



Defense Contract Audit Agency

DCMA

DEFENSE CONTRACT MANAGEMENT AGENCY



DCMA and DCAA: **Internal and External Communication Plan**

DAU Series on Leveraging DCMA Capability

March 14, 2023

Greg Stein, DCMA

Luis Mercado, DCAA



Collaborative Customer Commitments



- DCMA and DCAA are each committed to working together with you to provide effective and timely support to meet your proposal analysis needs
- DCMA and DCAA coordination is done to share information to inform decisions
- Early engagement should include both DCMA and DCAA to effectively address proposal risk and to facilitate efficient turn-around times
- The Contracting Officer is responsible for determining the type, extent, and scope of field pricing/audit assistance required



Joint Customer Commitments



- FAR 15.404-2(a)(1) states the contracting officer should request field pricing assistance when the information available at the buying activity is inadequate to determine a fair and reasonable price
- Contracting Officer is responsible for determining the type, extent, and scope of field pricing (DCMA) and audit (DCAA) assistance
- DCMA and DCAA are committed to working together to provide effective and timely support to meet your analysis needs
- Early engagement involving DCMA and DCAA assists in effectively addressing proposal risk and identifying expected assistance



Products and Services



- Both DCMA and DCAA will provide high quality tailored services designed to meet your needs within the time-frame required
- DCMA and DCAA will coordinate in evaluating the overall proposal adequacy, testing of each cost element (as requested), and audit/analysis of subcontractor proposals
- DCMA and DCAA will provide detailed reports summarizing exceptions and incorporating the results of all requested assist audits and technical reviews



Proposal Analysis Services Provided



	DCAA	DCMA
Proposal Support	Audit Assistance <ul style="list-style-type: none"> • Entire Proposal • Cost Realism • Part of a Proposal (PCO tailored cost elements) Agreed-Upon Procedures Advisory Services	Field Pricing Recommendations, Technical Pricing Support, Commercial Item Support, Overhead Should Cost Reviews, Forward Pricing Rates
Method Used	Solicitation Terms, FAR, DFARS, Cost Accounting Standards, Government Auditing Standards	FAR, DFARS, CAS, Contract Pricing Reference Guide, Business Judgement
Product Provided	Audit Report, Memorandum	Field Pricing Report, Technical Support to Negotiations (TSN)



Products and Services: DCAA Proposal Audit



A DCAA audit is an independent verification and assessment of an entire proposal or customer requested elements of a proposal performed in accordance with Professional Standards. An audit consistently includes:

- Using the general access to the contractor's books and financial records granted to DCAA as the responsible audit agency and the proposal detailed supporting data to provide assurance the underlying data is reliable and the estimating methodology produces a reasonable estimate of future costs
- Testing based on a risk assessment that considers the solicitation terms, basis of the contractor's proposal, contractor's internal control systems, established or disclosed cost accounting practices, and risk of fraud
- A report identifying contractor noncompliances (questioned costs) and failure to provide required data (unsupported costs) along with criteria the contractor failed to comply with supporting the findings and recommendations
- Briefing on complex audit findings so that you understand the defensibility and reliability of those findings



DCAA Services Provided



- DFARS PGI 215.404-2(c)(i) states the contracting officer should consider requesting audit assistance from DCAA for Fixed-price proposals exceeding \$10 million and Cost-type proposals exceeding \$100 million
- DCAA provides the following services:
 - Audit Assistance
 - Entire Proposal
 - Cost Realism
 - Part of a Proposal (PCO tailored cost elements)
 - Agreed-Upon Procedures
 - Advisory Services
- The contracting officer should not request DCAA audit assistance for proposed contracts or modifications in an amount less than these amounts unless there are exceptional circumstances explained in the request for audit



DCAA Services Provided



- When the contracting officer decides that an audit is necessary to address an exceptional circumstance, the government team (contracting officer, DCMA, and DCAA) should discuss the exceptional circumstances and tailored services designed to meet the contracting officer's proposal analysis needs
- Items which constitute exceptional circumstances where a contracting officer should consider requesting audit assistance from DCAA include:
 - When a contracting officer is aware of factors that present a risk of significant misstatement and the command wants an audit to support the negotiation position;
 - When communication with DCAA or DCMA has identified significant risk factors or cost elements which they have recommended an audit be performed; or
 - When an estimating deficiency exists which greatly impacts one or more cost elements.



DCMA Services Provided



- FAR 15.404-2(a)(1) states the contracting officer should request field pricing assistance when the information available at the buying activity is inadequate to determine a fair and reasonable price
- DCMA provides the following field pricing assistance services:
 - Proposal Pricing Support and Recommendations
 - Technical Pricing Support
 - Commercial Item Determinations and Pricing
 - Overhead Should Cost Reviews
 - Forward Pricing Rates
- Field pricing assistance should not be requested from DCMA for proposals less than \$2 million in alignment with changes to the threshold for certified cost or pricing data
 - Appeals to review proposals below the \$2 million threshold can be granted on an exception basis; DCMA will consider making an exception based on the risk factors to the acquisition



Products and Services: DCMA Field Pricing



DCMA field pricing consists of reviews of both prime and subcontractor proposals

- Field pricing is characterized by DCMA's recommendation of fairness and reasonableness of cost elements analyzed
- DCMA reviews proposals for compliance and provides an assessment of adequacy
- DCMA Price/Cost Analysts and technical specialists use an array of proposal analysis techniques to determine if proposed costs (both direct and indirect) are allowable, allocable, fair and reasonable and are in compliance with the contractor's disclosed estimating/accounting system practices
- Field pricing reports summarize the results of in-depth evaluations and provide recommendations that enable the determination of fair and reasonable prices
- DCMA provides report walk through and support during negotiations
- The recommendations are reliable and defensible



On-Site Support Staff Assistance



- The on-site support teams at each location are best prepared to identify experience, resource availability, specific contractor risks, and other factors to consider in establishing the recommended support plan that best meets your needs
- The recommended on-site support will vary based on the specific situation at each contractor location and with each procurement; no two situations will be exactly the same every time
- Ideally, discussions will be initiated with all support staff to establish the most efficient and effective approach



Business Rules: Eliminate Duplication if Possible



Example

- PCO requests DCAA to audit the entire fixed price proposal for \$60,000,000

Cost Element	Dollar
Labor	\$10,000,000
Materials	\$20,000,000
G&A	\$10,000,000
Subcontractor	\$10,000,000
Profit	\$10,000,000
Total Price	\$60,000,000

- Prime Contractor requests DCMA to review the subcontractor proposal for \$10,000,000
- Both agencies would be reviewing the same cost element, for different customers, resulting in duplication of effort and potentially jeopardizing the PCO's negotiating position



Sample Tailored Support Plan



Joint discussions resulted in the following support plan approved by the Contracting Officer

Cost Element	Value	Support Provided	Final Document
Material-Subcontractor A	\$ 35.6	DCAA Audit	DCAA Prime Audit Report
Material-Subcontractors B & C	15.5	DCAA Audit	DCAA Prime Audit Report
Material-Subcontractor D	4.6	DCMA Analysis	DCMA P/C Analysis Report
Material-Subcontractor E	4.1	DCMA Analysis	DCMA P/C Analysis Report
Material-Subcontractor F	8.4	DCMA Analysis	DCMA P/C Analysis Report
Material-Subcontractor G	172.3	CO Analysis	PNOM
General Material	15.8	DCAA Audit	DCAA Prime Audit Report
Labor	29.4	DCMA Analysis of rate application	DCMA P/C Analysis Report
ODC	1.9	DCMA Analysis	DCMA P/C Analysis Report
Indirect	85.3	DCMA Analysis of rate application	DCMA P/C Analysis Report
Profit	<u>56.0</u>	CO Analysis	PNOM
Total	<u>\$428.9</u>		
Labor Hours			
Discrete	151,459	DCMA Analysis	DCMA P/C Analysis Report
Touch	137,415	DCMA Analysis	DCMA P/C Analysis Report
Support	383,569	DCAA Audit	DCAA Prime Audit Report



Joint Value Proposition



DCMA and DCAA proposal coordination improves the efficiency and effectiveness of support as follows:

- Improves communication and collaboration
- Assists in the establishment of proposal risk mitigation strategies
- Offers insight into analysis and audit activities and results previously observed
- Increases coverage of analysis in order to provide an optimal negotiation strategy
- Provides services that meet milestones and needs
- Reduces potential for duplication
- Provides better understanding of expectations, customer needs, and outcomes
- Establishes a committed team of Government resources at the contractor's site



Questions



Questions ??