Contractor Business System Surveillance

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THE STONE OF ACCORD

AS WE SEEM NOT TO ENJOY THE ROYAL AND ANCIENT PASTIME LET US CONTINUE THE TRADITION
OF THE TYPICAL CULTRI FANCY
BY SHARING ROUNDS THROUGH THE STONE TO SYMBOLIZE FRIENDSHIP, CAMARADERIE AND GOODWILL
ENJOY YOUR GAME AT THE OLD MAC
Government AND Contractor Responsibilities

Product
Cost
Schedule
Performance

AND

Contract
Compliance
Contractor Business Systems

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

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Business System Decision Process

Diagram showing various agencies and their interactions, including:
- CONGRESS
- DOD
- Military Service
- ACO
- KTR
- GAO
- DOJ Fraud Unit
- FBI
- DOD IG
- DCIS / OSI / NCIS
- Service IG
- DCAA
- DCMA / SUPSHIP
- KLCC Proprietary

Hot Line connections between the agencies.
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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