DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PPD 730.5.50.1 May 11, 2004
04-PPD-028(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Revised Audit Guidance on Audits of Contractor Prepared Reconciliations

Summary

This memorandum supercedes, in its entirety, MRD 01-PPD-045(R), dated June 14, 2001, Subject: Audit Guidance on Audits of Contractor Prepared Reconciliations. That guidance was issued under a special distribution to only those FAOs selected for participation in the expansion of a pilot program. The guidance has been revised based on the lessons learned from the expanded pilot program. Enclosed with this memorandum are (1) an example briefing to be given to contractors to solicit their participation in this initiative; (2) an example coordination letter to the Defense Finance and Accounting Service (DFAS) to obtain their agreement on the level of detail the reconciliation will provide prior to expending significant audit resources; (3) examples of reconciliations of obligations (contract funding) and disbursements that would be prepared by the contractor; (4) the reconciliation audit program; and (5) the proforma audit report.

Background

The contract closeout process requires a reconciliation of disbursement and obligation data in the Mechanization of Contract Administration Services (MOCAS) system for each contract before it can be closed. A contract's obligations and disbursements must be balanced at the Accounting Classification Reference Number (ACRN) level in MOCAS to enable a contract to be closed. The majority of contracts close out automatically since the obligations and disbursements are in balance. However, some contracts have obligations and disbursements that are out-of-balance, thus requiring the discrepancies to be identified and resolved prior to being closed. Based on our prior reconciliation audits, the following circumstances are examples of what can cause the out-of-balance condition in MOCAS:

1. Contract modifications incorrectly processed in MOCAS
2. Inaccurate distribution of costs to ACRNs during payment
3. Unbilled allowable costs or unpaid invoices
4. Paid invoices incorrectly recorded in MOCAS
5. Contract DD 250/progress payment liquidation differences
6. Contractor or DFAS netting of over/under payments on invoices

Many of the contracts that require closeout actions have been physically complete for years, but have been unable to be closed due to the imbalances in MOCAS. In some cases, DFAS has been unable to resolve those differences due to incomplete Government records. Our experience has shown that the use of the contractor's records in these cases has helped to identify the cause of the imbalances and ensuing corrections necessary to bring the contract in balance and available to be closed.

However, contractor participation in the Government's reconciliation process is not required, either by regulation or by contract terms. Therefore, in an effort to assist DFAS in resolving these imbalances, DCAA has agreed to initiate discussions with contractors and request their assistance in closing out selected contracts by preparing reconciliations using their own contract records, billing and payment records, and the information in MOCAS. In turn, DCAA will then audit the contractor prepared reconciliation and provide a report to DFAS which includes recommended adjustments to MOCAS and identification of any money owed to either the contractor or the Government. This report and the information contained therein will be used by DFAS as part of their final efforts to close out the contract.

Guidance

Based on lessons learned from prior reconciliation audits, the success of the reconciliation initiative depends heavily on whether contractor records are maintained by ACRN or are easily mapped to an ACRN using accounting data by CLIN (contract line-item number). Furthermore, the success also depends on whether all parties involved (DFAS, DCMA, DCAA, PCO, and the contractor) agree that preparing and auditing a reconciliation on a particular contract would be beneficial. Thus the collaborative efforts and open lines of communication and coordination among all parties must continually be present and positive. Regional DFAS Task Force designated members will work with the DFAS Financial Liaison Advisor (FLA) to identify the universe of contracts and associated contractors requiring reconciliation efforts. This coordination effort between the regions and DFAS FLA should take place at least annually, prior to the Agency-wide program planning process, and be supplemented by periodic (e.g., quarterly) updates of new candidates identified by DFAS to the FLA during the year.

Once these candidate contractors are identified, regional DFAS Task Force designees will provide assistance to their FAOs, as necessary, to brief contractors about the effort involved and the benefits of participation. Close coordination and involvement with the local ACO in this initiative is critical to ensuring a cohesive teaming approach is taken when selecting and encouraging contractors to participate. The enclosed presentation (Enclosure 1) is provided for auditors to use in their discussions with contractors and the local ACO regarding participation in this initiative. Once a contractor has expressed interest in participating in the reconciliation initiative, the auditor should meet with the contractor and the ACO to select those contracts previously identified by DFAS as being good candidates for reconciliation under this initiative, as well as those additional contracts not identified by DFAS that the contractor or the ACO desires to include. The auditor, ACO, and the contractor should also agree on the roles, responsibilities, and timelines for achieving success. The regional DFAS Task Force representative will work closely with the FAO in identifying whether the contractor maintains

accounting records in the form and substance necessary to effect an acceptable and auditable reconciliation.

Once the parties agree on a list of potential contracts, the auditor must forward that information to the DCAA FLA at DFAS (dcaa-fla-dfas-cps@dcaa.mil) for verification that the contracts are not already being reconciled by another organization (e.g., consultants to DFAS, Army, Navy, etc.). Once that is accomplished, for each individual contract being reconciled, a coordination memorandum between DFAS and DCAA, with a copy to the ACO and PCO, must be prepared to document DFAS's approval for our participation in the reconciliation. The memorandum will specifically identify the level of detail that the reconciliation will provide. Enclosure 2 provides an example of the coordination memorandum.

After concurrence to proceed with the reconciliation of a specific contract is received from DFAS, a copy of the DFAS concurrence notification should be provided to the FLA at DFAS so the contract can be registered to DCAA in DFAS's reconciliation database. Registration of all contracts involved in a reconciliation effort, by any entity, is required to prevent any duplication of effort.

The main objectives of a reconciliation are to determine if there is money owed to either the contractor or the Government, and to determine the adjustments that need to be made to the MOCAS records to correct the obligation and disbursement amounts in order for the contract to be in balance and able to be closed in MOCAS. Consequently, there are generally two contractor prepared reconciliation schedules: an obligation reconciliation (Enclosure 3), and a disbursement reconciliation (Enclosure 4). There is no prescribed format for the contractor prepared reconciliation, and auditors should not prepare the reconciliation for the contractor. Many contractors already prepare some form of reconciliation that includes obligations and payments requested and received (disbursements) for their own internal financial management purposes that can be used or easily converted to the example formats provided in Enclosures 3 and 4. Auditors should be flexible regarding the format of the reconciliation as long as it provides the applicable information. It is important to note, however, that the recommended adjustments to MOCAS must be at the transaction level in order to be of value to DFAS in making the correction. For example, for adjustments to obligation amounts, the auditor must be able to identify the specific contract modification number that was not recorded in MOCAS or recorded incorrectly and what the correct amount should be. For disbursement adjustments, the auditor must be able to identify the specific voucher or invoice number that was recorded incorrectly in MOCAS and what the correct amount should be.

It is not DCAA's responsibility to evaluate or to report on the legitimacy of the adjustments with respect to appropriations or fiscal law, and FAOs should not expend any effort for these purposes. DFAS will continue to have the ultimate responsibility for verifying that the adjustments are not being made against unavailable appropriations. In addition, while it will also be a DFAS function to reconcile MOCAS with the official accounting data, any information encountered during our audit that might assist DFAS in resolving discrepancies should be included in an Appendix to the report.

The attached audit program and report (Enclosures 5 and 6) will be incorporated into APPS. Until then, auditors performing these assignments will need to copy and paste the audit steps and report language from the enclosures into the generic audit program and audit report currently generated in APPS under activity code 17330. The audit reports are to be addressed as indicated in Enclosure 6. Depending on the audit results, there may be an ACO action required before DFAS can close the contract and, therefore, it is very important that the ACO be furnished a copy of the report. A copy should also be provided to the DCAA FLA at DFAS and the designated regional DFAS Task Force representative.

Concluding Remarks

Auditors with questions regarding this memorandum should contact their designated regional DFAS Task Force representative or the DCAA FLA at DFAS. Regional personnel with questions should contact Ms. Victoria Post, Program Manager, Policy Programs Division, at (703) 767-2270 or e-mail at dcaa-ppd@dcaa.mil.

/Signed/
Robert DiMucci
Assistant Director
Policy and Plans

Enclosures: 6

1. Initial Briefing to Contractor and ACO
2. Example of Coordination Memorandum
3. Example Contractor Obligation Reconciliation
4. Example Contractor Disbursements Reconciliation
5. Audit Program for Audit of Contractor Prepared Reconciliations
6. Proforma Audit Report for Audit of Contractor Reconciliations

DISTRIBUTION: C

Contractor Prepared Reconciliations

Contractor Briefing

Background

- Senior DoD Executives have placed a high priority on closing out physically complete contracts
- Some contracts have been physically complete for many years, but are unable to be closed due to imbalances between obligations (contract funding) and disbursements (payments) within the Government's records
- DCAA has committed to the Under Secretary of Defense (Comptroller) to assist DFAS (Defense Finance and Accounting Service) to:
  - solicit contractor voluntary assistance in preparing reconciliations using available contractor billing and payment data
  - audit the reconciliation
  - provide an audit report to DFAS to serve as a basis to modify the MOCAS (Mechanization of Contract Administration Services) system to bring the contract in balance and available to be closed

Background

- An initial pilot was established in conjunction with DFAS with the following participants:
  - Raytheon, Arlington, TX (L-3)
  - Raytheon, Tucson, AZ
  - Boeing, St. Louis, MO
  - Bell Helicopter, Arlington, TX

Pilot Lessons Learned

- Most contractors already prepare reconciliations of obligation and disbursement data as part of their normal billing system activity
- Required to ensure billings and cash receipts are correct (to identify differences for timely follow-up)
- Candidate contractor for the reconciliation project is a company already performing reconciliations which can be used as a baseline to build upon to reconcile Government obligation and disbursement records in MOCAS
- DCAA/DFAS/ACO/PCO jointly developed a process to use existing contractor data to identify reasons for MOCAS being out-of-balance, and with contractor assistance developed the documented and audited adjustments necessary to bring MOCAS in balance and close the contract

Pilot Lessons Learned

- ***Reasons for MOCAS imbalances***
  - Unrecorded disbursements
  - Disbursements recorded on incorrect Accounting Classification Reference Number (ACRN)
  - Contract modification to increase/decrease obligations not recorded or recorded on incorrect ACRN
  - Paid invoices incorrectly recorded

Negative Unliquidated Obligation (NULO)
Unliquidated Obligation (ULO) - Example

	Obligations	Disbursements	
ACRN AA (Army)	$ 900,000	$ 900,000	(In balance)
ACRN AB (Navy)	1,000,000	850,000	(ULO)
ACRN AC (Air Force)	1,000,000	1,000,000	(In balance)
ACRN AD (FMS)	2,000,000	2,100,000	(NULO)
Totals	$ 4,900,000	$ 4,850,000	(ULO)

Benefits

- Expedites closeout of contracts - often faster than normal process
- Gives contractor access to Government data
- Results in consensus on final contract amount and facilitates payments of amounts due the contractor
- Assists in identifying amounts to deobligate for other uses
- Improves relationships through teaming process

Teaming Approach

- DCAA/DFAS/ACO/PCO and contractor identify and select contracts for reconciliation

  Suggested selection criteria:
  - Large dollar contracts
  - Large out-of-balance conditions (NULOs and ULOs) in MOCAS
  - Contracts physically complete – use Wynne list contracts
  - Amounts are owed to Government or contractor
  - Incomplete/difficult to find Government records
  - Reconciliation of Government obligation and disbursement data is the only action needed to close contract
  - List should include a mixture of contracts (Government proposed contracts and contractor proposed contracts)

Teaming Approach

- Contractor performs reconciliation of its accounting records to MOCAS data supplied by the Government
- DCAA audits the contractor's reconciliation
- DFAS/PCO/ACO rely on DCAA audit report and contractor reconciliation to close the contract

Current Participants

BAE Systems, Nashua, NH
Boeing, Seattle, WA
Boeing, St. Louis, MO
Concurrent Technologies, Pittsburgh, PA
Cubic Corp, San Diego, CA
GD Government Systems, Needham, MA
GD Land Systems, Sterling Heights, MI
Hydraulics, Inc., Chatsworth, CA
ITT, Ft. Wayne, IN
ITT Gillfillan, Van Nuys, CA
L-3, Arlington, TX
Lockheed Martin, Mt. Laurel, NJ
Northrop Grumman, Azusa, CA
Northrop Grumman, Sunnyvale, CA
Pratt & Whitney, Hartford, CT
Raytheon, Andover, MA
Raytheon, El Segundo, CA
Raytheon, Ft. Wayne, IN
Raytheon, Madison, MS
Raytheon, Tucson, AZ
Tetratech, Pasadena, CA

Contractor Responsibilities

- Reconcile contract price to contract funded amounts by comparing contractor contract price data by ACRN level to MOCAS system obligation data
- Reconcile contractor receipts to MOCAS system disbursement data by ACRN
- Reconcile contract billings to payment receipts by ACRN

If contractor accounting data is not accumulated by ACRN, use a reasonable estimating approach by mapping the accounting data captured by CLIN (contract line item) to an ACRN

DCAA Responsibilities

- Coordinate with DFAS on reconciliation strategy and obtain concurrence - Contractor records can be used to resolve differences at ACRN level
  - Contractor payments are recorded at ACRN level or
  - Contractor records can be used to reconstruct data at ACRN level using a reasonable estimating approach
- Also provide Government obligation and disbursement data to contractor
- Verify contractor billing and payment records to supporting documentation and provide information to DFAS for resolving obligation and disbursement differences

DCAA Responsibilities

- DCAA performs audit and issues opinion on adequacy of contractor's reconciliation and proposed adjustments; report include the following information:
  - Contract price/obligations (by ACRN)
  - Contract disbursements (by ACRN)
  - Total amount owed by or due to contractor
  - Comments on the contractor's recommended adjustments
  - Provide recommendations at the invoice level/shipping document number
  - DCAA audit reports will not include recommendations or opinions on fiscal year accounting and appropriations

DFAS Responsibilities

- Agree on level of audit input needed to effect a successful contract reconciliation and closure
- Assign a higher priority to reconciliation reports received from DCAA
- Use DCAA report to complete reconciliation and facilitate closing contract
- Determine if adjustments are in accordance with fiscal year accounting and appropriations
- Coordinate with Services/Accounting stations on reconciling official accounting station records, where applicable

ACO/PCO Responsibilities

- Provide a list of priority contracts needing reconciliation
- Provide access to any relevant Contract Management Office (CMO) files on the selected contracts

Suggested Performance Measurements

- DCAA performs initial planning and preliminary procedures (30 days)
- DCAA coordinates initial assessment with DFAS and obtains agreement on reconciliation strategy (30 days)
- Contractor finalizes reconciliations (30 – 60 days)
- DCAA audits reconciliation and issues report (30 - 60 days)
- DFAS uses DCAA report to complete reconciliation (60 days) – coordinates with Services/Accounting Stations on reconciling official accounting records

  - *Cycle time should significantly decrease if teaming approach is used.*

SAMPLE COORDINATION LETTER

IN REPLY REFER TO

(Assignment No)

MEMORANDUM FOR DEFENSE FINANCE AND ACCOUNTING SERVICE
COLUMBUS CENTER
RECONCILIATION DIRECTORATE
P.O. BOX 182317
COLUMBUS, OHIO 43218-2317

ATTENTION: BKR/Mr. Bill McGee, Director of Reconciliations

SUBJECT: Contractor Prepared Reconciliation for Contract Number *[insert contract number]*

We are planning to audit the contractor-prepared reconciliation at *[Insert Contractor Name]*. We have coordinated with our DCAA Financial Liaison Advisor at DFAS and confirmed that no other organization is performing a reconciliation on the subject contract. We have also coordinated the contract reconciliation selection at *[Contractor Name]* with the ACO. We request your concurrence on the level of detail we are able to provide for this reconciliation and to confirm that a reconciliation is still required.

Our preliminary analysis of the contractor's records and current MOCAS data identified the following:

		Obligations		Disbursements		ULO/NULO
Contractor:						
MOCAS:						
Difference						

Level of Reconciliation and Audit:

Obligations. MOCAS shows obligations by ACRN and contract modification, with the exception of some correcting/adjusting entries. The contractor's records can summarize the basic contract and all contract modifications with descriptions and relevant contract funding amounts. We will identify the funding differences between MOCAS and the contractor's records and will verify and report on obligations by ACRN using contract data.

Disbursements. MOCAS shows disbursements by ACRN and shipment number with the exception of some correcting/adjusting entries. The contractor's records identify total payments by ACRN, and invoice/shipment number. We will test the contractor's payment reconciliation by examining the contractor's supporting data, including invoices and accounting records, and will report on disbursements by ACRN and shipment number, if applicable.

Please confirm that the reconciliation and our examination are still required by DFAS. Until our audit is completed, we request that no adjustments be processed by your office so that we can maintain the baseline. In addition, please advise us if you have any concerns, questions, or recommendations regarding the procedures and/or methodology that we intend to apply in our review.

If you have any questions regarding this memorandum, please contact *[Insert Auditor name]*, Auditor, *[Insert auditor phone no.]* or [*Insert Supervisor Name*], Supervisory Auditor, at [*Insert Supervisor phone no*.]. Our e-mail address is [*Insert office email address*].

[*Insert Name*]
Resident Auditor/Branch Manager
Office

Copy furnished:
DCAA, FLA-DFAS
DCAA, Regional DFAS Task Force Member (specific distribution determined by Region)
ACO
PCO

EXAMPLE OF OBLIGATION RECONCILIATION
Contract N00019-93-C-XXXX
Obligation Reconciliation
Prepared by [Contractor Name]

DATE	MOD	CLIN	ELIN	DESCRIPTION	ACRN	DEFINITIZED PRICE (PER MOCAS)	OBLIG AMOUNTS (PER MOCAS)	OBLIGATION AMOUNTS (PER CONTRACTOR)	VARIANCE	NOTE
3-Aug-99	A00013	0113	AB0F	TECH PUBS	**AA Total**	$ 66,617.00	$ 66,617.00	$ 66,617.00		
6-Jul-99	A00011	0113	AB0D	TECH PUBS	**A1 Total**	$ 40,647.00	$ 40,647.00	$ 40,647.00		
27-Sep-99	A00015	0113	AB0G	TECH PUBS	**A4 Total**	$ 7,440.00	$ 7,440.00	$ 7,440.00		
19-Dec-96	P00001	0001		LONG LEAD	**BA Total**	$ 10,049,386.00	$ 10,049,386.00	$ 10,049,386.00		
19-Dec-96	P00001	0101		10/98-09/99	BB	$ 130,508,550.00	$ 130,508,550.00	$ 130,508,550.00		
19-Dec-96	P00001	0106		10/97-09/98	BB	$ 4,553,004.00	$ 4,553,004.00	$ 4,553,004.00		
24-Sep-97	P00008	0106		10/97-09/98	BB	$ (4,553,004.00)	$ (4,553,004.00)	$ (4,553,004.00)		
24-Sep-97	P00008	0106		10/97-09/98	BB	$ 6,153,099.00	$ 6,153,099.00	$ 6,153,099.00		
25-Feb-98	P00013	0106		10/97-09/98	BB	$ (4,553,550.00)	$ (4,553,550.00)	$ (6,153,099.00)	$ 1,599,549.00	1
19-Dec-96	P00001	0108		FIRST AIRCRAFT	BB	$ 19,400,003.00	$ 19,400,003.00	$ 19,400,003.00		
19-Dec-96	P00001	0110		10/97-09/98	BB	$ 1,250,004.00	$ 1,250,004.00	$ 1,250,004.00		
25-Feb-98	P00013	0110		10/97-09/98	BB	$ (1,250,004.00)	$ (1,250,004.00)	$ (1,250,004.00)		
19-Dec-96	P00001	0111AA		MOD KITS	BB	$ 3,081,000.00	$ 3,081,000.00	$ 3,081,000.00		
19-Dec-96	P00001	0111AB		MOD KITS	BB	$ 69,000.00	$ 69,000.00	$ 69,000.00		
19-Dec-96	P00001	0131		AIRCRAFT DELIVEI	BB	$ 2,096,000.00	$ 2,096,000.00	$ 2,096,000.00		
13-May-99	P00014	0131		AIRCRAFT DELIVEI	BB	$ 2,134,020.00	$ 2,134,020.00	$ 2,134,020.00		
13-May-99	P00014	0131		AIRCRAFT DELIVEI	BB	$ (2,096,000.00)	$ (2,096,000.00)	$ (2,096,000.00)		
19-Dec-96	P00001	0201		10/98-09/99	BB	$ 23,755,520.00	$ 23,755,520.00	$ 23,755,520.00		
19-Dec-96	P00001	0204			BB	$ 1,049,997.00	$ 1,049,997.00	$ 1,049,997.00		
19-Dec-96	P00001	0205AA		MOD KITS	BB	$ 836,200.00	$ 836,200.00	$ 836,200.00		
19-Dec-96	P00001	0205AB		MOD KITS	BB	$ 13,800.00	$ 13,800.00	$ 13,800.00		
19-Dec-96	P00001	0217		AIRCRAFT DELIVEI	BB	$ 400,000.00	$ 400,000.00	$ 400,000.00		
13-May-99	P00014	0217		AIRCRAFT DELIVEI	BB	$ 407,604.00	$ 407,604.00	$ 407,604.00		
13-May-99	P00014	0217		AIRCRAFT DELIVEI	BB	$ (400,000.00)	$ (400,000.00)	$ (400,000.00)		
					BB Total	$ 182,855,243.00	$ 182,855,243.00	$ 181,255,694.00	$ 1,599,549.00	1
30-Sep-97	P00011	0132AA		PURCHASE ORDEI	BC	$ 4,561,447.00	$ 4,561,447.00	$ 4,561,447.00		
30-Sep-97	P00011	0132AA		PURCHASE ORDEI	BC	$ (2,825,230.00)	$ (2,825,230.00)	$ (2,825,230.00)		
30-Sep-97	P00011	0132AB		1-Mar-98	BC	$ 1,822,987.00	$ 1,822,987.00	$ 1,822,987.00		
30-Sep-97	P00011	0132AC		1-Jul-98	BC	$ 1,566,293.00	$ 1,566,293.00	$ 1,566,293.00		
30-Sep-97	P00011	0133AA		1-Jan-98	BC	$ 338,714.00	$ 338,714.00	$ 338,714.00		
30-Sep-97	P00011	0218AA		AIRCRAFT DELIVEI	BC	$ 67,742.00	$ 67,742.00	$ 67,742.00		

EXAMPLE OF OBLIGATION RECONCILIATION
Contract N00019-93-C-XXXX
Obligation Reconciliation
Prepared by [Contractor Name]

DATE	MOD	CLIN	ELIN	DESCRIPTION	ACRN	DEFINITIZED PRICE (PER MOCAS)	OBLIG AMOUNTS (PER MOCAS)	OBLIGATION AMOUNTS (PER CONTRACTOR)	VARIANCE	NOTE
					BC Total	$ 5,531,953.00	$ 5,531,953.00	$ 5,531,949.00	$ (4.00)	2
24-Sep-97	P00010	0132AA		PURCHASE ORDEI	**BD Total**	$ 2,825,230.00	$ 2,825,230.00	$ 2,825,230.00		
25-Feb-98	P00013	0106		10/97-09/98	**BE Total**	$ 4,553,550.00	$ 4,553,550.00	$ 6,153,099.00	$ (1,599,549.00)	1
15-Sep-98	P00024	0135		04/1998 THRU 09/19	**BF Total**	$ 4,441,530.57	$ 4,441,530.57	$ 4,441,530.57		
30-Sep-97	A00001	0113	AB01	TECH PUBS	3A	$ 51,680.70	$ 51,680.70	$ 51,680.70		
20-Sep-00	A00018	0113	AB01	TECH PUBS	3A	$ (41,918.79)	$ (41,918.79)	$ (41,918.79)		
30-Sep-97	A00001	0113	AB02	TECH PUBS	3A	$ 51,187.68	$ 51,187.68	$ 51,187.68		
30-Sep-97	A00001	0113	AB03	TECH PUBS	3A	$ 17,022.54	$ 17,022.54	$ 17,022.54		
26-Jul-00	A00017	0113	AB0B	TECH PUBS	3A	$ (10,458.00)	$ (10,458.00)	$ -	$ 10,458.00	3
20-Sep-00	A00018	0113	AB0H	TECH PUBS	3A	$ 2,915.60	$ 2,915.60	$ 2,915.60		
20-Sep-00	A00018	0113	AB0J	TECH PUBS	3A	$ 10,694.00	$ 10,694.00	$ 10,694.00		
20-Sep-00	A00018	0113	AB0K	TECH PUBS	3A	$ 4,147.19	$ 4,147.19	$ 4,147.19		
20-Sep-00	A00018	0113	AB0L	TECH PUBS	3A	$ 13,587.00	$ 13,587.00	$ 13,587.00		
20-Sep-00	A00018	0113	AB0M	TECH PUBS	3A	$ 7,450.00	$ 7,450.00	$ 7,450.00		
20-Sep-00	A00018	0113	AB0N	TECH PUBS	3A	$ 3,125.00	$ 3,125.00	$ 3,125.00		
					3A Total	$ 109,432.92	$ 109,432.92	$ 119,890.00	$ 10,458.00	
26-Jul-00	A00017	0113	AB09	TECH PUBS	**3B Total**	$ 11,098.00	$ 11,098.00	$ 11,098.00		
7-Jan-98	A00004	0113	AB0A	TECH PUBS	3C	$ 1,430.00	$ 1,430.00	$ 1,430.00		
7-Jan-98	A00004	0113	AB0C	TECH PUBS	3C	$ 4,559.00	$ 4,559.00	$ 4,559.00		
7-Jan-98	A00004	0113	AB0B	TECH PUBS	3C	$ 10,458.00	$ 10,458.00	$ -	$ (10,458.00)	3
					3C Total	$ 16,447.00	$ 16,447.00	$ 5,989.00	$ (10,458.00)	
					Grand Total	$ 210,508,574.49	$ 210,508,574.49	$ 210,508,569.57	$ (4.00)	

NOTES:

1. Mod needs to be issued to clarify value of ACRNs BB & BE. Obligated funds should be moved from BB to BE. See attached support.
2. All payments have been made and deliveries complete so $4.00 should be deobligated. See attached support.
3. MOCAS incorrectly reflects obligated amounts for 3A & 3C. See attached mods.

EXAMPLE OF A DISBURSEMENT RECONCILIATION
CONTRACT N00019-93-C-XXXX
DISBURSEMENTS RECONCILIATION
Prepared by [Contractor Name]

			MOCAS RECORDS							MOCAS Records									
ACRN	APPROP	ACCOUNTING CLASSIFICATION	AC STAT	PP/	TP	TC	VOUCH #	SHIP #	DATE	DISB AMT (PER MOCAS)	BILLED AMT (PER MOCAS)	VARIANCE	SHIP #	ACRN	BILLED AMT (PER CONTRACTOR)	RECEIPTS (PER CONTRACTOR)	VARIANCE	NOTE
A1	X4930	548 34003 0 0000000A88SR 000000	383	110	2	7R	E5706	MES0008	11/5/1998	$ -	$ 40,647.00	$ 40,647.00	MCA0627	A1	$ 40,647.00	$ 40,647.00		1
A4	22545	245 34002 0 0101000000010 000000	642	125	8	7G	E7890	MES0025	10/10/1998	$ 7,440.00	$ 7,440.00	$ -	MES0025	A4	$ 7,440.00	$ 7,440.00		
BA	61506	000 BX257 0 020900000010 000000	68342	158	9	6R	E8891	MES0035	9/2/1999	$ 10,049,386.00	$ 10,049,386.00	$ -	MES0035	BA	$ 10,049,386.00	$ 10,049,386.00		
BB	41506	031 BZ257 0 010100000010 000000	68342	002	3	6W	E3623	PPRA002	2/28/1994	$ 116,539.00	$ 116,539.00	$ -			$ 116,539.00	$ 116,539.00		
BB	41506	031 BZ257 0 010100000010 000000	68342	003	3	6W	E5554	PPRA001	3/2/1994	$ 588,175.00	$ 588,175.00	$ -			$ 588,175.00	$ 588,175.00		
BB	41506	031 BZ257 0 010100000010 000000	68342	006	3	6W	E9841	PPRA004	10/5/1994	$ 116,482.00	$ 116,482.00	$ -			$ 116,482.00	$ 116,482.00		
BB	41506	031 BZ257 0 010100000010 000000	68342	000	9	6W	CVE110		2/15/1995	$ (27,995.00)	$ (27,995.00)	$ -			$ (27,995.00)	$ (27,995.00)		
BB	51506	000 BP257 0 02090000009A 000000	68342	095	2	2D	E6295	BSD0001	12/4/1997	$178,566,815.00	$ 176,967,266.00	$ (1,599,549.00)	BSD0001	BE	$ 176,967,266.00	$ 176,967,266.00		2
BB	41506	031 BZ257 0 010100000010 000000	68342	007	6	6W	E9537	PPRA003	12/20/1998	$ 1,445,002.00	$ 1,445,002.00			BB	$ 1,445,002.00	$ 1,443,241.78	$ 1,760.22	3
BB	41506	031 BZ257 0 010100000010 000000	68342	009	8	6W	E6271	PPRA005	12/15/1998	$ 850,225.00	$ 850,225.00			BB	$ 850,225.00	$ 848,992.80	$ 1,232.20	3
BC	61506	450 BZ003 0 02090000008SR 000000	68342	100	6	2W	E4706	MES0034	3/2/1999	$ 5,531,949.00	$ 5,531,949.00		MES0034	BC	$ 5,531,949.00	$ 5,531,949.00		
BD	X930	045 34003 0 010100000010 000000	383	123	2	6B	E3168	MES0029	1/12/1999	$ 2,825,230.00	$ 2,825,230.00		MES0029	BD	$ 2,825,230.00	$ 2,825,230.00		
BE	51506	000 BP257 0 02090000009A 000000	68342	095	2	2D	E6295	BSD0002	12/5/1997	$ 4,553,550.00	$ 6,153,099.00	$ 1,599,549.00	BSD0002	BB	$ 6,153,099.00	$ 6,153,099.00		2
BF	X4930	548 34003 0 0000000A88SR 000000	383	098	2	7R	E8457	MES0002	1/20/1998	$ 4,375,877.96	$ 4,383,380.89	$ 7,502.93	MES0002	3A	$ 4,383,380.89	$ 4,383,380.89		4
													MCA0145	BF	$ 1,544.00		$ 1,544.00	5
													MCA0157	BF	$ 2,970.00		$ 2,970.00	5
													MCA0091	BF	$ 2,639.00		$ 2,639.00	5
													MCA0203	BF	$ 2,865.18		$ 2,865.18	5
													MCA0341	BF	$ 2,528.00		$ 2,528.00	5
													MCA0086	BF	$ 4,993.92		$ 4,993.92	5
3A	X4930	548 34003 0 0000000A88SR 000000	383	131	2	7R	E0186	MES0023	12/27/1998	$ 19,451.81	$ 19,451.81	$ -	MES0023	3A	$ 19,451.81	$ 19,451.81		
3A	X4930	548 34003 0 0000000A88SR 000000	383	131	2	7R	E0186	MES0024	12/27/1998	$ 2,735.73	$ 2,735.73	$ -	MES0024	3A	$ 2,735.73	$ 2,735.73		
3A	X4930	548 34003 0 0000000A88SR 000000	383	128	6	7R	E8891	MES0030	12/26/1999	$ 78,057.70	$ 41,795.77	$ (36,261.93)	MES0100	BF	$ 41,795.77	$ 41,795.77		
													MCA0241	3A	$ 13,988.82		$ 13,988.82	5
3B	41506	031 031BZ 0 010100000010 000000	68342	004	3	6W	E1848	PPRA003	3/5/1994	$ 11,098.00	$ 11,098.00	$ -			$ 11,098.00	$ 11,098.00		
3C	X4930	548 34003 0 0000000A88SR 000000	383	130	2	7R	E9412	MES0022	12/20/1998	$ 16,447.00	$ 4,559.00	$ (11,888.00)	MCA0498	3C	$ 4,559.00	$ 4,559.00		
													MCA0676	3C	$ 1,430.00	$ -	$ 1,430.00	5
							TOTAL	DISBURSEMENTS		$209,126,466.20 (A)	$ 209,126,466.20 (B)	$ (0.00) (A) - (B)			$ 209,159,425.12 (C)	$ 209,123,473.78 (D)	$ 35,951.34 (C) - (D)	

(For illustration purposes, most ACRNs are shown only as totals, however, it is expected that there would be multiple transactions per ACRN).

NOTES:
1. DFAS posting error, see attached support.
2. See explanation for ACRN BB & BE under Obligation schedule.
3. Withholds that were not paid back.
4. DFAS posted to one ACRN, contractor posted to another. See attached support.
5. Unpaid invoices, see attached.

B-1	**Planning Considerations**

Purpose and Scope

This program provides a logical sequence to the effort required to perform an audit of a contractor prepared reconciliation. It should reflect a mutual understanding between the auditor and supervisor as to the scope required to meet auditing standards and DCAA objectives. The steps in the program are intended as general guidance and should be expanded or eliminated as necessary to fit the audit.

1. The purpose of a DCAA audit of a contractor prepared reconciliation is to produce an audit report that will be used by Governmental agencies as a basis to support required contract closing actions. Reconciliations can be prepared on both fixed price and cost reimbursable type contracts. The audit report will provide the necessary data that will allow DFAS to close the contract in the Mechanization of Contract Administration Services (MOCAS) System. The audit report will form the basis for any adjustments to MOCAS data to accomplish the closing.

2. The audit of a contractor prepared reconciliation will be performed through coordination with DFAS, DCMA, the buying office, and the contractor. The goal of the process is to close out contracts by avoiding duplicate reconciliation efforts while optimizing business decisions based upon the best available data. MOCAS data is shared with the contractor in order to assure that the reconciliation is as accurate and complete as possible before the audit begins. In preparing the reconciliation, the contractor will use its own files and records, as well as information provided by the Government. DCAA performs an audit of the contractor prepared reconciliation. DFAS-Columbus relies on the DCAA report and the contractor reconciliation to close the contract. Final payments, if any, are made to either the Government or the contractor, and the Government records are updated to reflect a closed contract.

3. The contractor is responsible for preparing the reconciliation. The purpose of the reconciliation is to determine the amount owed or due to the contractor, if any, and to correct imbalances in MOCAS. Audit issues are openly discussed with the contractor as they arise. To facilitate settlement of audit issues, all attempts are made to ensure that there is agreement on the final audit results.

B-1	**Preliminary Steps:** Prior to performing the reconciliation audit, some preliminary effort is necessary to ensure the audit results in the most efficient use of resources. Auditors should: a. verify that the contractor has been briefed on the initiative and agrees to participate; b. verify that coordination has occurred with the region's designated DFAS Task Force representative and/or DFAS FLA regarding the selection of this contract for reconciliation, and either the region DFAS Task Force representative or the DFAS FLA has confirmed that the Government records are sufficient to support the amounts that are currently in MOCAS for the subject contract; and c. verify that the contractor's billing and payment records sufficiently identify costs by ACRN for the subject contract or can be mapped to ACRN using costs by CLIN (coordination with the regional DFAS Task Force representative may be helpful in making this determination). **If records are not sufficient to perform a reconciliation, do not expend any further effort, and document this in a MEMORANDUM FOR FILE.**	**WP Reference**
1.	Request the obligation and disbursement data (MOCAS History Report and Contingent Liability Report (CLR)) for the subject contract from the DCAA FLA at DFAS or the regional Task Force representative. The MOCAS history report shows the detailed obligation and disbursement transactions on the contract. The CLR provides summary data only, but it is the recognized official database to which the reconciliation totals must match. If the totals in the two reports do not match, coordinate with the regional Task Force representative or the FLA to obtain reports with corrected amounts.	
2.	Prepare a coordination memorandum for DFAS requesting their concurrence to proceed with the reconciliation.	
3.	Inform the ACO and the PCO about the planned reconciliation effort on this contract and the final DFAS decision.	
4.	Determine whether the contractor has policies and procedures for performing reconciliations and document your understanding of those procedures, if applicable.	

5.	Provide the MOCAS data and other applicable data obtained from the ACO/PCO to the contractor to prepare the reconciliation and establish a due date for the submission.	
6.	Determine if there is additional data the contractor needs that should be obtained from the ACO/PCO and request the data.	
7.	Obtain and review the contractor's reconciliation to ensure that it was prepared in accordance with its reconciliation procedures, if applicable.	
8.	Perform a cursory review of the contractor's reconciliation to ensure it includes a schedule of the basic contract and all contract modifications, with the modification date, description, affected CLIN(s), and adjustments to contract price and funded amount. Ensure that all recommended adjustments or modifications are identified and adequately explained.	
9.	Review the contractor's reconciliation submission to ensure it includes a schedule of all billings and payments on the contract. This schedule should identify: a. If applicable, all progress payments, along with all invoice billings that identify gross billed amount, the applicable progress payment liquidation amount, and the amount paid; b. Any direct payments and refunds made on the contract caused by quarterly limitation of payment (QLOP) submissions; c. Any differences between the contractor-determined funded amount and obligation data in MOCAS; and; d. Any differences between what should have been paid for a particular invoice and what was actually paid. These invoices generally form the basis for further review during the DCAA audit, and may be the primary cause for discrepancies in the Governmental records.	
10.	Ensure that all adjustments/payments requested as identified by the contractor are adequately explained and documented.	
11.	Ensure that the contractor's reconciliation includes all the contract obligation and disbursements by ACRN for all ACRNs contained in the CLR report.	
12.	Consider the results of prior audits for potential impact on the current audit scope.	
13.	Document the assessment of any contractor internal controls	

	applicable to this audit.	
14.	Determine the need for technical assistance and assist audits.	
15.	In planning and performing the examination, review the fraud risk indicators specific to the audit. The principal sources for the applicable fraud risk indicators are: Handbook on Fraud Indicators for Contract Auditors, Section II (IGDH 7600.3, APO March 31, 1993) located at www.dodig.osd.mil/PUBS/index.html, and CAM 4-702	
16.	Document in working paper B any identified fraud risk indicators and your response/actions to the identified risks (either individually, or in combination). This should be done at the planning stage of the audit as well as during the audit if risk indicators are disclosed. If no risk indicators are identified, document this in working paper B.	
17.	Provide a copy of the concurrence memo received from DFAS to the DFAS FLA for registration of the contract in the DFAS reconciliation database.	
18.	Summarize the results of the preliminary steps on working paper B.	

C-1	**Verification of Obligations/Contract Pricing and Funding**	**WP Reference**
1.	**For FFP Contracts:**	
a.	Review the contractor's obligation reconciliation and note any differences in the comparisons of the MOCAS obligated and definitized price amounts and the contractor's identified obligation amounts.	
b.	Verify that all modifications are included in the contractor prepared reconciliation. The last modifications issued under the contract are easy to overlook. These modifications may have de-obligated funds on the contract, and may even have reduced the contract price. Take the necessary steps to coordinate with all parties to ensure that all relevant modifications have been included in the contractor's reconciliation.	
c.	Verify price and funded amounts to source documents. Trace amounts to modifications where differences were identified between the contractor's reconciliation and the current MOCAS history and CLR reports. Discuss any identified differences with the contractor and review the basis and any other supporting	

documentation for their recommended amounts. Source documents may include: • Basic contract and modifications • Progress payments • DD 250's Obtain contractor concurrence for any differences in the contractor's recommended amounts that resulted from review of their supporting documentation.	
d. Coordinate the results of the verification of contract price and funding with the contractor and Government representatives (i.e., DFAS, DCMA, etc.).	
2. For Cost Type Contracts:	
a. Review the contractor's obligation reconciliation and note any differences in the comparisons of the MOCAS obligated and definitized price amounts and the contractor's identified obligation amounts.	
b. Verify that all modifications are included in the contractor prepared reconciliation. The last modifications issued under the contract are easy to overlook. These modifications may have de-obligated funds on the contract, and may even have reduced the contract price. Take the necessary steps to coordinate with all parties to ensure that all relevant modifications have been included in the contractor's reconciliation.	
c. Verify price and funded amounts to source documents. Trace amounts to modifications where differences were identified between the contractor's reconciliation and the current MOCAS history and CLR reports. Discuss any identified differences with the contractor and review the basis and any other supporting documentation for their recommended amounts. Obtain contractor concurrence for any differences in the contractor's recommended amounts that resulted from review of their supporting documentation.	
d. Coordinate the results of the verification of contract price and funding with the contractor and Government representatives (i.e, DFAS, DCMA, etc.).	

D-1	**Verification of Disbursements/Billing and Payment Receipts**	**WP Reference**
1. **For FFP Contracts:**		
	a. Verify that the contractor's billing and payment receipt information included on the reconciliation is supportable by source documents. Trace these items to source documents paying particular attention to the items where there is a variance between the MOCAS disbursement amount and the contractor's billed and receipt amounts. Source documents may include: • Contractor accounts receivable/billing/accounting records. • Contractor invoices, progress payments, QLOPs, etc. • Contractor correspondence on billing/payment/contract issues. • Progress payments • DD 250s	
	b. Compare MOCAS disbursement amounts to the contractor billed amounts by ACRN. Identify the ACRNs, shipments, and/or invoices where differences occur. Determine the reasons for the differences and discuss them with the contractor. Reconciliation of progress payment liquidations, timing of deliveries and delivery payments may be necessary to ensure that no overpayments were made to the contractor resulting from improperly liquidated invoices. Ensure that the contractor is not claiming to be paid for items that were never delivered to the Government.	
	c. Determine the actual transaction adjustments needed, by invoice, at the ACRN level to correct contract line item (CLIN) disbursements and obtain the contractor's concurrence as necessary.	
	d. Coordinate with contractor and Government personnel to obtain a thorough understanding of any withholds or other issues that impact the adjustment(s) and/or final payment(s) on the contract. Coordinate the results of the verification of contract billing and payment receipts (disbursements) with the contractor and Government representatives (i.e, DFAS, DCMA, etc.).	
2. **For Cost Type Contracts:**		
	a. Verify that the contractor's billing and payment receipt information included on the reconciliation is supportable by source documents. Trace these items to source documents	

paying particular attention to the items where there is a variance between the MOCAS disbursement amount and the contractor's billed and receipt amounts. Source documents may include: • Contractor accounts receivable/billing/accounting records. • Contractor invoices or public vouchers. • Contractor correspondence on billing/payment/contract issues.	
b. Compare MOCAS disbursement amounts to the contractor billed amounts by ACRN. Identify the ACRNs where differences occur. Determine the reasons for the differences and discuss them with the contractor.	
c. Determine the actual transaction adjustments needed, by invoice, at the ACRN level to correct contract line item (CLIN) disbursements and obtain the contractor's concurrence as necessary.	
d. Coordinate with contractor and Government personnel to obtain a thorough understanding of any withholds or other issues that impact the adjustment(s) and/or final payment(s) on the contract. Coordinate the results of the verification of contract billing and payment receipts (disbursements) with the contractor and Government representatives (i.e, DFAS, DCMA, etc.).	
3. Summarize all final amounts at the ACRN level.	
4. Determine the final amount due to the contractor or owed to the Government. For fixed price contracts, this amount should be the difference between the verified contract price and the verified amount paid on the contract, unless all deliveries were not made during contract performance. For cost type contracts the amount should be the difference between the valid contractor billed amounts and amounts paid to the contractor by the Government. If the verified contract obligation amount is greater than the verified amount paid, and no additional payments are due, identify this amount as excess funds on the contract that can be de-obligated.	

A-1	**Concluding Steps**	**WP Reference**
1. **Summary Steps**		
a.	Summarize the results of audit. Provide the draft report to the DFAS Task Force representative or other appropriate regional personnel.	
b.	Discuss results with the technical specialist and/or the regional DFAS Task Force representative and obtain final supervisory review. Coordinate significant issues with the requester, if applicable.	
c.	Hold an exit conference with the contractor in accordance with CAM 4-304. Provide the draft report to the contractor, discuss each exception/finding, and request a response for inclusion in the final report. Incorporate the contractor's response and prepare the final report.	
d.	If the evaluation discloses information that raises reasonable suspicion of fraudulent or other illegal acts, refer the matter by completing a DCAA Form 2000 (see CAM 4-702).	
2. **Closing Actions**		
Closing actions should be performed in accordance with FAO procedures. These procedures may require either auditors or administrative personnel to perform various closing steps. Completion of these closing actions should be documented (e.g., by initials and date on the CD or working paper folder, etc.) and should include:		
a.	The title, author, and keywords fields of the file properties in the audit report must be completed (for the audit report only) prior to final filing.	
b.	Review the APPS exe file for size. APPS-generated executable files that are over 10 megabytes in size should be reviewed to ensure that the format and content justify the size. Supervisors are responsible for reviewing or designating someone to review these files for content and format.	
c.	Review the APPS exe file for temporary files. These files can be recognized by the "~$" or "~WRL" at the beginning of the file name. Once the APPS exe file is complete and there is NO ACTIVITY to be completed on any of the files contained within the exe file, any temporary files should be deleted so there are no unintentional versions of working papers and/or reports. NOTE: This should be done prior to invoking the Export/Archive Option in APPS.	

d. Once an audit report is signed, the electronic document should immediately be modified to indicate who signed it, and it should be password protected. The electronic file should then be renamed according to the convention "01 DCAA Report [RORG_ASSIGNMENT NO.] – Final.doc" and changed to a read-only file. Only this file should be stored, transmitted, or otherwise used for official purposes. For Memorandums the word "Report" would be replaced by "MFF" or "MFR" in the naming convention as appropriate.	
e. When the audit report is transmitted electronically to the requestor, the transmission email should be saved as a txt file (this will ensure the attachments are not saved again). Saving delivery or read receipts is optional. If saved, the naming convention should distinguish them from transmittal emails.	
f. Once the report is signed, the signature page of the audit report must be scanned in accordance with Agency standard scanning instructions. For audit packages, the scanned signature page file should be named the same as the audit report (see above) with "-sig" added (i.e., 01 DCAA Report 01101-2002X10100389-Final-sig.pdf). There is no requirement to make the file a part of the APPS generated executable file and it may be included separately in the iRIMS folder. There is no need to scan the signature page of a Memorandum unless it is distributed outside of DCAA.	
g. Ensure an electronic copy of the final draft audit report containing the supervisory auditor's initials and date, cross-referenced to the working papers, is included in the working paper package. The final draft report should include all substantive changes made to the original draft, with cross-referencing updated as necessary. It should differ from the final report only due to minor administrative changes (spelling, format, etc.) made during final processing.	
h. Ensure all working paper files are "read only" and, if necessary, compressed for final storage. Generally, current Agency software should be used to automatically modify all electronic files for storage.	
i. Two complete sets of electronic working papers should be filed. One set (official) will be filed in iRIMS. A second set (backup) will be stored on removable media in the hard copy working paper folder. The new APPS naming convention (ex: 01701-2003A10100001_Archive_093003.exe) will be used for both. If there will be a short-term need to access the working papers, a third, or "working" set should be stored so as to be available for reference, generally on the LAN. This set should be	

deleted when no longer needed.	
j. Verify using a separate machine, that electronic files stored on removable media are not corrupted and can be unarchived. Indicate the test was successful by placing tester initials and date prominently on the CD label.	
k. Securely enclose the "backup" set of electronic files (CD) and any "official" set of hard copy in the hard copy folder.	
l. File the "official" set of electronic files in iRIMS (see iRIMS User Guide).	

DEFENSE CONTRACT AUDIT AGENCY

AUDIT REPORT NO. –

[*date*]

PREPARED FOR: Defense Finance and Accounting Services
Columbus Center
ATTN: Bill McGee, Director of Reconciliation
P.O. Box 182317
Columbus, Ohio 43218-2317

PREPARED BY: DCAA

Telephone No.
FAX No.
E-mail Address

SUBJECT: Audit of Contractor Prepared Reconciliation on Contract Number []

REFERENCES:

CONTRACTOR:

,

REPORT RELEASE RESTRICTIONS: See Page 11

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FOR OFFICIAL USE ONLY

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SUBJECT OF AUDIT

We examined [*contractor's name*] [*contractor's acronym*] reconciliation and proposed adjustments under Contract No. *[contract number*]. This contract provided for the [*describe contract effort*]. The current contract price is *$[dollar amount*] and all contract deliveries are complete. The purpose of this examination is to identify obligation and/or disbursement adjustments needed in the Mechanization of Contract Administration Services (MOCAS) system and to identify any remaining payments due. The contractor has reconciled contract price and obligation data to contract records and modifications, and has reconciled billings and cash receipts to Government payment records. The contractor's reconciliation was prepared at the Accounting Classification Reference Number (ACRN) level and is supported by transactional detail at the invoice and shipping document level. The contractor's reconciliation, dated [*date*], covers the period [*date*] through [*date*]. As discussed with [*identify DFAS representative*] of DFAS-Columbus, this reconciliation is required to close out the contract.

The reconciliation and proposed adjustments are the responsibility of the contractor. Our responsibility is to express an opinion on the submission based on our examination.

EXECUTIVE SUMMARY

[*This section can be used to give a brief overview of the audit findings. It briefly describes the audit opinion, recommendations, and the significant issues supporting the opinion. This section can be omitted in reports where the Results of Audit sufficiently summarize the audit findings. An example of an Executive Summary is shown in CAM Figure 10-2-2.*]

SIGNIFICANT ISSUES:

1. Obligation Adjustments. The MOCAS obligation adjustment amounts required are summarized below [*identify amount, reason, and relevant contract modifications for the major obligation adjustments and summarize the remainder, for example*:

   - *decrease ACRN XX by $*[*amount*]*relating to contract modification No.* [*number*] *due to* [*reason*],
   - *increase ACRN XX by $*[*amount*]*relating to contract modification No.* [*number*] *due to* [*reason*], *and*
   - *increase and decrease obligations on other ACRNs totaling $*[*amount*] *due to* [*reason(s)*].]

2. Disbursement Adjustments. The MOCAS disbursement adjustment amounts required are summarized below [*identify amount and reasons for the major disbursement adjustments and summarize the remainder; for example:*

   - *increase disbursements on ACRN* [*number*] *by $*[*amount*] *due to* [*reason*],

- *decrease disbursements on ACRN* [*number*] *by $*[*amount*] *due to* [*reason*], *and*
- *increase and decrease disbursements on various other ACRNs totaling $*[*amount*] *due to* [*reason(s)*].

3. Remaining Payments Due. [*Describe amount due contractor/owed Government and reason(s) or cite that there is no money due on this contract. For example: A payment in the net amount of $*[*amount*] *is owed the contractor relating to* [*reason for payment*].

4. Remaining Obligation. [*If there are funds remaining on the contract after the final payments are made, state that the remaining funds can be de-obligated.*]

SCOPE OF AUDIT

[*Use this section to detail the scope of the audit or any scope limitations. The standard scope of audit statement is as follows:*]

We conducted our examination in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement. An examination includes:

- evaluating the contractor's internal controls, assessing control risk, and determining the extent of audit testing needed based on the control risk assessment;
- examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed;
- assessing the accounting principles used and significant estimates made by the contractor;
- evaluating the overall data and records presentation; and
- determining the need for technical specialist assistance [*and quantifying the results of a Government technical evaluation report*].

We evaluated the proposal using the applicable requirements contained in the:

- Federal Acquisition Regulation;
- Defense FAR Supplement; [*and*
- *Cost Accounting Standards*].

[*The scope of audit should briefly describe the status of the contractor's accounting system and any other management systems which are used to control and account for the recording of costs; the assessment of control risk; and any other outstanding systems deficiencies. Refer to 10-504.3a for examples.*]

As part of our examination, we examined the following records and documents: [*Tailor as appropriate*]

- MOCAS records;
- contract billing and payment history;
- basic contract and relevant contract modifications;
- delivery invoices; and
- material and inspection reports (DD 250).

[*Tailor the following as appropriate*]

We consider [*contractor's name*] current accounting and billing systems to be adequate. However, due to the age of the subject contract and because of numerous contractor reorganizations, we expanded our audit tests to ensure the reliability of data and records. These expanded audit steps included an audit of the contractor's contract reconciliation and verification to other independent records maintained at [*DCMA, PCO's office. etc*]. We verified billings and payments to invoices and payment records maintained in MOCAS and the contractor's accounting system. We verified contract funding to contract records. Our audit scope reflects our assessment of control risk and includes those tests designed to provide a reasonable basis for our opinion.

QUALIFICATIONS

[*Identify any circumstances encountered that have a significant adverse effect on the audit or results (see 10-210.4).*]

RESULTS OF AUDIT

In our opinion, [*contractor's name*] reconciliation is acceptable for use in preparing obligation and disbursement adjustments to contract records in MOCAS. Obligation adjustments of $[*amount*] are required due to [*describe main reasons*]. In addition, disbursement adjustments totaling $[*amount*] are required on this contract because [*describe main reasons*]. Our examination determined that the contractor has adequate documentation to support the disbursement adjustments requested. The adjustments and their impact on MOCAS records are summarized below:

	MOCAS as of [*Date*]	Recommended Adjustments	Revised MOCAS	Ref.
Obligations				Exhibit A
Disbursements				Exhibit B
ULO/NULO				
Remaining Payment Due *[to Government/to Contractor]*				
Remaining Obligations				

[*If this is a cost type contract and final voucher was submitted during this evaluation:*]

The contractor submitted Final Voucher No. [*number*], dated [*date*], under Contract No. [*number*], for the amount of $[*amount*]. The contractor submitted the original final voucher directly to the Administrative Contracting Officer (ACO). A copy of the final voucher is attached to this report. The contractor submitted the original Contractor's Release of Claims (dated [*date*]) and the original Contractor's Assignment of Refunds, Rebates, Credits, and other Amounts (dated [*date*]) directly to the ACO on [*date*]. Copies of these documents are not attached to this report.

We discussed the results of our examination with [*identify the contractor representative(s) by name and title*] in an exit conference held on [*date*].

[*If required by CAM 10-210.5e(1)(c), include the following statement immediately following the exit conference note:*]

We provided a draft copy of [*the report*] or [*the Results of Audit*] or [*the Statement of Condition and Recommendation*] and/or [*Other* (*describe*)] to the contractor's representative at the exit conference.

[*Contractor Name*]
Contract No. XXXXXX-XX-X-XXXX

Obligations

Period [*Date*] through [*Date*]

ACRN	MOCAS as of [*Date*]	Recommended Adjustments	Revised MOCAS	Notes
XA				1.
XB				2.
Total				

Explanatory Note

[*All obligation details need to be at the ACRN level. Each ACRN that requires an adjustment needs the following information:*

- *Amount of adjustment*
- *What caused the error*
- *What entries need to be added or deleted from MOCAS*
- *Why do the entries need to be added or deleted]*

1. ACRN XA

   a. Summary of Conclusions:

   b. Basis of Contractor's Proposed Obligation Adjustments:

      The contractor requested the following adjustments be made to Government obligation records:

      [*Describe why the contractor requested the adjustments*.]

   c. Audit Evaluation:

[*Describe the documentation we examined to verify the adjustment(s) requested; i.e.; We reviewed a MOCAS report dated [date] and the above referenced contract modifications and verified the contractor's proposed adjustments. In addition, we reviewed all contract modifications and verified the contractor proposed obligation amounts to the contract modifications.*]

[*Contractor Name*]
Contract No. XXXXXX-XX-X-XXXX

Disbursements

Period [*Date*] through [*Date*]

ACRN	MOCAS as of [*Date*]	Recommended Adjustments	Revised MOCAS	Notes
XA				1.
XB				2.
Total				

Explanatory Notes

[All disbursement adjustments need to be at the ACRN level. Each ACRN that requires an adjustment needs the following information:

- *Amount of adjustment*
- *What caused the error*
- *What entries need to be added or deleted from MOCAS*
- *Why do the entries need to be added or deleted*
- *Include the date and voucher or shipment number of the entry to be added or deleted]*

1. ACRN XA

   a. Summary of Conclusions:

   b. Basis of Contractor's Proposed Adjustments

   [*Describe why the contractor requested the adjustments*.]

   c. Audit Evaluation:

   [*Describe the documentation we examined to verify the adjustment(s) requested; i.e.; We examined the contractor's records and relevant MOCAS records. We obtained and examined copies of relevant invoices and contract modifications. We determined that contract modifications XXXXX, XXXXX, and XXXX obligated funds from ACRN XB relating to CLIN XXXXX; however, disbursements were incorrectly applied against ACRN XA. We determined that disbursements for shipments XXXXXX through XXXXX should be moved from ACRN XA to ACRN XB consistent with contract modifications XXXXX, XXXXX, and XXXXX*.]

CONTRACTOR ORGANIZATION AND SYSTEMS

[*Include the following in this section:*

- *Contractor Organization. Include information on the contractor's organization as discussed in 10-210.7.*
- *Accounting System.*
- *Contractor's "Systems." For major contractors and larger nonmajor contractors who have internal controls over some of the systems listed in 5-102d, this section should provide the background information on each relevant internal control system impacting this audit (e.g. Material, Labor, and Indirect and ODC systems). (See 10-210.7c through 10-210.7g)*]

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APPENDIXES