

Contractor Business System Surveillance

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Government **AND** Contractor Responsibilities

Product

Cost

Schedule

Performance

AND

Contract
Compliance

Contractor Business Systems

1. Contract Clauses / Provisions
2. Audit / Review Environment
3. Management Reviews

Contractor Business Systems

DCAA

- Accounting
- Estimating
- Material Management & Accounting System (MMAS)

DCMA (SUPSHIP)

- Purchasing
- Property Management
- Earned Value Management System (EVMS)

Audit and Records – Negotiation Clause

- FAR 52.215 – 2 (OCT 2010)
 - Exceed Simplified Acquisition Threshold
 - Commercial Items Exempted
 - Certified Cost or Pricing Data
 - Cost, Funding, or Performance Reports (subpara (e))
 - Contract Type
 - Cost- Reimbursement
 - Incentive
 - T&M
 - Labor Hour
 - Price Re-determinable
 - Comptroller General of US or authorized representative

Contractor Business Systems Clauses

- DFARS 252.242 – 7005
 - *“(c) General. The Contractor shall establish and maintain acceptable business systems in accordance with the terms and conditions of this contract.”*

Contractor Internal Audits or Management Reviews

Accounting	DFARS 252.242 – 7006 (c) (8)
Estimating	DFARS 252.215 – 7002 (d) (4) (xii) and (xiii)
MMAS	DFARS 252.242 – 7004 (d) (10)
Purchasing	DFARS 252.244 – 7001 (c) (18)

Provide for management reviews or internal audits of the system to ensure compliance with the Contractor's established policies, procedures, and practices. (paraphrased)

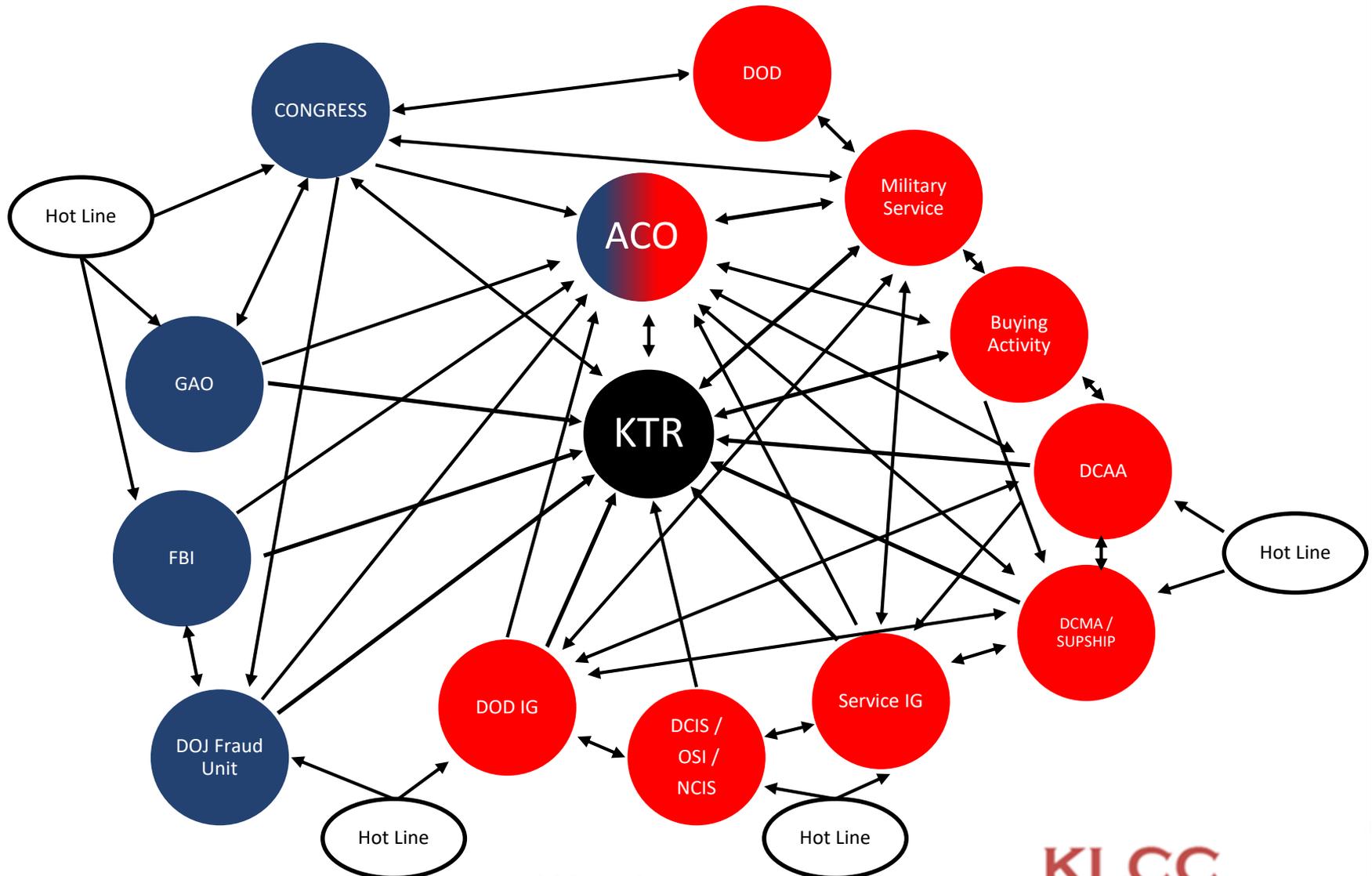
For Purchasing Only

- FAR 44.304, Surveillance
 - *“(a) The ACO shall maintain a sufficient level of surveillance to ensure that the contractor is effectively managing its purchasing program.”*
 - *“(b) Duplicative reviews of the same areas by CPSR and other surveillance monitors should be avoided.”*

Business System Audit / Review Environment

Acctg	Est	MMAS	Purch
DCAA Audit	DCAA Audit	DCAA Audit	CPSR
CAS (multiple)			
MAAR 6			
MAAR 13			MAAR 13
Billing System		Purchasing Sys	
Indirect Rate		Accounting Sys	
Incurred Cost			
(Surv)	(Surv)	(Surv)	(Surv)
IA / MgmtRev	IA / MgmtRev	IA / MgmtRev	IA / MgmtRev
Proposal Audits	Proposal Audits	Proposal Audits	Proposal Audits
		ISO	ISO

Business System Decision Process



Management Review Approach

1. Perform risk assessment
2. Determine review team
3. Perform review
4. Share plans / results with Government (DCAA, DCMA, ACO)

Management Review Steps

1. Planning
2. Coordinate with Government
3. Review & Interview
4. System Walk-Through -> Flowcharts
5. System Description / Procedure Documentation
6. Transaction Testing
7. Findings & Recommendations
8. Company (Corrective) Action Plans (CAPs)
9. Inform Government (DCAA, DCMA, ACO)

Management Review Tips

- Team Make-Up
- Work Program(s)
- Transaction Test Topics
- Sample Selection
- Work Papers
- Findings, Recommendations, Observations
- CAPs (MRAPs)
- Presentation to Customer
- System Overview / Demonstration



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