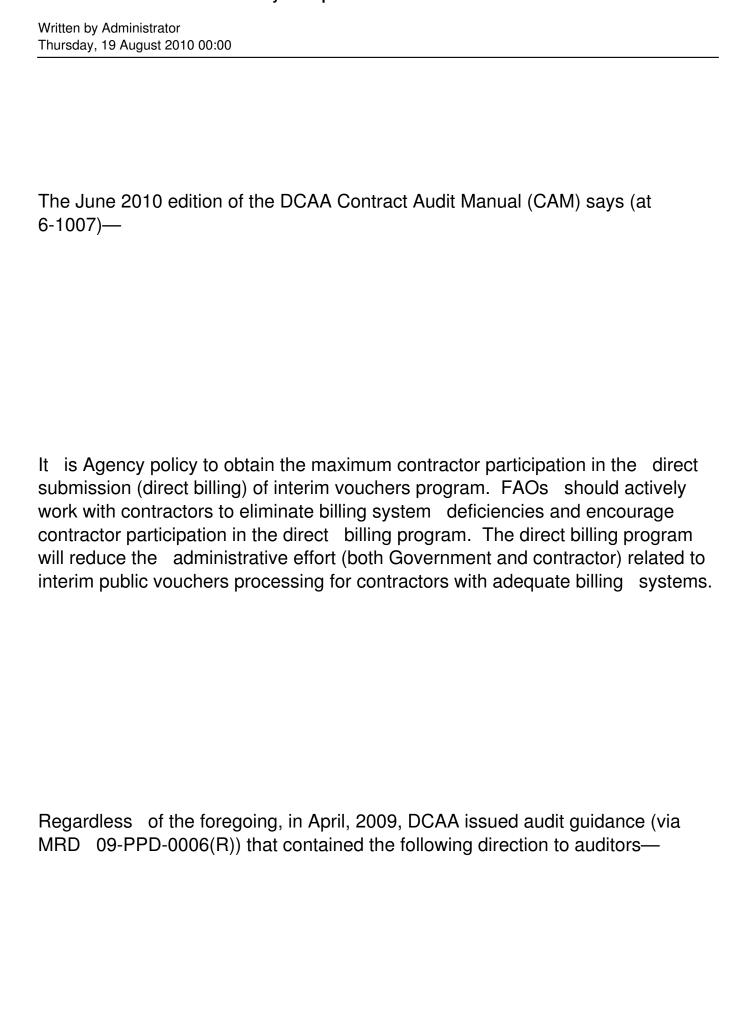


Written by Administrator

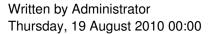
Thursday, 19 August 2010 00:00 242.803 Disallowing costs after incurrence. **** (b) Auditor receipt of voucher. (i) The contract auditor is the authorized representative of the contracting officer for-

Written by Administrator Thursday, 19 August 2010 00:00
(A) Receiving vouchers from contractors;
(B) Approving interim vouchers for provisional payment (this includes approving the fee portion of vouchers in accordance with the contract schedule and administrative contracting officer instructions) and sending them to the disbursing office;
(C) Authorizing direct submission of interim vouchers for provisional payment to the disbursing office for contractors with approved billing systems;



FAOs cognizant of major contractors with billing systems that have been approved for direct billing should ensure that those systems have not been significantly modified or the contractor has not implemented a new system since issuance of the latest adequate audit opinion. In addition, the accounting system and billing system may be so interconnected that a major change to the accounting system will impact Government billings. If a billing system or accounting system that affects the billing system has been significantly modified or a new system has been implemented, the following steps should be taken:

- Auditors should immediately provide verbal <u>and</u> written notification to the appropriate contractor level (e.g., the Chief Financial Officer) that their authorization to participate in the Direct Bill Program will be rescinded in 30 days.
- The FAO should ensure that it has a documented sampling plan and procedures for reviewing a sufficient number of public vouchers as part of its review plan (CAM 6-1008).
- The FAO should ensure that an appropriate number of FAO personnel are authorized to approve interim vouchers in Wide Area Workflow (WAWF).
- · Auditors should immediately commence a billing system audit.
- Upon completion of the billing system audit of the new or modified system, the contractor may be authorized to direct bill if the auditor determines that the new or revised system is adequate.



The foregoing audit guidance not only conflated accounting system adequacy with billing system adequacy, with respect to permitting contractors to utilize the direct billing program, it also acted to undercut the policy that directed DCAA to "encourage" contractors to participate in the program. As a result of the revised DCAA audit guidance, many contractors had their participation in the program ended, impacting their cash flow. In addition, DCAA has had to redirect resources from audits of high-risk areas to audits of interim vouchers—which are low risk because of their provisional nature. (I.e., costs paid to contractors are subject to future adjustment based on audit findings.)

To be clear, at a time when DCAA has testified that its current funding and headcount only permit it to address 65 percent of required audits, it has devoted a significant amount of its limited resources to the very low value activity of auditing contractor interim vouchers.

Written by Administrator Thursday, 19 August 2010 00:00

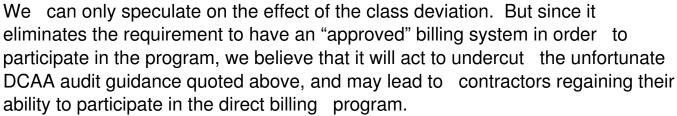
So this <u>DFARS Class Deviation</u>, issued on August 17, 2010, seemed to offer both DCAA and defense contractors a ray of hope in the dark cloud of the current audit environment. Its words may be short and simple, but we are encouraged that they portend something profound: a shift in the DOD oversight environment.

The class deviation said—

Effective immediately, this class deviation deletes the words "for contractors with approved billing systems" from DFARS 242.803(b)(i)(C). This deviation eases the requirements, especially for small businesses, to qualify for direct billing, thereby reducing DoD administration and conserving resources in processing low risk payment vouchers.

Written by Administrator
Thursday, 19 August 2010 00:00

We can only speculate on the effect of the class deviation



It may lead to improved contractor cash flow, and permit DCAA to return badly needed audit resources to more value-added and high-risk areas.

It is good news—about the best news we've heard in some time.

Written by Administrator Thursday, 19 August 2010 00:00