

How to survive a DCAA audit

Surviving a DCAA audit can be tricky if you do not take the necessary steps to ensure that you understand, manage and respond appropriately to the audit. These steps will go a long way to ensuring a successful audit.

What is a successful audit, it is one in which the contractor and the contractor's systems are found to be in compliance with all pertinent procurement regulations and statutes. A successful audit at a minimum meets the following criteria:

- DCAA applies the audit procedures objectively,
- The audit is conducted in accordance with audit plan,
- The company plans for support during the audit are appropriate,
- The audit is fair and balance highlighting both positive and negative aspects of the audit subject,
- DCAA audit findings are adequately documented and presented fairly and appropriately in the audit reported, and
- DCAA audit process presents a minimum disruption to the contractor's normal operations.

Most contractors would view a successful audit as one that results in "no findings" that significantly impact to the company's operations or finances.

Findings that would be considered significant to a contractor and therefore to be avoided include; those of considerable dollar value, those that are a surprise to management, and/or those that reveal a systemic problem within the contractors operations.

To adequately survive a DCAA audit, contractor cannot just stand by and let it happen. They must plan ahead and prepare for the various types of audits in which the contractor may be subject to. How can a contractor know what audits it may be subject to, a first step would be to gain an understanding as to the types of audits DCAA performs? This information can be obtained from the DCAA Contract Audit Manual (DCAAM) which is found on DCAA's website (www.dcaa.mil). The second step would be to determine as a contractor your classification status, are you a small, medium, or large contractor, are your contracts competitive awarded or negotiated, and are your contracts Cost Accounting Standards (CAS) qualified. Understanding your status as a contractor will help in determining what type of audits you may be subject to and how to plan for those audits.

Once a contractor identifies the types of audits they are subject to, the planning process should include at minimum the following steps to ensure DCAA provides adequate information as to the scope of the audit, stays within the audit scope, and provides an opportunity for the contractor to obtain information on the audit findings and provide a written response for inclusion in the audit report.

The minimum audit planning steps include the following:

- 1) Insist on an entrance conference to discuss the audit scope,

- 2) Appoint an internal liaison that the DCAA auditor must coordinate the audit process through,
- 3) Assemble a management team for the purpose of responding to and addressing any audit request from DCAA,
- 4) Make sure that an accurate and accessible record-keeping system exist
- 5) Ensure the company provides timely responses,
- 6) Have the liaison maintain a detailed log of all DCAA request and information provided,
- 7) Ensure that the audit does not exceed the agreed to scope,
- 8) The liaison should insist on a list of required interviews,
- 9) The liaison should be present at all interviews to ensure the interviewee understands what is being requested of them and that interviewee is the appropriate individual for the information DCAA seeking,
- 10) The management team must review the preliminary findings at the appropriate functions/department level,
- 11) Ensure DCAA provides for an exit conference at the company level and that the company has an opportunity to respond in writing to any findings.

TD Government Solutions regularly provides assistance to large and small government contractors before, during and after DCAA audits. These services over the years has provided us a clear picture of what issues most often trigger problems that may result in costly findings.

For further information please contact the offices of TD Government Solutions

tim.diguisepp@tdgovernmentsolutions.biz

www.tdgovernmentsolutions.biz

(814)-242-2410