U.S. Department of Transportation
Office of the Secretary of Transportation

ORDER

DOT 8000.7A

2-12-90

Subject: AUDIT SERVICES FOR DOT CONTRACTING OFFICES

1. PURPOSE. This Order provides Departmental policy and procedures for obtaining contract audit services.

2. CANCELLATION. DOT 8000.7, Audit Services for DOT Contracting Offices, dated May 24, 1984.

3. REFERENCE. DOT 8000.1C, Office of Inspector General Audit and Investigation Report Findings, Recommendations, and Followup Action, dated 07/20/89, outlines the responsibilities of the Office of Inspector General (OIG) and Department of Transportation (DOT) in establishing procedures for followup actions on audit and investigation report findings and recommendations.

4. DEFINITIONS. Terms used in this Order are defined below.

   a. Audit and Audit Review. Terms used interchangeably to refer to examinations by contract auditors, of contractors' statements of costs to be incurred (cost estimates), or costs actually incurred, to the extent deemed appropriate by the auditors in the light of their experience with the contractors, and relying upon their appraisals of the effectiveness of contractors' policies, procedures, controls, and practices. Such audit reviews or audits may consist of desk reviews, test checks of a limited number of transactions, or examinations in depth, at the discretion of the auditor.

   b. Contract Audit Services. Includes:

      (1) The submission of audit reports which set forth the results of auditors' reviews and analyses of cost data submitted by contractors as part of pricing proposals, reviews of contractors' accounting systems, estimating methods, and other related matters.

      (2) Personal consultation and advice to procurement and contract administration personnel in connection with analyses of contractors' cost representations and related matters including counsel (with or without an audit) on accounting and financial subjects.

   c. Negotiation Memorandum. The price negotiation memorandum that a contracting officer (CO) must prepare at the conclusion of each negotiation of an initial, revised, or final price.

DISTRIBUTION: All Secretarial Offices
All Operating Administrations

OPI: Office of Inspector General

5. BACKGROUND.

a. Background. In accordance with Federal Acquisition Regulations, COs are the exclusive agents of DOT to enter into and administer contracts on behalf of DOT. Each CO is responsible for performing or having performed all administrative actions necessary for effective contracting. The CO shall use all organization tools (including contract audit) necessary to accomplish the purpose that, in the discretion of the CO, will best serve the interests of the Government. The CO is responsible for coordinating a team of experts, requesting advice from them, evaluating their counsel and using their skills as much as possible. However, the determination of the suitability of the contract price to the Government always remains the responsibility of the CO.

b. The Inspector General (IG) has the duty and responsibility to provide policy direction for and to conduct, supervise, and coordinate audits relating to the programs and operations of DOT.

c. While COs are responsible for requesting such contract audits as may be required, and determining the contract price, the IG is responsible for providing policy direction for, conducting, supervising, and coordinating the audits. Thus, when COs determine that contract audit services are necessary, they are to be obtained in accordance with the policy and procedures contained in this Order.

6. REQUEST FOR AUDIT SERVICES.

a. Written Requests. Requests for contract audit services are to be made through the OIG, Deputy Assistant Inspector General for Auditing (JA-2). Exceptions to this requirement are the Federal Aviation Administration (FAA) and United States Coast Guard (USCG) headquarters who may request audit services directly from the Defense Contract Audit Agency (DCAA) but are required to coordinate this effort with JA-2. Requests for audit services which are to be performed by the DOT/OIG, Department of Health and Human Services, Department of Energy, etc., shall be submitted to JA-2 for processing. Attachment 1 to this Order provides a sample blank written request for audit services.

b. Verbal Requests. COs may request verbal information directly from DCAA. However, if DCAA is to issue a written report, a written audit request must be processed. OIG will not process any billing for audit services unless a written audit report is on file, or there is other evidence of performance.

7. REQUESTS SENT TO DCAA.

a. The CO must determine that DCAA is either assigned cognizance under a current Office of Management and Budget or General Services

Administration Circular, has audited the contractor during the past year, or is providing services at that contractor location to review Federal agencies' contracts.

b. Each procurement office must maintain an audit request log and furnish JA-2 a complete copy of each written audit request within five work days. JA-2 will evaluate the request to assure it is appropriate and complies with regulations and will advise the CO if any additional justification is necessary. In addition, the head of each DOT procurement activity is to furnish a monthly listing to JA-2, by the tenth day of the following month, of audit requests sent to DCAA. The listing should include the OIG billing number (see below), name of contractor, the type of audit and the contract or proposal number. Whenever an audit review has been made in accordance with Section 1-3.809 of the Federal Acquisition Regulations, the CO shall forward a copy of the price negotiation memorandum directly to DCAA. Also, in accordance with DOT 8000.1C, a copy of the price negotiation memorandum is to be provided to the OIG.

c. A seven character OIG billing number must be assigned to each request sent to DCAA by the OIG, or FAA, or USCG headquarters. The OIG billing number consists of the following seven characters:

(1) The first two characters represent the DOT element making the request:

OT - Secretarial Offices
FA - Federal Aviation Administration
FH - Federal Highway Administration
CG - United States Coast Guard
FR - Federal Railroad Administration
UM - Urban Mass Transportation Administration
NH - National Highway Traffic Safety Administration
MA - Maritime Administration
SL - St. Lawrence Seaway Development Corporation
RS - Research and Special Programs Administration

(2) The second two characters represent the fiscal year in which the request was made.

(3) The last three characters represent the sequential number of the request made by the element. To prevent duplication of sequential numbers, each fiscal year, for each DOT element the OIG will begin with the number 001 for its first requests while requests made directly from FAA or USCG headquarters each fiscal year will begin with 501 and then the OIG, FAA, or USCG headquarters will sequentially number each subsequent request.

(4) As an example, FH-89-009 would represent the ninth request made by the Federal Highway Administration during FY 1989, while FA-89-502 would represent the second request made directly by the FAA headquarters during FY 1989.

d. Billings sent to JA-2 for DCAA audit services will be processed if they show an OIG billing number and JA-2 has a copy of both the CO's audit request and any applicable audit report, or other evidence of performance.

e. All requests for audit services submitted directly by the CO to DCAA shall instruct DCAA to submit copies of audit reports to the CO and two copies of the audit report directly to JA-2 as the contact point for the OIG.

f. JA-2 will review and transmit all DCAA audit reports to the various DOT procurement activities, indicating the OIG report number and the need for any followup action. When feasible, COs should not take official action on DCAA audit reports until a copy of such report is received from the OIG, JA-2. This is to assure that the DCAA report is responsive to the request and, where applicable, has been coordinated with the OIG investigative office.

g. JA-2 shall follow up on all outstanding audit requests made by JA-2 no later than 45 days after the initial due date of the audit. A copy of the followup, and the response from the auditor shall be forwarded to the CO.

8. REQUESTS SENT TO OIG HEADQUARTERS. This paragraph applies to audit services requested of JA-2 when that organization will perform the audit, or have the audit performed.

a. Requests to obtain or provide contract audit services will be made to JA-2.

b. JA-2 will refer the request for services to the appropriate audit agency, and transmit resultant reports to the requester.

c. Agencies' billings for services provided shall be submitted to JA-2 for review and approval prior to payment.

FOR THE SECRETARY OF TRANSPORTATION:

Melissa J. Allen
For the Assistant Secretary
for Administration

Memorandum

U.S. Department of Transportation
National Highway Traffic Safety Administration

Subject: **ACTION:** Request for Audit Services Contracts

Date:

Reply to Attn. of:

From: Thomas J. Stafford, Director
Office of Contract & Procurement, NAD-30

To: Office of Inspector General
ATTENTION: JA-2

A. Requested By: _____ Phone # _____

B. Name of Contractor: _____

C. Contract No.: _____ Title: _____

_____

Contract Amount: _____ Expiration Date: _____

D. Contractor Contact: _____

Address: _____

Telephone: _____

E. Type of Audit Service:

(1) Proposal Review _____ (3) Interim _____ (5) Other _____ (specify)

(2) Overhead Review _____ (4) Final _____

F. Requested Completion Date: _____

G. Contracting Officer Mailing Address for Receipt of Acknowledgement and Audit Report:

Department of Transportation/NHTSA
Office of Contracts & Procurement
400 Seventh Street SW, Room 5301
Washington, DC 20590

ATTN:

H. Description of Special Instruction:

Get it together!
SAFETY BELTS SAVE LIVES