

DCAA Audit Guidance on Earned Value Management (EVM) Surveillance Audits

Memorandum For Regional Directors (MRD)

- The June 2003 Executive Steering Committee issued MRD 03-PPD-067(R), dated September 24, 2003
- Revised Audit Programs
 - Revised AC 17750 (System & Report Surveillance)
 - Issued AC 17760 (Report Surveillance only)
- Determination of Audit Scope will be based on a Risk Assessment
 - Performed as Part of the Annual Program Planning Process
- A Detailed Evaluation of the EVM System's Continuing Adequacy and Compliance with EVMS Guidelines should be performed every 2 to 4 years.
- Report Surveillance will be performed on at Least an Annual Basis

DCAA EVMS Surveillance

Primary Objective

Ensure that contractors use effective internal cost and schedule control systems which provide contractor and government managers with timely and auditable data to effectively monitor their programs, meet requirements, and control contract performance.

The purpose of this audit program is to facilitate DCAA's participation in [the] surveillance activity

DCAA Specific Objectives of EVMS Surveillance

- To ensure the Contractor's management control system continues to:
 - Provide valid and timely management information;
 - Comply with the DoD EVMS guidelines;
 - Provide timely indications of actual or potential problems;
 - Provide baseline integrity.
- To ensure that the contractor's required external cost and schedule reports contain:
 - Information that is derived from the same data base as that used by contractor management;
 - Explicit and comprehensive variance analysis including proposed corrective action in regard to cost, schedule, technical, and other problem areas;
 - Information that depicts actual conditions.

DCAA Phase II EVMS

Surveillance Responsibilities

- Reviewing the contractor's accounting system policies and procedures for compliance with EVMS guidelines and contract provisions.
- Performing periodic reviews of selective financial data contained in various reports submitted by the contractor to determine whether they accurately reflect the contractor's books and records.
- Performing periodic evaluations of related financial areas, including budgeting, direct and indirect costs, variance analysis, and forecasting.

DCAA Phase II EVMS Surveillance Steps

- Preliminary Steps
- Review of Estimated Cost At Completion (EAC)
- Review Of Reconciliations
- Review Of Reports
- Variance Analysis
- Verification Of System Integrity
- Concluding Steps