

It's been obvious for some time that the majority of DCAA audit guidance is no longer available to the public. As we've noted publicly, for years the number of MRDs (Memoranda for Regional Directors) published on the DCAA website has dropped precipitously. (There have been only two MRDs published in the first half of calendar year 2020.) The DCAA publication "Information for Contractors" is woefully out of date, carrying a current publication date of 2012. The DCCA Contract Audit Manual ("CAM") used to be the *sine qua non* for audit compliance professionals; but that tome has slowly been eviscerated—to be replaced in large part by a "Selected Area of Cost Guidebook" that is perennially under construction.

Still, from time to time DCAA manages to surprise us with interesting nuggets of audit guidance.

But you have to know where to look!

Over at the DCAA website, under the "Customers" tab – way at the bottom – is a tab entitled "FAQs." Historically there have been two FAQs under that tab: FAQs for Contracting Officers and FAQs for Contractors. Each is worth reading.

But recently a third FAQ was added: [FAQs COVID-19](#).

With a publication date of July 31, 2020, the COVID-19 FAQ addresses audit issues/concerns related to the COVID-19 pandemic, the CARES Act, and Section 3610 of the CARES Act. You should go read it.

There are 13 Frequently Asked Questions (and answers) in the guidance document. We are not going to repeat them all here. However, we will note a couple (actually three) FAQs that caught our eye.

9. Is the audit team responsible for considering the impact of COVID-19 on existing and future forward pricing engagements?

Answer: Yes. Auditing standards require auditors to consider the impact of known information up to the date of audit report issuance. The circumstances and manner in which each contractor and our audits have been impacted by COVID-19 will vary. Events such as layoffs, maximum telework, shut downs, slow-downs, new personal protective equipment, et cetera could impact forward pricing rates. Also impacted is to what degree historical data (prior to and during the COVID-19 national emergency) accurately represents future operations. Auditors should assess how the contractor's current and future operations have been impacted by COVID-19 and develop audit procedures to address identified risks.

If the contractor's proposal does not consider the potential impact of COVID-19 and the impact is significant enough that its disclosure is necessary to ensure the proposal is representative, the auditor should determine if the contractor plans to revise the proposal, notify the requestor, and take appropriate action.

11. If we observe the contractor extracting a report from its system via cloud meeting (e.g., Webex), is this sufficient or does the audit team need to observe the contractor in person to avoid a scope limitation?

Answer: The observation performed via cloud meeting may be sufficient. If, in the audit team's professional judgment, the quality of the audit evidence obtained through the cloud meeting was sufficient for their intended purpose, then a scope limitation is not required. If this is the case, the audit team will not need to perform the observation in person after we resume normal operations.

13. Is a CAS Disclosure Statement revision creating a COVID-19 Leave cost category considered a cost accounting practice change requiring a cost impact proposal?

Answer: No, the establishment of a new cost category is not a cost accounting practice change requiring a cost impact proposal.

We'll leave the other ten for those sufficiently intrepid to follow the link.

DCAA and COVID-19

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