



Department of Transportation
Office of the Senior Procurement Executive

No. APL-2008-06
Date 04/24/08

DOT ACQUISITION POLICY LETTER

This Acquisition Policy Letter is issued under the authority of the Senior Procurement Executive of the Department of Transportation

Subject: Incurred-Cost Audits

References:

TAM 1242.7200 Audit of Direct and Indirect Costs

When is this Acquisition Policy Letter (APL) Effective?

This APL is effective upon issuance.

When Does This APL Expire?

This APL remains in effect until the resulting policy is incorporated into the Transportation Acquisition Manual (TAM).

Who is the Point of Contact?

Contact Cassandra Wells of the Office of the Senior Procurement Executive, Business Strategies Division (202) 366-4960 or by email at cassandra.wells@dot.gov.

Visit our website at <http://www.dot.gov/ost/m60/> for additional information on DOT Acquisition Policy Letters and other policy issues.

What is the Purpose of this Acquisition Policy Letter?

This Acquisition Policy Letter (APL) serves to establish a Departmental plan for assuring incurred-cost audits for cost type contracts are obtained and audit report recommendations are resolved in a timely manner.

What is the Background?

The Department's Office of Inspector General conducted an audit to determine whether DOT and its Operating Administrations (OAs) were (1) obtaining contract audit services in accordance with policies, procedures, and acquisition regulations and (2) effectively using audit results to recover overpayments to contractors. The audit report, "*Incurred-Cost Audits of DOT Procurement Contracts Should Be Obtained*" issued August 2007, <http://www.oig.dot.gov/item.jsp?id=2114> resulted in the following recommendations:

Recommendation 1a: Require OAs to review the FY 2007 contract audit plan submitted to the Office of the Senior Procurement Executive and document justifications for any revision.

Recommendation 1b: Require OAs to submit the revised FY2007 contract audit plan to the Office of the Senior Procurement Executive for approval.

Recommendation 1c: Require Operating Administrations to resolve the \$12.7 million (\$11.7 million and \$1 million) in questioned costs that OAs have not addressed and report any resulting costs recovered to our office, the Senior Procurement Executive, and Administrators of each OA.

Recommendation 1d: Require Operating Administrations to update the list of DCAA-reported unresolved questioned costs that are more than 6 months old as of October 2006; resolve those costs; and report any costs recovered to our office, the Senior Procurement Executive, and Administrators of each Operating Administration.

Recommendation 2: Ensure that Operating Administrations obtain incurred-cost audits and that audit report recommendations are resolved within 6 months of issuance of the final report.

What is the Guidance?

Responsive corrective action taken by management on OIG audit findings and recommendations is essential to improving the effectiveness and efficiency of the Department's procurement operations. The Department recognizes, supports, and utilizes OIG audits of DOT activities as an important element of the Department's management system. To this point, the following actions are required:

OA Chief Contracting Officers (COCOs) shall:

1. Review the FY2008 contract audit plan and document justifications for revisions to this office within 90 days of issuance of the APL.
2. Identify planned contract audits not implemented during FY07 or FY 08 and include them in your FY09 audit plan as applicable based on internal analysis or document the rationale why the audits were not performed. Also, please provide OSPE a copy of the FY 09 audit plan for review within 90 days of issuance of the APL.
3. Resolve any pending audit findings with questioned costs and report the final dispositions of the audit findings to the Head of the Contracting Agency (HCA) and OSPE.
4. Update the list of DCAA-reported unresolved questioned costs that are more than 6 months old as of October 2006; resolve those costs; and report any costs recovered to the HCA and OSPE. You are reminded of DOT's policy regarding the use of incurred-cost audits.

5. Submit quarterly status reports against your audit plans, beginning immediately. These status reports will address audit hours used, resolved and unresolved questioned costs, and whether justifications have been placed in the contract files where audits were not requested.



Denise P. Wright
Acting Director,
Office of the Senior Procurement Executive