Department of Energy
Assistance Regulation

No. AL-2006-12
Date 09/29/06

ACQUISITION LETTER

This Acquisition Letter is issued under the authority of the Procurement Executives of DOE and NNSA

Subject: Corporate Audit Management Program (CAMP)

References:

FAR Part 7	Acquisition Planning
FAR Part 15	Contracting by Negotiation
FAR Part 42	Contract Administration and Audit Services
FAR Part 44	Subcontracting Policies and Procedures
FAR Part 45	Government Property
FAR Part 49	Termination of Contracts
FAR Part 51	Use of Government Sources by Contractors
Acquisition Guide	Chapter 7, Acquisition Planning
Acquisition Guide	Chapter 37, Service Contracting
Acquisition Guide	Chapter 42, Contract Administration
Acquisition Guide	Chapter 70.4, Cooperative Audit Strategy
DOE O 224.3	Audit Resolution and Follow-up Program
DOE O 413.3	Program and Project Management for the Acquisition of Capital Assets

When is this Acquisition Letter (AL) Effective?

This AL is effective 10 business days from the date of issuance.

When Does This AL Expire?

This AL remains in effect until superseded or canceled.

Who is the Point of Contact?

Contact Denise Wright of the Office of Procurement and Assistance Policy at (202) 287-1340 or by email at denise.wright@hq.doe.gov.

Visit our website at www.pr.doe.gov for additional information on Acquisition Letters and other policy issues.

What is the Purpose of this Acquisition Letter?

The purpose of this Acquisition Letter (AL) is to provide information and guidance on the Corporate Audit Management Program (CAMP), which covers non-integrated contract audits. Non-integrated contracts are those not fully covered by DEAR 970.5232-3, Accounts, records, and inspection, Chapter 4 of the Accounting Handbook, and Chapter 18 of the Inspector General Audit Manual. The CAMP provides centralized funding management and oversight capability of DOE audit services through a four point approach of Budget, Accounting, Policy, and Maintenance. For the purpose of this AL, references to DOE include NNSA.

What is the Background?

The Department transfers through the Intra-governmental Payment and Collection System (IPAC) approximately $20 million each year for audit services spread among four Headquarters administered Interagency Agreements (IA) with Defense Contract Audit Agency (DCAA), Defense Logistics Agency/Defense Contract Management Agency (DLA/DCMA), Department of Health and Human Services (HHS), and the Office of Naval Research (ONR). Audit services are performed against subcontracts for Management and Operating (M&O) contracts as well as non M&O prime contracts. While DOE audit services are managed through the Office of Procurement and Assistance Management (OPAM), the Office of Inspector General (OIG) has audit cognizance for M&O contracts under the Cooperative Audit Strategy (see Acquisition Guide Chapter, 70.4).

CAMP provides centralized oversight, access, visibility, control, and reporting for the non-integrated contracts audit program. It is designed to:

⇒ Ensure efficient and effective application of a uniform corporate audit policy in concert with the cooperative audit strategy;

⇒ Integrate local policy and procedure into the larger corporate audit management strategy, where applicable; and

⇒ Develop and maintain a management information system (MIS) that allows for proactive decision making, planning, process control, corrective action, etc.

Guidance Included in this Acquisition Letter

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I. What Are the Components of CAMP and How do They Work?

CAMP is divided into four components, policy, budget, accounting, and maintenance. Each component comprises a number of actions to ensure effective management of the audit services provided under the OPAM interagency agreements and its associated Memorandum of Understanding (MOU). The established Interagency Agreements (IA) are mechanisms that provide for the reimbursement of services rendered through the IPAC system for each audit agency. Likewise, the MOU establishes detailed procedures as to what audit services are available and how the audit services are to be performed. For example, DCAA will audit incurred cost claims at all contractor locations where DCAA is cognizant and auditable dollars have been identified.

Policy - outlines a corporate strategy or plan of action to guide and manage the non integrated contract audit process. The corporate policy integrates local policy and procedure allowing for local program management flexibility while still providing for a corporate approach to audit management.

Budget – estimates are provided to the Chief Financial Officer (CFO) for future year DOE budget preparation and funding. Estimates provided to the CFO are based prior year cost accruals with an added escalation factor adjusted for inflation. Similarly, budget projections provided to the Program Offices are based on the same methodology but on an individual program level.

Accounting – provides a basis for budget development in that the Management Information System (MIS) captures detailed DOE Program accounting data on expenses related to audit services, such as, audit hours, contractor, total dollars per audit hours, etc. In addition, the accounting component provides increased DOE Program visibility into audit expenditures through data stream transmission, enabling the customer to monitor trends and track expenses.

Maintenance – provides for reporting, process review, process improvement, data security, and necessary corrective action. This is done through the MIS developed specifically for audit program management. The maintenance component encompasses an iterative process improvement, anticipating the need for producing new policies, procedures, and practices, and making use of lessons learned in carrying out CAMP functions and subsequently communicating those lessons to affected acquisition personnel throughout DOE.

II. How Are Audit Services Acquired Within DOE?

Consistent with FAR 42.1, Contract Audit Services, the Department has established Interagency Agreements to obtain contract audit services as required by the Contracting Officer. In most cases, DOE will negotiate a corporate MOU with the responsible audit agency to delineate the terms and conditions required to obtain the desired audits services. However, there are instances where a DOE Program may require that a separate audit service agreement be established in order to satisfy a determined need outside of the corporate audit service structure. For instance, a Program may require that the responsible audit agency establish an on-site office for a definitive period of time to provide the necessary audit services required at that site. When a unique separate audit service agreement is determined to be necessary, through local discussion among the stakeholders, procurement, legal, budget, program, etc., the Program Manager for CAMP, located in the Office of Procurement and Assistance Policy, should be notified in order to avoid potentially duplicative audits, reviews, inspections, and examinations of contractor and subcontract records associated with that site and project.

Ordering procedures under an executed IA and/or MOU provide for local ordering of audit services. The decentralized local ordering process produces a standardized cost effective mechanism in which to obtain audit services and provides an opportunity for discussion and dialogue among the parties involved in this process, e.g., procurement, legal, budget, program, IG, auditor, etc., ensuring that the necessary audit services are appropriately selected and funds properly allocated. The Contracting Officer is ultimately responsible for determining the need for and ordering audits.

The CAMP Program Manager has overall responsibility to ensure sufficient Program funds are available for the performance of required audit services. In support of CAMP, each DOE procurement activity that requests audits from any of the audit service providers may designate a single point of contact (POC) (as determined by local procedure) responsible for tracking all audit requests. The CAMP Program Manager will monitor, coordinate, provide oversight, and report on authorized expenditures when requested by the local program office or contracting activity POC.

Where DCAA is the cognizant audit agency, as defined in the MOU, the responsible audit office within DCAA is determined based on level of audit activity and geographical location. Consistent with this practice, the corresponding DOE Program site has been assigned, by DCAA and the CAMP Program Manager, an identifying Funding Customer Identification Code (FCID) which tracks billable hours, dollars spent and other information for a particular DOE Program Office.

In general, requests for audits to the responsible audit agency should incorporate the following:

- In some cases, an estimate of hours required for the requested services so that a reasonable estimate for billing is known;

- that the reasonable hours agreed to between the audit agency provider and DOE will not exceed the predetermined limit without additional coordination between the parties;

- on pre-award audits, that the audit agency provider initiates the service when an adequate proposal is received by the provider; and

- an audit projection inventory be maintained in order to ascertain the approximate number of audits and probable cost for successive years. The inventory projection should be based on audit category, such as, indirect rates, forward pricing, contract closeout, rate verification, incurred cost, etc.

In addition, the following risk factors should be considered when assessing the type of audit assistance needed:

- Dollar value of the proposal;
- Type of anticipated award;
- Past performance related to prior government experience with contractor or sub-contractor;
- Size of contractor or subcontractor; and
- Complexity and adequacy of contractor's or subcontractor's systems, policies, procedures, and internal controls.

Audits for Financial Assistance

While Federal audits are not required or the normal practice for financial assistance awards, they may be helpful in the review and approval of a budget. Therefore, audits should be considered for high dollar value awards, for high risk recipients with poor financial management systems or when other risk factors described above are in evidence. The audit should be done in accordance with the appropriate OMB Circular and provide a basis for determining the reasonableness of the budget.

DOE is the cognizant audit agency for a few financial assistance recipients. Audit assistance is appropriate for determining indirect rates in these cases. Audit assistance may be appropriate for approving management plans for single audits performed under OMB Circular A-133; however this is an exception and not the rule. Also, audit assistance is appropriate under this AL when, in accordance with 10 CFR 600.316, Audits, which require any recipient that expends more than $500,000 in a year to have an audit performed by an independent auditor for for-profit companies.

III. What Procedures Ensure Effective Audit Management?

Some strategies for managing required audit activity include:

1. Contracting officers should ensure that the requirement for audit services is addressed in the acquisition planning phase. For those sites that rely on audit and/or pricing staff to request audits, these offices should ensure that local procedure requires audit requests to be reviewed and approved by the contracting officer.

2. The responsible audit agency must be provided the appropriate billing information designed to send and receive audit related data. The attached DCAA FCID Program Guide allows for the specific Program location to be identified by its distinguishing number for funding assignment or correspondence. This ensures proper connectivity and tracking.

3. Contracting Officers should ensure that audit services are requested from the appropriate audit agency, e.g., DCAA, DCMC, HHS, or ONR, commensurate with the type of service required. For example, if audit service is required for an OMB Circular A-133 recipient, the cognizant audit agency may be HHS, ONR, or DCMA, versus DCAA who primarily performs audits on all DOE prime contracts and M&O subcontracts.

4. Contracting Officers should establish a corrective action plan for the resolution and settlement of audit reports received. This may include developing a negotiation strategy, if it is an incurred cost finding or development of a corrective measure for an accounting system deficiency.