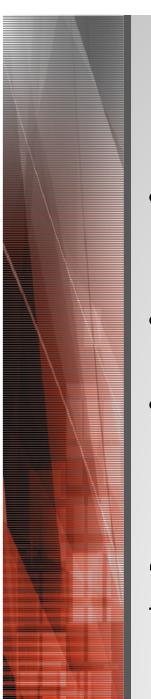




August 19, 2014

Mike Steen, CPA Senior Director





Discussion Topics



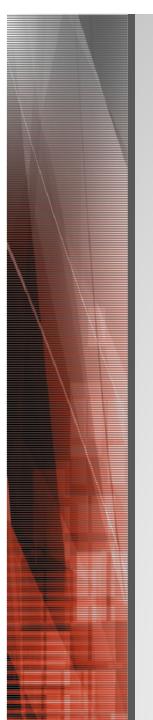
Proposed Rule is Premature

- GAO-12-88: Actions Needed to Improve DCAA's Access to and Use of Defense Company Internal Audits
- DCAA Audit Policies (MRDs) & CAM on Access to Internal Audits
- Contractor monitoring & reporting already exists

DCAA Role of an "Over-viewer"

DCMA vs. DCAA: Reconciling "reviews" vs.

"audits" when government objective is exactly
the same



Recommendations

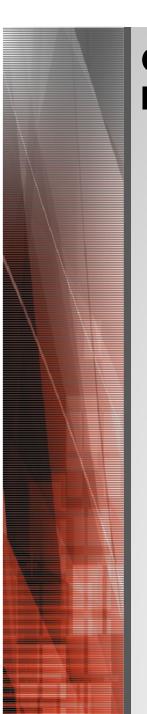


Proposed Rule should be withdrawn...monitoring & disclosing results already exists in DFARS.

or

Proposed Rule should be delayed pending results of GAO follow-up report on DCAA Access to Contractor Internal Audits.

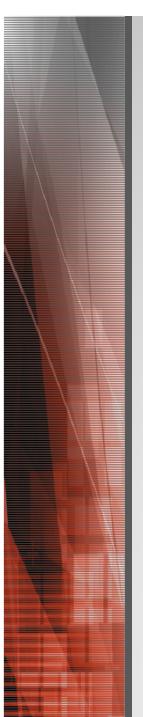
Government (DPAP/DCAA/DCMA) need to reconcile vast differences between requirements to satisfy a DCAA audit vs. a DCMA review (applicable to DFARS Business Systems)...including why add an independent third party audit to 3 of 6 business systems



GAO-12-88: DCAA Access to Internal Audits



- Both DCAA and company internal auditors have the critical responsibility of assessing the quality of company internal controls
- All of the companies reviewed generally followed the IIA's (Institute of Internal Auditors) Standards
 - Independence & Objectivity
 - Risk-based audit plans
 - Proficiency & Continuing Professional Development
 - Internal audit reports contained a clear explanation of the findings, critieria, condition, cause and effect and monitoring corrective actions.

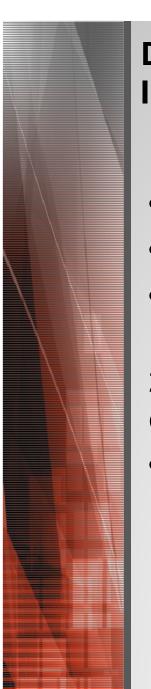


GAO-12-88: DCAA Access to Internal Audits



Issues to Overcome

- GAO conclusion that 520 of 1,125 contractor internal audits had "some relevance"
- DCAA access to assess efficacy of internal controls and business systems vs. DCAA 2013 Report to Congress (reason for access to internal audits): "contractor took appropriate action to correct mischarges and irregularities, that a contractor is not overcharging the government and contractor is making appropriate disclosures" (FAR 52.203-13)
- Reconciling reliance on the work of others under auditing standards vs. a DCMA review
- DCAA policy that system is as of the start of the audit vs. the issuance date of the report (6 months after end of fiscal year)



DCAA Audit Policies for Access to Internal Audits



DCAA

- MRD 13-PPS-007, 4/23/2013
- MRD 12-PPS-019, 8/14/2012
- CAM (Contract Audit Manual) 4-1000

2013 NDAA Section 832 (focus on efficacy of contractor internal controls/business systems)

 DCAA 2013 Report to Congress...too early to tell if achieving desired results

Contractor monitoring & reporting

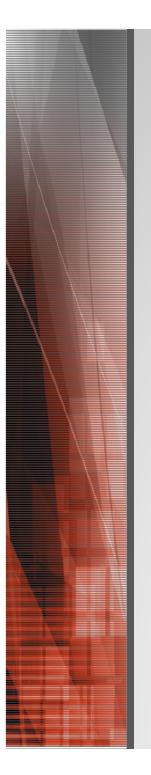


DFARS Final Rule 2/24/2012

- Each business systems clause contains system-specific requirements for contractor monitoring and disclosure
- Property system...contractor shall perform periodic internal reviews and audits...significant findings/results shall be made available to the property administrator

DFARS Business Systems "self monitoring"

- 252.242-7006 criterion #8
- 252.215-7002 (d)(4)(xiii)
- 252.242-7004 (d)(10)





Redstone Government Consulting, Inc.

Email:

Mike Steen, CPA Senior Director 256-704-9800 msteen@redstonegci.com