



U.S. General Services Administration

*Professional Services and Human Capital Categories (PSHC)*

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# **Civilian Contract Auditing Services SIN 541211 Multiple Award Schedule Ordering Guide**

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## Introduction & Background

Thank you for choosing the Multiple Award Schedule (MAS) offering of Auditing Services ([SIN 541211](#)) to fulfill your contract audit services requirement. This Ordering Guide, also referred to as “The Guide” hereafter, will help the ordering office effectively use SIN 541211 to deliver contract audit solutions for mission needs. Information to assist customer agencies in using this Guide is available online at [www.gsa.gov/Schedules](http://www.gsa.gov/Schedules). This Guide includes examples of solicitation excerpts, lists of industry partners and many other useful documents.

MAS is an indefinite delivery/indefinite quantity (IDIQ) vehicle, providing direct access to a variety of professional services. Using the streamlined procurement procedures in the Federal Acquisition Regulations ([FAR Subpart 8.4](#) Federal Supply Schedules, MAS offers federal agencies access to experienced contractors who provide a range of commercial professional services at discounted and competitive prices.

SIN 541211 is defined by the General Services Administration as “Financial-related audits, performance audits, recovery audits, transportation audits, and contract audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) and non-GAGAS. Perform an independent assessment of an audited entity's financial statements in conformity with generally accepted accounting principles, financial information, adherence to financial compliance requirements and internal controls, or organization or program performance to identify areas for improvement.”

Qualified contractors participating under SIN 541211 have been pre-screened to ensure they are a licensed Certified Public Accounting (CPA) firm. [Appendix A](#) provides a list of states, territories and/or foreign countries and associated websites to check the most up-to-date licensure status.

It is important to note that Federal contract audits must: 1) perform in accordance with GAGAS and 2) be peer reviewed. Not all companies under this SIN perform engagements requiring compliance with GAGAS, or have been peer reviewed. Therefore, both compliance with GAGAS and peer review should be considered and included as a requirement when developing the Request for Quotation (RFQ) and evaluation criteria.

## Scope & Audience

The Guide is intended to provide guidance on contract audits and procuring contract audit related services through qualified contract auditing firms and their staff. For these services, using SIN 541211 is highly recommended. Contract Audits and related services fall under the North American Industry Classification System (NAICS) 541211 and Product Service Code (PSC) R704.

This Guide is a result of a cross-agency collaboration seeking to maximize efficiencies within the civilian contract audit procurement process. The Guide is an information resource and starting point for acquisition professionals seeking contract audit support through the GSA MAS program. The Guide highlights best practices and suggests recommendations to consider when securing a contractor savvy in the discipline and delivery of contract audit services.

Procuring and conducting Federal contract audits are different from standard financial audits. This Guide addresses concepts unique to acquiring Federal contract audits and contract audit related services. It presumes the ordering Contracting Officer is proficient in his or her duties. It will not address general contracting issues or concepts unless necessary for complete understanding.

While the Defense Contract Audit Agency (DCAA) primarily serves the Department of Defense as the executor of contract audits for cost reimbursable contracts, it also serves the civilian agency community. There are, however, instances when the DCAA may be unable to fulfill the needs of civilian agencies so certified public accounting firms provide a good alternative. This Guide is intended to help civilian agencies that cannot use or chose not to use DCAA as their contract audit provider.

This document is broken into three sections:

**Section 1. Unique Characteristics of Contract Audits.** This section provides an overview of the qualification requirements. Certified Public Accountants (CPA) to perform contract audits for the Federal government and look at the types of contract audits normally conducted. It highlights the intersection of inherently governmental and non- inherently governmental functions as well as addresses the critical subject of cognizance and coordination.

**Section 2. Best Practices in Contract Audit Acquisitions.** This section outlines key considerations in developing your acquisition plan and preparing the task order solicitation.

**Section 3. Measurement of a Successful Contract Audit.** The measurement of a successful contract audit boils down to performing an impartial evaluation of compliance with applicable regulation and statutory requirements. This section discusses the critical elements that will increase the likelihood of quality audit deliverables and findings.

Additionally, several Appendices provide additional information and examples:

- **[Appendix A: Verification of Certified Public Accountants \(CPA\) Licensure](#)** This appendix includes a list of websites that allow Contracting Officers to verify contract licensure.
- **[Appendix B: Qualitative Evaluation Factors.](#)** This appendix provides examples of contract audit solicitations created by DHS, PBGC, USAID, and NASA. These solicitations provide strong examples of using qualitative criteria to secure qualified contract audit services providers. Because contract audits are heavily driven by regulation it is imperative providers are able to offer specifics about their success and proven processes and procedures.
- **[Appendices C.1 and C.2:](#)** These appendices include a sample Contractor Employee Non-Disclosure Agreement and sample Privacy Act Compliance Statement—These samples are useful in creating these Agreements and creating a complete RFQ package.
- **[Appendix D: Sample Cost Accounting Standards Board \(CAS\) Disclosure Statement](#)**
- **[Appendix E: Cross-Agency Membership and Respective Agency Offices](#)**

## Section 1. Contract Audit Services - Unique Characteristics

While there are many considerations that set the conduct and delivery of contract audit services apart from financial audits, the following factors are valuable in planning targeted procurements.

### A. Areas and Types of Contract Services

The provision of contract audit services differs from the standard financial audit in some key ways. Major areas of emphasis include:

1. Business Systems
2. Management Policies and Procedures
3. Cost Estimating and Forecasting
4. Internal Controls
5. Compliance with FAR Cost Principles ([FAR Part 31](#))
6. Cost Accounting Standards
7. Pricing Policy ([FAR Part 15.4](#))

Contract audits are independent, professional compliance assertions (i.e., proposals, claims, or submissions) made by contractors. The sidebar outlines the types of contract audit services in the areas of pre- and post-award services, business systems audits, and negotiations assistance.

The term 'contract audit' or 'audit' is used throughout this guide as a generic term to cover all types of engagements to include financial audits, examinations, reviews, agreed-upon procedures, and performance audits, however ordering agencies should exercise caution and diligence in selecting terminology for their requirement.

- Pre Award Contract Audit Services, such as Contract Price/Cost Proposal Reviews, Forward Pricing Rate Proposal Reviews, etc.
- Post Award Contract Audit Services, such as Provisional Billing Rate Recommendations, Incurred Costs/Final Overhead Rate Reviews, CAS Compliance & Adequacy Reviews, Penalty Assessment, etc.
- Business System Audits, such as Accounting and Estimating systems.
- Negotiation Assistance, for example: Fact-finding and analysis of contractor information after audit report is issued

For a fuller description of the different audits, consult the [DCAA's Directory of Audit Programs.](#)

### B. Contract Audit Services throughout the Procurement Lifecycle

It is also helpful to understand the variety of contract audit services which relate to each phase of the contract lifecycle. Below is a graphical depiction of the services throughout.

### C. Qualified Private Auditor

A qualified commercial auditor must be:

- GAGAS Compliant. The auditor performs audits in accordance with GAGAS of the Comptroller General of the United States.
- Peer Reviewed. The purpose of a peer review is to ensure a CPA firm does quality work in accordance with industry standards and regulations. The CPA firm must provide a copy of its most recently completed peer review report, as well as any internal documents issued to address corrective action for noted deficiencies.

Qualified contractors participating under [MAS SIN 541211](#) have been screened to ensure they are licensed CPA firms. ([Appendix A](#) provides a resource to confirm current licensure. It provides websites of states, territories, and/or foreign countries an ordering agency can check up-to-date licensure statuses.) As the scope of SIN 541211 covers financial-related audits, performance audits, and contract audits, not all companies under this SIN will perform contract audits as some may focus on audits of financial statements exclusively.

#### **D. Inherently Governmental Functions**

The subject of inherently governmental functions must be understood and carefully managed during the procurement and execution of the contract audit services. The following provides guidance regarding this important subject.

- [FAR 15.404-1](#) provides that Contracting Officers have the sole responsibility to determine fair and reasonable prices, however FAR 15.404-1(a)(5) provides that 'the contracting officer may request the advice and assistance of other experts to ensure that an appropriate analysis is performed.'
- [FAR 7.503\(c\)\(12\)\(vii\)](#) bars contractors from "Determining whether contract costs are reasonable, allocable, and allowable; and ...
- [FAR 42.101\(a\)](#) provides guidance regarding contract auditor responsibilities. Briefly, contract auditors provide Contracting Officers with pricing information or audit services in support of the government's independent decisions and determinations. In 42.101(a) the contract auditor's responsibilities are outlined as:
  - (1) Submitting information and advice to the requesting activity, based on the auditor's analysis of the contractor's financial and accounting records or other related data as to the acceptability of the contractor's incurred and estimated costs;
  - (2) Reviewing the financial and accounting aspects of the contractor's cost control systems; and
  - (3) Performing other analyses and reviews that require access to the contractor's financial and accounting records supporting proposed and incurred costs. After the audit report is received, the Contracting Officer must perform an analysis of the report to determine the Government's position. This is frequently done in a pre-negotiation objectives memorandum. The Contracting Officer must perform the independent analysis to ensure inherently Governmental responsibilities are not being delegated to the auditor.

## E. Cognizance and Coordination

There are several locations in the FAR that reference cognizance, Cognizant Federal Agency and the responsibilities of the Cognizant Federal Agency. The need to coordinate through inter-agency agreements is addressed in [FAR 42.002](#).

- **Determining Who is Cognizant.** [FAR 42.003\(a\)](#) states “the Cognizant Federal agency normally will be the agency with the largest dollar amount of negotiated contracts, including options. For educational institutions (defined as institutions of higher education in the OMB Uniform Guidance at 2 CFR part 200, subpart A, and 20 U.S.C. 1001) and nonprofit organizations (as defined in the OMB Uniform Guidance at 2 CFR part 200), the Cognizant Federal agency for indirect costs is established according to the OMB Uniform Guidance at 2 CFR part 200, appendices III and IV, respectively”.
- **Contract Audit Services. Further,** [FAR 42.101\(b\)](#) specifies “Normally, for contractors other than educational institutions and nonprofit organizations, the Defense Contract Audit Agency (DCAA) is the responsible Government audit agency. However, there may be instances where an agency other than DCAA desires cognizance of a particular contractor. In those instances, the two Agencies shall agree on the most efficient and economical approach to meet contract audit requirements. For educational institutions (defined as institutions of higher education in the OMB Uniform Guidance at 2 CFR part 200, subpart A, and 20 U.S.C. 1001) and nonprofit organizations (as defined in the OMB Uniform Guidance at 2 CFR part 200), audit cognizance will be determined according to the provisions of the OMB Uniform Guidance at 2 CFR part 200, subpart F.”
- **Cost Accounting Standards and Cognizant Federal Agency Responsibilities.** The requirements of [48 CFR Section 9903.201-7](#) shall, “to the maximum extent practicable, be administered by the Cognizant Federal Agency responsible for a particular contractor organization or location, usually the Federal agency responsible for negotiating indirect cost rates on behalf of the Government. The Cognizant Federal agency should take the lead role in administering the requirements of Part 9903 and coordinating CAS administrative actions with all affected Federal agencies. When multiple CAS-covered contracts or more than one Federal agency are involved, Agencies should discourage Contracting Officers from individually administering CAS on a contract-by-contract basis. Coordinated administrative actions will provide greater assurances that individual contractors follow their cost accounting practices consistently under all their CAS-covered contracts and those changes in cost accounting practices or CAS noncompliance issues are resolved, equitably, in a uniform overall manner.”
- **Establishing Indirect Rates.** Indirect rates are established in accordance with [FAR 42.7](#), however it is important to note that per [FAR 42.703-1\(a\)](#), “a single agency shall be responsible for the establishment of the final indirect cost rates for each business unit. These rates shall be binding on all Agencies and their Contracting Officers, unless otherwise specifically prohibited by statute”. It is imperative that the Contracting Officer validate whether or not another Agency has cognizance and has already established indirect rates with a business unit prior to establishing their own indirect rates.

- **Avoiding Duplicative Audits.** [FAR Part 42.002](#) This sub-part supports the need for a primary Agency to conduct contract audits on behalf of itself and other Agencies that might have similar interests and needs. It provides that “Agencies shall avoid duplicate audits, reviews, inspections, and examinations of contractors or subcontractors, by more than one agency, through use of interagency agreements”. To do otherwise, generates administrative cost and inefficiency in the acquisition system. This approach recognizes the value of focusing the contract audit on the adequacy of management and financial systems and controls, along with transaction testing across all business activities, rather than conducting contract-by-contract audits. It also lays the foundation for the need to coordinate contract audit activities with relevant agencies.

## Section 2. Procurement Best Practices

Based on feedback from Price-Cost Analysts, Procurement Contracting Officers (PCOs), Administrative Contracting Officers (ACOs), and Inspectors General (IG), planning the features of your audit is a necessary first step. The time spent in planning the procurement of contract audit services pays dividends throughout the lifecycle of the procurement –contract award, administration, and closeout.

The task order RFQ should provide instructions to the Offerors on how to identify and call attention to the intent to use the specialized skill set. Key considerations to address in developing your acquisition plan and preparing the task order RFQ include:

### A. Align Mission Requirements

Align mission objectives with the statutory audit records requirements; determine necessary contract audit and financial advisory services needed; conduct market research/perform due diligence to identify which agencies, organizations, or companies are best suited to provide the necessary and timely financial advisory services; and identify assumptions.

### B. Determine Accurate Estimates

It is incumbent upon the ordering office to determine accurate estimates based on identified variables and constraints specific to the provided requirements and to the agency itself. Estimates should be based on historical data and realistic internal agency analysis to the maximum extent possible. Clearly identified and stated variables and constraints enable you to set boundaries of any activity and the associated deliverables. They help create the backdrop – they tell how much you can afford to do; how long you can afford to take. For each activity and deliverable, there should be some tailored estimates.

### C. Select Pricing Architecture

It is incumbent upon the agency to identify accurate assumptions and constraints about the audit to get best estimates. Determining the appropriate contract type requires the exercise of sound judgment. Here are a few considerations as you develop your strategy.



Contract Type	Agency Responsibility	Notes
Firm-Fixed Price (FFP)	Estimate types of audits and generic delivery timeframes for each audit type	Establishes a clear, specific, agreed upon price up front to be paid for acceptable services received
Time and Materials (T&M)	Establish a ceiling for level of effort	See <a href="#">FAR 8.404(h)</a> .

## D. Develop Requirements

Contract audit services themselves cover a broad range of actions. As part of your Request for Quote (RFQ) evaluation, GSA recommends that you specifically address both corporate and individual experience for the type of contract audit service required.

Ordering agencies should consider reviewing cognizance and coordinating with other agencies, to include DCAA (DCAA-SRFLA-NONDOD-Team@dcaa.mil) prior to placing a task order to ensure the agency’s intentions are clear and that there is no duplication of effort. They should also review their internal requirements and notify their agency IG prior to placing a task order for contract audit services if required. By informing the IG of the intent to order auditing services, the ordering office can mitigate potential concerns and issues from the IG after award and ensure task orders meet agency policies. Briefly, the ordering office should consider the following:

- Organizational Conflicts of Interest (OCI). Per [FAR Subpart 3.11](#), [FAR Part 9.5](#) and Schedule Clause C-FSS-370(f), Contractor Tasks/Special Requirements (November 2003)
- Non-disclosure Agreements
- Security Clearance requirements
- Inherently Governmental Functions - Requirements official should provide the Operational Contracting Officer (OCO) with a written determination that these are not included in the scope
- Data Security – how will data be secured and transferred between the Agency and CPA firm
- GAGAS Compliance
- CPA Licensure
- Deliverable format/s
- Types, numbers, and frequencies of contract audits to be conducted
- Applicable regulations to the time period of the audit

It’s important to note that “Yellow Book” audits encompass many types of audits for which not all CPA firms have technical expertise. These include audits of not-for-profits and audits of the government itself, as well as contract audit services. Specific experience in contract audit within Yellow Book should be considered when evaluating requirements rather than a standard Yellow Book audit compliance requirement.

Additionally, ordering agencies should consider the American Institute of Certified Public Accountants (AICPA) standards and Generally Accepted Government Auditing Standards

(GAGAS) have defined words to have specific meanings and to carry much weight when it comes to the type of report and the level of assurance the Government wishes to receive, as well as the Level of Effort (LOE) for the Offeror, therefore words such as “examination,” “audit,” and “review” should not be considered interchangeable.

### **E. Create a Quality Assurance Surveillance Plan**

Effective and frequent two-way, face-to-face communication between the CO and contractors including audit planning, performance, and reporting is imperative.

- Identify applicable performance metrics
- Establish deadlines for the completion of requested audits. For example, the optimal timeline would be (insert number of days) days from claim submission of incurred cost proposals. Once an audit has begun, establish a preliminary deadline for completion but maintain open communication to identify and solve potential delays or issues.
- Determine if quality control testing is required and how it will be executed.

The standards of audit quality should be set early. It is only through consistency that auditors know the Agency’s requirements.

### **F. Develop Efficient Audit Management Practices**

Risk management is the foundation for implementation of an efficient audit or any oversight management process. Simply stated, risk management is the identification, assessment, and prioritization of risks, followed by the coordinated and economical application of resources to minimize the impact of those risks.

Performance Standards in the [FAR 1.102-2\(c\)\(2\)](#) state: “To achieve efficient operations, the System must shift its focus from ‘risk avoidance’ to one of ‘risk management’. The cost to the taxpayer of attempting to eliminate all risk is prohibitive. The Executive Branch will accept and manage the risk associated with empowering local procurement officials to take independent action based on their professional judgment.”

To begin, establish definable and measurable auditing criteria, materiality, and acceptable time frames by audit type:

- Materiality Thresholds – Consistent with industry standards, audit firms establish their own materiality thresholds to obtain the auditor’s independent position on the item being audited. However, the Government has the ability to ask the auditor to report all instances of non-compliance, regardless of the dollar amount involved.
- Mitigation – Consider the specific measures designed to reduce the extent of exposure to a risk by reducing the severity of consequences or reducing the probability of the risk’s occurrence.
- Work of Others – The GAO’s Government Auditing Standards state that determinations should be made whether other auditors have conducted, or are conducting, audits that could be “relevant” to the current audit objectives. It also includes guidance on procedures

that may be performed to use the work, thereby avoiding duplication of efforts and expense.

- Firmly Established Due Dates – Efficient audit management is consequential for both the government and the auditor to maximize the investment of both Government and contractor resources. The Contracting Officer can request a milestone schedule in the RFQ as part of the technical proposal and then incorporate the agreed upon schedule into the task order award. Coordinating with the auditee ahead of time will help to ensure there are no major conflicting priorities that could impact the timeline of the Government and/or the auditor on any proposed audit schedules.

The establishment of a risk-based, time-phased audit process with a firm schedule, milestones and due dates will support the delivery of quality and timely contract audits. In addition to efficient audit management practices, performing audit activities on a concurrent basis throughout the year positively impacts the success of the audit program.

### **G. Assemble Request for Quote (RFQ) Package.**

The contractors under MAS SIN 541211 have already been confirmed to have their CPA license at time of the award of the schedule contract. Ordering agencies may want to request, as part of the evaluation criteria, a confirmation statement from the contractor that they are still a licensed CPA firm and ask for a copy of the active license(s).

MAS SIN 541211 contractors were also asked before award of the Schedule contract to submit a peer review report and any internal documents to explain what corrective action has been taken regarding any deficiencies. Ordering agencies may wish to ask for an updated report as part of the evaluation to document any changes since the time of original award.

Ordering offices may wish to ask for specific information on both corporate and individual experience for the type of contract audit services you are buying.

Determine cognizance and coordinate<sup>1</sup> to ascertain there is no duplication of audit efforts by other buying offices in your organization, DCAA, or with other agencies. Request the subject contractor undergoing the audit, to specify any intra-agency work underway or identify other agencies/components they work with. The subject contractor should know which agency/entity is cognizant of their firm.

Agencies can provide and/or ask respondents to provide an estimate of the number of hours to complete a given audit, by audit type. This practice serves as a point of comparison between proposals and provides the agency insight to evaluate level of effort.

Attachments to Include in RFQ

- Sample of the audit report format/s the successful qualified auditor will use
- Sample contractor employee non-disclosure agreement for awarded contractor to use ([See Appendix C.1](#))

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<sup>1</sup> Cognizance and Coordination – to ascertain there is no duplication of audit efforts, request the subject contractor being audited to specify other agencies they work with. In many instances the contractor will have easy access to this information.

- Sample organizational conflict of interest document for contractor to submit as part of their proposal

#### References to Include in RFQ

- [DCAA Contract Audit Manual \(CAM\)](#) DCAA Manual 7640.1 available at [www.dcaa.mil](http://www.dcaa.mil); under Guidance, select CAM
- DCAA standard audit programs available at [www.dcaa.mil](http://www.dcaa.mil) , [Directory of Audit Programs](#)
- Government Auditing Standards ([The Yellow Book](#))
- [Federal Acquisition Regulation](#), including [FAR Part 30](#) Cost Accounting Standards, [FAR Part 31](#) Contract Cost Principles and Procedures, [FAR Part 42](#) Contract Administration and Audit Services
- Agency Supplemental References as applicable

#### H. Selection Methodology/Criteria

- Contractor assumptions for performing the audit – are they the right assumptions? (Supports ability to validate price/risk)
- Contractor’s list of risk assumptions and financial impact summary of those assumptions  
Are those assumptions acceptable/or not?
- Price reasonableness analysis
- Relevant experience providing Federal contract/grant and/or subcontract/sub-grant audits, including tangible evidence. Sample work products such as description of project planning and audit methodology
- Considering requiring additional quality standards such as ISO9001 Past direct performance (Individual and Corporate performance as well as Prime or Sub-contractor role)
- CPARS review /assessment
- Contractor experience with GAGAS compliance
- CPA Licensure
- Peer Review Rating Acceptability. There are three ratings: “Pass”, “Pass with deficiencies”, and “fail”. There may be limited circumstances where a more permissive standard would be beneficial (e.g. small or underserved markets).
- Organizational Conflicts of Interest (OCI) - A qualified private auditor is one that certifies no conflict of interest in performing specified contract audits.
  - Did the Contractor identify and thoroughly evaluate all potential conflicts of interest? Did they recuse themselves for work for which they might have a conflict? (i.e., they cannot evaluate a Federal contractor with whom they already have an agreement or are under contract with as their client)

- In accordance with [FAR 2.101\(b\)](#), if the Contractor (and any subcontractors, consultants, or teaming partners) has or is currently providing support or anticipates providing support to the Government that creates or represents an actual or potential OCI, the Contractor shall immediately disclose this actual or potential OCI in accordance with [FAR Subpart 9.5](#). The Contractor is also required to complete and sign an OCI Statement in which the Contractor (and any subcontractors, consultants, or teaming partners) agrees to disclose information concerning the actual or potential conflict with any proposal for any solicitation relating to any work in the task order. All actual or potential OCI situations shall be identified and addressed in accordance with [FAR Subpart 9.5](#). Non-Disclosure Agreements

IN DETERMINING THE PROCUREMENT METHOD, IT IS HIGHLY RECOMMENDED THAT ORDERING AGENCIES CONSIDER AND UTILIZE THE BEST VALUE PROCUREMENT METHOD AS STATED IN FAR PART [8.404\(D\)](#) AND [8.405-4](#).

### Section 3 - Measurement of a successful audit.

Success measures for audits differ, based on whether the audit is conducted pre-award or post-award. In pre-award, success includes reasonably projecting and quantifying risk in a timely manner. With post-award, success involves accurately verifying and/or evaluating cost/price for compliance with contract terms and regulations in a timely manner. It is critical that the contracting office establish definable and measurable auditing criteria, materiality, and acceptable time frames by audit type. The design and implementation of proper performance metrics will increase the likelihood of quality audit deliverables and findings.

Assessing Audit Quality	
<b>Risk Assessment</b>	The auditor will identify the risk(s) associated with the requirements being examined. Once identified, the experienced audit team will scope the risks and develop procedures to test how the identified risks are affecting the requiring activity.
<b>Planning and Coordination</b>	Audits will be properly planned and coordinated with the Requestor/Contracting Officials to ensure the end state meets the needs of the agency. Auditors should have a thorough knowledge of the contractual matters and circumstances affecting audits. Auditors will work with the requesting official to ensure requirements are clearly identified.
<b>Audit Contents</b>	A quality audit is one that is well documented. The auditor will clearly document answers to the following questions in the working papers: <ul style="list-style-type: none"> <li>● What procedures were performed?</li> <li>● Why were those procedures performed?</li> </ul>

	<ul style="list-style-type: none"> <li>• How were those procedures performed and how do they support the conclusions?</li> <li>• When were those procedures performed?</li> <li>• How does the gathered evidence support the findings and conclusions?</li> </ul>
<b>Transaction Testing</b>	Transaction testing is focused on the areas with the highest risk. Transaction Tests will be designed and tailored to gather evidence related to the risk areas identified during risk assessment. In addition, Transaction Testing also serves to identify other areas that potentially require the scope to be expanded, which will require the Risk Assessment to be modified. In some cases tests for allowability, allocability, and reasonableness of the cost incurred in accordance with FAR Part 31 terms and conditions of the contract and/or other applicable federal regulations will apply.
<b>Evidence/Work Papers</b>	The evidence gathered through these procedures must be sufficient and appropriate to support the findings and conclusions. There is no set amount as to how much evidence is sufficient – an audit team will apply best judgment based on prior successful experience in relation to the assertion being audited.
<b>Experience and Technical Knowledge</b>	<p>The staff assigned to perform the audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS.</p> <p>The staff assigned to conduct an audit in accordance with GAGAS should collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that audit.</p>
<b>Consistent Conclusions</b>	If the contract audit is performed well, a similarly situated auditor, with the same evidence and applied procedures would reach the same conclusions.
<b>Timeliness</b>	Audits should be performed and reports provided to the agency before their need expires, such as contract period or statute of limitations.
<b>Contract Audit Compliance</b>	The contract audit must be in accordance with GAGAS and will be compliant with the contract terms and applicable government acquisition regulations.
<b>GAGAS Compliance</b>	Contract audits are required to comply with GAGAS. The GAGAS provides guidelines that an audit team must follow when performing an audit.

Judgment, based on experience and a deep understanding of the requirement and the adherence to statutory regulations plays heavily into the quality of the contract audit. The documentation in the working papers must be clear and explicit as to what, how, and why the procedures performed support the findings and conclusions.

There is no universal checklist for ascertaining the quality of an audit; some professional judgment is necessary. GAGAS 3.68 states, “Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, assessing, mitigating, and explaining them.” Thus, the documentation in the working papers must be clear and explicit as to how and why the procedures performed support the findings and conclusions.

In summary, the success of an audit is essentially judged by whether the audit is provided in conformance with professional standards and applicable regulations, meets the needs of the ordering office, and is completed in a timely manner.

## **Section 4 - An Industry Perspective**

Industry partners who have performed audit services in the government marketplace collaborated with the Working Group and provided the following key insights for ordering agencies to consider when developing their requirements, evaluating their solicitations, and administering their awards.

### **A. Developing Requirements**

- Considering requiring additional quality standards such as ISO9001
- Agency Support - Auditors require the support of the Agency personnel to achieve timely completion of the project. Support includes the collection of relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings.
- Project Management. The requesting Agency will designate a management-level individual to oversee the conduct of this project, including coordination of the resources needed and review of draft deliverables. The personnel assigned to the project will review draft deliverables on a timely basis.
- Consistent with Government Auditing Standards, the Agency’s management is responsible for making an informed judgment on performance audits results and agree to:
  - Designate a suitably skilled, knowledgeable, and experienced management-level individual to
  - Be responsible and accountable for overseeing the performance audits
  - Establish, maintain, and monitor the progress of the performance audits to make certain that they
  - Meet management’s objectives
  - Make all management decisions and perform all management functions related to the
  - Performance audit and accept full responsibility for such
  - Evaluate the adequacy of the services performed and findings that result
- Agency management should also agree to the following:

- All records, documentation, and information the auditor requests in connection with performance audits will be made available as well as assist with any issues encountered in obtaining contractor (auditee) records requested,
- All material information will be disclosed
- The auditor will have the full cooperation of contractor personnel. In completing the performance audits, or other types of audits the requesting Federal agencies may request,
- The auditor will make specific inquiries of contractor management and request documentary evidence regarding the performance audit objectives and, where appropriate, the effectiveness of internal control and obtain a representation letter from contractor management about these matters.
- Cost Saving Measures for consideration
  - In developing Acquisition Strategies and forming contract vehicles, consider flexible options such as a Blanket Purchase Agreement (BPA) to achieve time-saving and financial efficiencies of ordering audits for multiple contractors and multiple similar engagements under one task order, as opposed to issuing various task orders by individual audit. Ordering agencies may have Contract Line Items (CLIN) by contractor or by individual audit under one award. This will lead to a lesser contract administration burden on the Government and will aid in reducing overall cost because vendors can maximize efficiencies by using economies of scale and staffing task orders accordingly.
  - Efficiencies in allowing for multiple-purpose reports; for example, by grouping a contractor's incurred cost audits in two-to-four Fiscal Year (FY) increments or by grouping multiple business systems of the same contractor in one report. This reduces the cost of planning and reporting on multiple years/items separately and gives Contracting Officers (CO) more information in the appropriate context and form.
  - Consider the use and authorization of teaming arrangements. Often teaming arrangements can assist in applying the appropriate safeguards when a vendor has an Organizational Conflict of Interest (OCI) while still being able to bid on a task order that might contain many other non-conflicted audits. However, ordering agencies should note and enforce that teaming partners and subcontractors must still meet the requirements of the "Qualified Private Auditor" section.
  - Concepts of materiality, using the work of others, and report/engagement efficiency expectations are critical elements that make large differences in Level of Effort (LOE)
- SOW development considerations



- If an agency does not have a standard report format they prefer, it may be beneficial to ask the Offeror to submit a report template used by their firm for evaluation.
- Although GAGAS incorporates by reference the American Institute of Certified Public Accountants (AICPA) standards, such as the Statements on Auditing Standards (SAS) and the AICPA's Statements on Standards for Attestation Engagements (SSAE), it is a good practice to identify the most important AICPA standards (GAAS or SSAE) that should be taken into consideration in the RFP. This would provide a better understanding to the CPA (Offeror) when preparing the technical portion of the RFQ.

## **B. Evaluating Solicitations**

Depending on the contents of a Non-Disclosure Agreement, Offerors may not be able to provide actual work products without significant redactions

# APPENDICES

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## Appendix A - Verification of Licensure

National Association of State Boards of Accountancy (NASBA): <https://cpaverify.org/>

- [Alabama](#)
- [Alaska](#)
- [Arizona](#)
- [Arkansas](#)
- [California](#)
- CNMI (No website) – phone 671-727-3362
- [Colorado](#)
- [Connecticut](#)
- [Delaware](#)
- [District of Columbia](#)
- [Florida](#)
- [Georgia](#)
- [Guam](#)
- [Idaho](#)
- [Illinois](#)
- [Indiana](#)
- [Iowa](#)
- [Kansas](#)
- [Kentucky](#)
- [Louisiana](#)
- [Maine](#)
- [Maryland](#)
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- [Missouri](#)
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- [Nebraska](#)
- [Nevada](#)
- [New Hampshire](#)
- [New Jersey](#)
- [New York](#)
- [North Carolina](#)
- [North Dakota](#)
- [Ohio](#)
- [Oklahoma](#)
- [Oregon](#)
- [Pennsylvania](#)
- [Puerto Rico](#)
- [Rhode Island](#)
- [South Carolina](#)
- [South Dakota](#)
- [Tennessee](#)
- [Texas](#)
- [Utah](#)
- [Virgin Islands](#)
- [Virginia](#)
- [Washington](#)
- [West Virginia](#)
- [Wisconsin](#)

Note 1: Missing the state of Hawaii

Note 2: Includes Guam, Puerto Rico, and U.S. Virgin Islands

## Appendix B - Samples: Qualitative Evaluation Factors

### i. Department of Homeland Security – RFQ HSHQDC-16Q-00081

**Factor 1: Technical Experience/Understanding and Capabilities:** The Government will evaluate the degree to which the Quoter possesses experience and capability in performing contract audit and review services, including the audit/review services as specified in the Statement of Work (SOW), Audit Requirements. The evaluation will consider the type of work performed and relevancy to the SOW requirements, the demonstration of corporate and staff experience, the scope of the engagement(s), and how recently the engagement was performed.

The Government will evaluate the degree to which the Quoter demonstrates an understanding of the Audit Reporting Requirements in the Statement of Work (Attachment 2), through the content and structure of submitted work samples. The evaluation will assess the redacted work product samples for clarity in findings and recommendations. The evaluation will assess whether the audit opinion and findings are well supported by the specific evidence obtained during the audit, the applicable law and regulations, and/or the auditee's own policies and procedures.

The Government will be reviewing the work sample to see if the findings and recommendations are clearly stated and supported.

**Factor 2: Management Approach:** The Government will evaluate the Quoter's approach to managing the customer relationship, establishing quality control checks for work products, and integrating any teaming/subcontracting efforts with the prime contractor's effort, including methods to ensure personnel affiliation with either the prime or the subcontractor is transparent. The Government will also evaluate the Quoter's plan to perform simultaneous contract audit and review services at Government/Contractor locations that are geographically disbursed.

The Government will evaluate the Quoter's plans to recruit, retain, and manage qualified personnel and ensure sufficient levels of staffing throughout the contract performance period, including during periods of work load fluctuation.

**Factor 3: Past Performance:** The Government will evaluate the extent to which the Quoter's Past Performance demonstrates its capability to deliver high quality products and services similar in size, scope, and complexity to the requirements listed in the RFQ either as a prime Contractor or Subcontractor. Only work performed within the past three years and of similar complexity and magnitude to the work identified in the SOW will be evaluated.

Each Quoter will be evaluated on their Past Performance under existing and prior contracts. The Government will focus its evaluation on the information submitted by the Quoter in response to the instructions provided in this RFQ, and the Past Performance Information, Contractor Performance Customer Survey Questionnaire, Attachment 3, sent directly to the Contracting Officer that demonstrates the quality of the Past Performance relative to the size, scope, complexity, and relevancy to the procurement under consideration. Also, related Past Performance information may be sought and utilized by DHS for the purpose of evaluating the Quoter's Past Performance from a variety of sources including the PPIRS/CPARS database, other Government contracting activities, evaluator first-hand knowledge, the Excluded Parties List

System (EPLS), and other Government reports. If the Quoter does not have a record of past performance, then it will not be evaluated favorably or unfavorably with respect to past performance and will receive a neutral rating.

**Lessons Learned**

“The samples were beneficial – reading of sample reports we were able to identify which firms had experience in contract audits versus financial audits. However, a lesson learned - - we were overwhelmed by the responses and since each company submitted their “best” reports – they submitted lengthy, complex examples. This was time consuming for the evaluation team. Suggest less than three samples unless you are sure you are not receiving a lot of quotes.”

“We allowed too many pages for the technical volume. Limit the pages – a firm should be able to summarize their quality control process and ability to respond to multiple geographically dispersed assignments in a few pages. Once again, the volume of responses and multiple pages in the technical quote was unnecessarily time consuming for the technical team.”

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**ii. Pension Benefit Guarantee Corporation – RFQ PBGC01-RQ-16-0068**

**Factor 1 - Technical Approach:** The Offeror’s technical approach shall be evaluated to the extent to which they demonstrate the ability to accomplish the requirements described in all sections of the Performance Work Statement (PWS). Offerors will be evaluated on their technical analysis of work areas in the PWS and on the extent to which capability to perform the work is demonstrated, being both onsite and offsite, and with respect to the backlog and to ongoing requirements, as required in the PWS.

**Factor 2 - Past Performance:** The Offeror shall provide at least three (3) past performance references. If an Offeror submits more than three references, the agency will evaluate three references of its own choosing. Each effort shall be recent (performed within 3 years) and relevant to PBGC’s present requirement (e.g., finding temporary attorney services for other Federal agencies to perform tasks similar to those listed in the performance work statement). Past performance references must include: the name of the agency for which the services were provided, a point of contact for the effort at the agency (including telephone number or e-mail address), the date the services were performed, and a description of the services provided. Offerors should ensure that points of contact are still employed by the agencies and that contact information is current. Reference responses will be evaluated based upon the timeliness (e.g., degree to which the Offeror promptly responded to and fulfilled client service requests), quality (e.g., degree to which temporary personnel satisfactorily performed their assignments), and responsiveness (e.g., degree to which Offeror accommodated client requirements). An Offeror without a record of relevant past performance or for whom information on past performance is not available will not be evaluated favorable or unfavorable on past performance. Offerors without a record of relevant past performance will be given a neutral rating.

**Factor 3 - Business Management Approach:** The Government shall evaluate the proposed Offeror's ability to the extent to which they can demonstrate successful performance under the PWS and its attention to initial and continually improved quality assurance.

**Factor 4 - Key Personnel and Staffing Plan:** The Offeror shall be evaluated on the extent, depth and quality of the Key Personnel's relevant work experience, as well as the quality and applicability of their education, and technical experience in accordance with the requirements of Section 4, Special Contract Requirements. Offeror shall be evaluated to the extent to which they demonstrate ability to provide non-key personnel as required.

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iii. U.S. Agency for International Development (USAID) - Special Inspector General for Afghanistan Reconstruction - RFQ 16-233- SOL-00641

**Factor 1 - U.S. Government Audit Capability:** In this evaluation factor the Government will evaluate the degree to which the offeror demonstrates capability of performing a financial audit of a government contractor in compliance with U.S. Government policies, procedures, laws, and regulations.

**Factor 2 - Experience with USAID or USAID and Department of State Contracts:** In this evaluation factor the Government will evaluate the degree to which the offeror demonstrates:

- An understanding of the U.S. Agency for International Development or Department of State's contract lifecycle process, preference given for experience with U.S. Agency for International Development or U.S. Agency for International Development and Department of State Contingency Contracting
- Prior experience auditing U.S. Agency for International Development or Department of State contracts, preference given for experience performing incurred –cost audits

**Factor 3 - Afghan-specific Capability:** In this evaluation factor the Government will evaluate the degree to which the offeror demonstrates:

- Prior international audit experience and ability to travel internationally
- A physical presence in or access to an international affiliate able to work in Afghanistan
- Experience working in conflict environments (e.g. Afghanistan, Iraq, Sudan, etc.)
- Prior experience with Federal agencies implementing development programs in Afghanistan
- Experience evaluating costs incurred in Afghanistan
- Competence with written communications in English and staff with a knowledge of Dari and Pashto languages with the ability to read, speak and translate those languages and English

**Factor 4 - Past Performance:** The government will review the projects that the offeror is currently performing, or performed (at least in part) during the thirty-six months preceding the date that quotes are due. If subcontractors are included in the quote, their single project reference (one for each subcontractor proposed) will also be included in the overall past performance evaluation.

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iv. U.S. Agency for International Development (USAID) - RFQ SOL-267-16-000008

**Factor 1 - Past Performance:** Past performance will be evaluated based on the implementation of projects or engagements similar in scope, size and complexity as evidenced by performance records and the testimony of clients. Vendors without evidence or record of relevant past performance will be evaluated neutrally for this criterion.

**Factor 2 - Technical:** Ability to provide sufficient and qualified personnel to meet the needs of the statement of work and achieve the dates in the audit milestone plan. – Provide a realistic, achievable audit milestone plan that completes all audits within 18 months.

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v. National Aeronautics and Space Administration Shared Services Center - Solicitation NNX16ZXD040R

Factor 1: Technical – Product Work Samples with Corresponding Audit Program The Government will evaluate the Offeror’s product work samples to ensure each sample addresses all four elements identified below:

1. The objectives, scope, and methodology of the audit;
2. The audit results, including findings, conclusions, and recommendations, as appropriate;
3. A statement about the auditors’ compliance with GAGAS;
4. A summary of the views of responsible contractor official(s)

**Factor 2 - Past Performance:** The Government will not award to an Offeror that receives a rating of Very Low Level of Confidence in this factor. Past Performance will be evaluated based on the results of work performed that is determined to be relevant to this requirement.

- Offerors will also be evaluated on the quality of same/similar work performed as a prime contractor or a subcontractor/teaming partner within the last FIVE (5) years, using the supporting documentation provided by the Offeror.
  - Offerors are cautioned to take extreme care in identifying past and current contracts for reference that are both relevant and accurately reflect the Offeror’s past experience.
-

## Appendix C.1 - Sample Contractor Employee Non-Disclosure Agreement (NDA)

<b>Contract Audit Sow – Attachment #</b>	
<b>Contract #</b>	

### **AGENCY NAME**

**REFERENCES:** 48 CFR (Federal Acquisition Regulation (FAR)) Section 3.104, 5.401, 24.102 and relevant corresponding sections of the Agency Acquisition Regulation (AAR).

### **NON-DISCLOSURE OF PROPRIETARY/CONFIDENTIAL DATA**

While employed by the (Insert Contractor’s name), hereinafter referred to as “Contractor,” in support of Contract (Insert Contract number), hereinafter referred to as “Contract,” you may have, or have access to, information or data of a personal nature about an individual, or proprietary information or data submitted by or pertaining to an institution or organization. Such information may be nonpublic, sensitive, confidential, privileged, and proprietary or contain Personally Identifiable Information (PII) and is hereinafter referred to as “confidential information/records.”

This Non-Disclosure Agreement (NDA):

- Addresses terms used herein;
- Explains how confidential information/records shall be handled;
- Describes the potential penalties for inappropriately disclosing confidential information/records obtained under the Contract;
- Requires you to affirm:
  - You agree to take all necessary steps to prevent disclosure, dissemination, publication or distribution of confidential information/records to any party outside the Government, unless otherwise authorized; and,
  - That all confidential information/records obtained or generated under Contract shall:
    - Not be disclosed, except as authorized by law or under the terms of the Contract;
    - Be used exclusively in the performance of this Contract; and,
    - Not be used to engage in any other actions, venture or employment where the confidential information/records will be used for the profit of any party.

Please also see the Attachment to this NDA, entitled Chapter 5 of the Code of Federal Regulation (CFR) § 2635.703(b), “Standards of Ethical Conduct for Employees of the Executive Branch.” For the purposes of this NDA and work on this Contract, FAR Part 24, Protection of Privacy and Freedom of Information, the Privacy Act requirements identified in the Attachment apply to Contractor employees working on the Contract.



Your employer is required to restrict access to confidential information/records to the minimum number of employees necessary for performance of the Contract and instruct employees who will have access to the same, as to the -

- Proprietary nature of the information;
- Relationship under which they have possession; and
- How to administer such information.

## **DEFINITIONS**

**CONFIDENTIAL INFORMATION:** As used in the Agency Acquisition Regulation (AAR) ###.##.#, Confidential Information, "...means information or data of a personal nature about an individual, or proprietary information or data submitted by or pertaining to an institution or organization."

**NONPUBLIC INFORMATION** is information that an employee gains by reason of Contract employment and that he/she knows or reasonably should know is not available to the general public. It includes information that:

- Is protected under the Privacy Act of 1974 and is routinely exempt from disclosure under the Freedom of Information Act or otherwise protected from disclosure by statute, Executive order, law, or regulation;
- Is designated as "confidential" by (AGENCY NAME); or
- Has not actually been disseminated to the general public and is not authorized to be made available to the public on request. (See Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. § 2635.703(b).)

**PRIVILEGED OR PROPRIETARY INFORMATION:** Information related to trade secrets, processes, operations, style of work, or apparatus, or the identity of confidential statistical data, amount or source of any income, profits, losses, or expenditures of any person, firm, partnership, corporation, or association. This type of information could include, but is not limited to, certain types of information submitted as part of the acquisition process or Contractor proprietary information. Federal law prohibits the unauthorized disclosure of trade secrets, or commercial or financial information. (See Procurement Integrity Act, 41 U.S.C. § 423, also protects this type of information and carries criminal and civil penalties, such as fines, imprisonment of 5 years or less, or adverse personnel actions; and Trade Secrets Act, 18 U.S.C. § 1905.)

## **USE OF CONFIDENTIAL INFORMATION/RECORDS, NONPUBLIC OR PRIVILEGED/PROPRIETARY INFORMATION**

All information gained under this Contract shall be held confidential until such time as the information is made available to the public, as authorized. This is not intended to restrict the rights of third parties such as law enforcement agencies, courts/administrative tribunals of proper jurisdiction, or congressional committees, from securing the release of protected information pursuant to their legal authority. No confidential information shall be provided to the public unless it is already available to the public, such as through a public web page or another publication, except through the (AGENCY NAME) Freedom of Information Office.

For any Confidential, Nonpublic or Privileged/Proprietary Information/records that may be furnished to you or that you gain access to in the course of your official duties under this Contract, you should:

- Use this information only for the purpose of performing official Contract duties;
- Refrain from disclosing or discussing the information with any person who does not need the information for purposes of performing official Contract duties;
- Refrain from copying, for other than official purposes, all or part of this information that may be provided to you in the course of your official (AGENCY NAME) duties, and when finished reviewing or utilizing such information for official Contract duties, store or dispose of such materials as specifically directed; and
- Advise your Supervisor immediately if any non-disclosable information that is/was maintained by, or in the possession of, the Contractor is disclosed, whether intentionally or unintentionally, or if this information is used or handled in a manner inconsistent with this NDA.

#### **USE OF CONFIDENTIAL INFORMATION FOR FINANCIAL GAIN IS PROHIBITED:**

Under applicable ethical standards (See Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. § 2635.703), you shall not engage in a financial transaction using confidential information/records or nonpublic information, nor allow the improper use of such information to further your own private interest or the interests of another person, whether through advice or recommendation, or by knowingly disclosing such information.

#### **REQUESTS FOR CONFIDENTIAL INFORMATION/RECORDS**

Before disclosing any information that may constitute nonpublic information, or if you have any questions about what constitutes nonpublic information, please also consult with your Supervisor. Any response to a request for confidential information/records that is related to this Contract shall also be referred to your Supervisor. In the event that Supervisors have legal questions regarding these issues, they should promptly contact the Contractor Program Manager/Director, who will contact the Contracting Officer or Contracting Officer's Representative (COR).

#### **POST EMPLOYMENT RESTRICTIONS**

All confidentiality obligations identified herein apply even after the employee no longer possesses the confidential information/records and/or has left the Contractor's employ. The unauthorized disclosure of such information may result in fines and/or imprisonment for up to one (1) year and removal from office or employment.

# CONTRACTOR EMPLOYEE NON-DISCLOSURE AGREEMENT

**AGENCY NAME**

## AFFIRMATION

I, the undersigned, as a condition of being granted access to work on the Contract, do hereby affirm -

- The information provided by the Government, obtained from the Contractor(s) or generated under this Contract, may be considered confidential, nonpublic, and/or privileged, or proprietary;
- The information obtained or generated under contract shall be used exclusively in the performance of this Contract and all necessary steps will be taken to prevent disclosure, dissemination, publication or distribution of such information to any party outside the Government, unless otherwise authorized;
- Proprietary information will not be used to engage in any other actions, venture or employment where it will be used for the profit of any party;
- My Supervisor will be contacted if I have any questions concerning this matter;
- I have read the Attachment to this Non-Disclosure Agreement entitled "Privacy Act, 5 CFR § 2635.703(b), Employee Standards of Conduct; and,
- The making of a false, fictitious, or fraudulent affirmation may render the maker subject to prosecution under title 18, United States code, Section 1001.

These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities under law or regulation.

\_\_\_\_\_  
Signature of employee/date

\_\_\_\_\_  
Type employees name and title

\_\_\_\_\_  
Signature of witness/date

\_\_\_\_\_  
Type witness name and title

## Appendix C.2 - Attachment to Employee Non-Disclosure Agreement - Privacy Act

### Privacy Act

**References:** 5 CFR § 2635.703(b)

#### EMPLOYEE STANDARDS OF CONDUCT

(a) General. All employees are required to be aware of their responsibilities under the Privacy Act (the Act) of 1974, 5 U.S.C. 552a. Regulations implementing the Act are set forth in 45 CFR 5b. Instruction on the requirements of the Act and regulation shall be provided to all new employees of the Department. In addition, supervisors shall be responsible for assuring that employees who are working with systems of records or who undertake new duties which require the use of systems of records are informed of their responsibilities. Supervisors shall also be responsible for assuring that all employees who work with such systems of records are periodically reminded of the requirements of the Act and are advised of any new provisions or interpretations of the Act.

(b) Penalties.

1. All employees must guard against improper disclosure of records which are governed by the Act. Because of the serious consequences of improper invasions of personal privacy, employees may be subject to disciplinary action and criminal prosecution for knowing and willful violations of the Act and regulation. In addition, employees may also be subject to disciplinary action for unknowing or unwillful violations, where the employee had notice of the provisions of the Act and regulations and failed to inform himself sufficiently or to conduct himself in accordance with the requirements to avoid violations.

2. The Department may be subjected to civil liability for the following actions undertaken by its employees:

(a) Making a determination under the Act and §§5b.7 and 5b.8 of the regulation not to amend an individual's record in accordance with his request, or failing to make such review in conformity with those provisions

(b) Refusing to comply with an individual's request for notification of or access to a record pertaining to him;

(c) Failing to maintain any record pertaining to any individual with such accuracy, relevance, timeliness, and completeness as is necessary to assure fairness in any determination relating to the qualifications, character, rights, or opportunities of, or benefits to the individual that may be made on the basis of such a record, and consequently a determination is made which is adverse to the individual; or

(d) Failing to comply with any other provision of the Act or any rule promulgated thereunder, in such a way as to have an adverse effect on an individual.

3. An employee may be personally subject to criminal liability as set forth below and in 5 U.S.C. 552a (i):

(a) Any officer or employee of an agency, who by virtue of his employment or official position, has possession of, or access to, agency records which contain individually identifiable information the disclosure of which is prohibited by the Act or by rules or regulations established thereunder, and who, knowing that disclosure of the specific material is so prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it,

(b) Any officer or employee of any agency who willfully maintains a system of records without meeting the notice requirements [of the Act] shall be guilty of a misdemeanor and fined not more than \$5,000.

### **Rules Governing Employees Not Working With Systems of Records.**

Employees whose duties do not involve working with systems of records will not generally disclose to any one, without specific authorization from their supervisors, records pertaining to employees or other individuals which by reason of their official duties are available to them. Notwithstanding the above, the following records concerning Federal employees are a matter of public record and no further authorization is necessary for disclosure:

- 1) Name and title of individual.
- 2) Grade classification or equivalent and annual rate of salary.
- 3) Position description.
- 4) Location of duty station, including room number and telephone number. In addition, employees shall disclose records which are listed in the Department's Freedom of Information Regulation as being available to the public.
- 5) Requests for other records will be referred to the responsible Department official. This does not preclude employees from discussing matters which are known to them personally, and without resort to a record, to official investigators of Federal agencies for official purposes such as suitability checks, Equal Employment Opportunity investigations, adverse action proceedings, grievance proceedings, etc.

### **Rules Governing Employees Whose Duties Require Use Or Reference To Systems Of Records**

Employees whose official duties require that they refer to, maintain, service, or otherwise deal with systems of records (hereinafter referred to as "Systems Employees") are governed by the general provisions. In addition, extra precautions are required and systems employees are held to higher standards of conduct.

#### **(1) Systems Employees shall:**

- (a) Be informed with respect to their responsibilities under the Act;

- (b) Be alert to possible misuses of the system and report to their supervisors any potential or actual use of the system which they believe is not in compliance with the Act and regulation;
- (c) Make a disclosure of records within the Department only to an employee who has a legitimate need to know the record in the course of his official duties;
- (d) Maintain records as accurately as practicable.
- (e) Consult with a supervisor prior to taking any action where they are in doubt whether such action is in conformance with the Act and regulation.

**(2) Systems Employees shall not:**

- (a) Disclose in any form records from a system of records except 1) with the consent or at the request of the subject individual; or 2) where its disclosure is permitted under §5b.9 of the regulation.
- (b) Permit unauthorized individuals to be present in controlled areas. Any unauthorized individuals observed in controlled areas shall be reported to a supervisor or to the guard force.
- (c) Knowingly or willfully take action which might subject the Department to civil liability.
- (d) Make any arrangements for the design development, or operation of any system of records without making reasonable effort to provide that the system can be maintained in accordance with the Act and regulation.

**Contracting Officers.**

In addition to any applicable provisions set forth above, those employees whose official duties involve entering into contracts on behalf of the Department shall also be governed by the following provisions:

**1. Contracts for design, or development of systems and equipment.** No contract for the design or development of a system of records, or for equipment to store, service or maintain a system of records shall be entered into unless the Contracting Officer has made reasonable effort to ensure that the product to be purchased is capable of being used without violation of the Act or regulation. Special attention shall be given to provision of physical safeguards.

**2. Contracts for the operation of systems of records.** A review by the Contracting Officer, in conjunction with other officials whom he feels appropriate, of all proposed contracts providing for the operation of systems of records shall be made prior to execution of the contracts to determine whether operation of the system of records is for the purpose of accomplishing a Department function. If a determination is made that the operation of the system is to accomplish a Department function, the Contracting Officer shall be responsible for including in the contract appropriate provisions to apply the

provisions of the Act and regulation to the system, including prohibitions against improper release by the contractor, his employees, agents, or subcontractors.

**3. Other service contracts.** Contracting Officers entering into general service contracts shall be responsible for determining the appropriateness of including provisions in the contract to prevent potential misuse (inadvertent or otherwise) by employees, agents, or subcontractors of the contractor.

### **Rules Governing Responsible Department Officials.**

In addition to the requirements for Systems Employees, responsible Department officials shall:

1. Respond to all requests for notification of or access, disclosure, or amendment of records in a timely fashion in accordance with the Act and regulation;
  2. Make any amendment of records accurately and in a timely fashion;
  3. Inform all persons whom the accounting records show have received copies of the record prior to the amendments of the correction; and
  4. Associate any statement of disagreement with the disputed record, and
    - (a) Transmit a copy of the statement to all persons whom the accounting records show have received a copy of the disputed record, and
    - (b) Transmit that statement with any future disclosure.
-

## **Appendix D - Sample Cost Accounting Standards Board Disclosure Statement (REQUIRED BY PUBLIC LAW 100-679)**

### **General Instructions**

1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the contractor and its contract cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 Of Title 48 CFR (48 CFR 9903.202).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segment, Corporate or other intermediate level home office, or a business unit). Parts II through VII pertain to the types of costs generally incurred by the segment or business unit directly performing Federal contracts or similar cost objectives. Part VIII pertains to the types of costs that are generally incurred by a Home office and are allocated to one or more segments performing Federal contracts. For a definition of the term "home office", see 48 CFR 9904.403.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VII.
4. Each home office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing Federal contracts or similar cost objectives shall complete the Cover Sheet, the Certification, Part I and Part VIII of the Disclosure Statement. Where a home office either establishes practices or procedures for the types of costs covered by Parts V, VI and VII, or incurs and then allocates these types of cost to its segments, the home office may complete Parts V, VI and VII to be included in the Disclosure Statement submitted by its segments. While a home office may have more than one segment submitting Disclosure Statements, only one Statement needs to be submitted to cover the home office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.
8. Where the cost accounting practice being disclosed is clearly set forth in the contractor's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference at the option of the contractor. In such cases, the contractor should provide the date of issuance and effective date for each accounting policy



and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement number and follow the page number specified in paragraph 7. Any supplementary comments needed to adequately describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when cost accounting practices are changed to comply with a new CAS or when practices are changed with or without knowledge of the Government (Also see 48 CFR 9903.202-3).

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## Appendix E - Contract Audit Working Group Agencies and Offices

Agency	Office of Record	Position of Record
DOE	Office of Acquisition Management	Field Assistance and Oversight Division, MA-621
DOI/IBC	Acquisition Services Directorate	Policy Division - Acquisition & Strategic Development
DOT	Office of the Secretary	M-60
DOT/FAA	Acquisition and Business Services	Price/Cost Analysis Division
DOT/PHMSA	Acquisition Services Division	
DOT/VOLPE	VOLPE Center	
EDUC	Office of the Chief Financial Officer	Enterprise Procurement Initiatives
HHS		ASFR
HHS/CMS	Division of Financial Services	OAGM
HHS/NIH	Office of Acquisition Management and Policy	Division of Financial Advisory Services Indirect Cost Branch
NASA/HQ	Office of Procurement	Contract Cost, Pricing, and Financing
PBGC	Pension Benefit Guaranty Corporation	Procurement Analyst
STATE	A/LM/AQM/BOD/QA	
TREAS	Office of Financial Innovation and Transformation	Bureau of the Fiscal Service
SSA	Office of Acquisition and Grants	Acquisition Financial Service Audit Team
USAID	M/OAA/CAS/CAM	
OMB	Office of Federal Procurement Policy	

## Other Resources

- a. [MAX.gov](https://www.max.gov)
- b. Contractors can be found on [GSA eLibrary](https://www.gsa.gov/eLibrary)
- c. GSA Subject Matter Experts – [ccas@gsa.gov](mailto:ccas@gsa.gov)
- d. DCAA CHECKLISTS & TOOLS