATUS REPORT ON SPECIFIED CONTRACT AUDIT REPORTS
(REPORT CONTROL SYMBOL DD-IG(SA) 1580)

OPEN REPORTS

ACTIVITY: OMAHA DISTRICT - DACAGS
FOR PERIOD ENDING: 31 MARCH 1991

U. S. ARMY CORPS OF ENGINEERS

	AUDIT REPORT NUMBER	REPORT DATE YR/MO/DA	CONTRACTOR'S NAME	TYPE OF AUDIT	COSTS QUESTIONED OR COST AVOIDANCE	IN LITIGATION	RESOLUTION		DISPOSITION	
							RESOLVED OR UNRESOLVED	TARGET DATE YR/MO/DA	RESOLVED OR UNRESOLVED	TARGET DATE YR/MO/DA
A. OVERAGE REPORTS (OVER 12 MONTH OLD)	N/A									
B. REPORTS 6 MONTHS TO 12 MONTH OLD	N/A									
C. REPORTS LESS THAN SIX MONTHS OLD	N/A									
D. REPORTS IN LITIGATION	3541-98172003	89/08/24	SANTA FE CONTRACT NO. DACAG5-86-C-0050	K	\$2,336,325	Y	R			91/10/15
E. REPORTS INVOLVING CRIMINAL INVESTIGATION	N/A									

APPENDIX C
STATUS REPORT ON SPECIFIED CONTRACT AUDIT REPORTS
(REPORT CONTROL SYMBOL DD-IG(SA) 1580)
CLOSED REPORTS

ACTIVITY: OMAHA DISTRICT
FOR PERIOD ENDING: 31 MARCH 1991

U. S. ARMY CORPS OF ENGINEERS

A. REPORTS LISTED AS OVERAGED IN PRIOR REPORT	AUDIT REPORT NUMBER	REPORT DATE YR/MO/DA	CONTRACTOR'S NAME	TYPE OF AUDIT	DATE OF DISPOSITION YR/MO/DA	COSTS QUESTIONED OR COST AVOIDANCE	COSTS SUSTAINED
N/A							
B. OTHER REPORTS CLOSED DURING PERIOD	2211-91B28000303	91/03/13	EBASCO SERVICES, INC.	B	91/03/15	N/A	N/A
			CONTRACT NO. DACM45-91-C-0044				

APPENDIX D

DEFINITIONS

1. Adverse Opinion Report. An audit report containing the statement that the contractor's proposal is not acceptable as a basis for negotiation of a price.
2. Closed Audit Report. An audit report that has been dispositioned by the contracting officer and closed for follow-up tracking purposes. See the definition for Disposition of Contract Audit Reports, paragraph 7, below.
3. Contract Audit Report. The contract auditor's written advice to a contracting officer advocating specific action on the part of the contracting officer or contractor and/or including highly qualified or adverse opinion information. An audit report could include amounts questioned or disapproved, exceptions to a contractor's system or operations (usually expressed in terms of cost avoidance), recommended price adjustments, or notification of a contractor's noncompliance with cost accounting standards.
4. Costs Questioned.
 - a. The amount questioned in the audit report that the reporting contracting officer or auditor has responsibility and authority to disposition. Audit reports on final indirect cost rates (overhead) will typically have costs questioned relating to corporate allocations and costs questioned relating to division expenses. The division administrative contracting officer (ACO) should list only the amount questioned pertaining to division expenses which he or she is responsible for negotiating, and the corporate ACO should be reporting the costs questioned at the corporate level which he or she is responsible for negotiating. Each contracting officer should list the total amount questioned subject to negotiating. Each contracting officer should list the total amount questioned subject to negotiation AT THAT LEVEL, regardless of contract mix or percentage of commercial business.
 - b. All costs set aside as "unsupported" qualified and/or adverse opinion amounts unless such amounts are disclaimed by the auditor because of requested assist audits or need for technical evaluation. Such amounts are not to be reported by the contracting officer until the assist audit and/or technical evaluation is incorporated by a supplemental report. At time of receipt, the amount questioned and the report date shall be revised for correction in the next semiannual report.
 - c. Costs monetized as a result of a technical evaluation that are INCORPORATED into the audit report.

5. Costs Questioned Sustained. That portion of costs questioned and/or qualified by the auditor upheld as a result of actions taken by either the contractor or contracting officer.

6. Disclaimed Opinion Report. Any audit denying the validity of a proposal when the scope of audit was so restricted that an audit opinion cannot be justified.

7. Disposition of Contract Audit Reports. Contract audit report disposition is achieved when: a. the contractor implements the audit recommendations or the contracting officer's decisions; or b. the contracting officer negotiates a settlement with the contractor and a contractual document has been executed; or c. the contracting officer issues a final decision pursuant to the FAR Clause 52.233-1, Disputes, and 90 days elapse without contractor appeal to the Armed Services Board of Contract Appeals (ASBCA). Should the contractor appeal to the U. S. Claims Court within the 12 months after final decision, the audit must be reinstated as an open report in litigation; or d. a decision has been rendered on an appeal made to the ASBCA or U.S. Claims Court and any corrective actions directed by the board or court have been completed and a contractual document has been executed; or e. audit reports have been superseded by, or incorporated into, a subsequent report; or f. any corrective action deemed necessary by the contracting officer have been taken, or that no further actions can be reasonably anticipated.

In the case of divisional overhead audit reports, such reports may be considered dispositioned when the contracting officer has negotiated all local issues with the contractor and a written agreement detailing the results of the negotiations has been signed by both the contracting officer and the contractor and distribution has been made to Defense Contract Audit Agency (DCAA). A cost accounting standard noncompliance report is dispositioned when the audit report on the related cost impact statement is received by the contracting officer, when required.

8. Highly Qualified Opinion Report. Qualified audit reports vary according to circumstances, but typically indicate a significant inadequacy in the cost or pricing data, denial of access to records, or noncompliance with cost accounting standards or acquisition regulation. For the purposes of follow-up coverage under this directive, the audit report must specifically say that the results of audit are HIGHLY qualified.

9. Litigation. An audit report is considered to be in litigation any time an appeal has been filed with the ASBCA or any court concerning an audit recommendation and/or qualification identified in the audit report for a specific appeals a decision of the ASBCA or U.S. Claims Court, or there is other ongoing judicial action as a result of a contract audit.

10. Open Audit Report. An audit report that has not been administered.

11. Overaged. An audit report that has not been administered and is over 12 months old (from date of issuance) on the "as of" date of the status report.

12. Resolution. a. For reportable audits, the point at which the auditor and the contracting officer agree on the action to be taken on audit report findings and recommendations and/or qualifications; or, in the event of disagreement, when the contracting officer determines a course of action after following the DOD component prenegotiation documentation and review procedures. Resolution must be supported by specific written documentation in the file. b. In the case of auditor-determined final indirect cost rates, resolution is achieved when an agreement is reached between the auditor and the contractor, or when agreement cannot be reached, a decision is rendered by the cognizant ACO after obtaining additional review, if required. c. For preaward audits, the point at which agreement is reached, a proposed negotiation objective is modified during review, a contract price negotiated, or proposed award canceled, whichever occurs first.

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APP D

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<u>Code</u>	<u>Type of Audit</u>
A	Estimating System Survey
B	Accounting System Review
C*	Internal Control Review
D	Defective Pricing Review
E	Cost Accounting Standards Noncompliance
F*	Operations Audit
G*	Incurred Costs
H*	Settlement of Final Indirect Cost Rate
I*	Final Pricing
J*	Terminations
K*	Equitable Adjustment Claims
L*	Hardship Claims
M*	Escalation Claims

* Reported costs or rates questioned and/or qualified must equal \$100,000 or more.