



National Aeronautics and
Space Administration
Washington, DC 20546

Procurement Notice

PN 97-2
January 26, 1998

AUDIT FOLLOWUP PROCEDURES

PURPOSE: To provide revised guidance on audit followup procedures.

BACKGROUND: NFS sections 1842.101 and 1842.7301 reference OMB Circulars A-88 and A-128. Both of these have been canceled and replaced by OMB Circular A-133, and the NFS references are updated accordingly. Section 1842.102-70(b) provides guidance for NASA Centers on advising NASA Headquarters of changes in contract administration activity. This section is further clarified to indicate that NASA Center reports to Headquarters are required semiannually. Finally, changes are made to section 1842.7301 to include references to new NASA guidance documents and to clarify audit followup activities.

REGULATION: Part 1842 is amended as set forth in the enclosed replacement pages to the NFS.

REPLACEMENT PAGES: You may use the enclosed pages to replace 42:1, 42:2, 42:9, 42:10, and 42:11.

REGULATORY COMPLIANCE: This PN was published as a final rule in the Federal Register (62 FR 3652 - 3653), dated January 26, 1998.

EFFECTIVE DATE: This PN is effective as dated and shall remain in effect until canceled or superseded.

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PART 1842
CONTRACT ADMINISTRATION
Subpart 1842.1--Interagency Contract Administration and Audit Services

1842.101 Policy.

(a)(i) The Defense Contract Audit Agency (DCAA) has been designated as the DOD agency responsible for the performance of audit functions for NASA contracts, except those awarded to educational institutions for which other agencies have audit cognizance under OMB Circular No. A-133, those with Canadian contractors, and those for which NASA will perform audits.

(ii) Cross-servicing arrangements are the responsibility of the Headquarters Office of External Relations (Code ID). Contracting officers should direct questions to the Headquarters Office of Procurement (Code HK).

1842.102 Procedures.

1842.102-70 Review of administration and audit services.

(a) NASA installations shall assess their delegations to DOD semiannually to determine changes in delegation patterns that could (1) result in significant changes in DOD manpower requirements or (2) have other important impacts on DOD contract administration activities. Events such as major program cutbacks or expansions, changes in locations of major programs, and sizable new acquisitions should be considered in the assessment.

(b) A summary, including a negative summary, of the Center's assessment shall be submitted by the procurement officer to the Headquarters Office of Procurement (Code HK) by not later than January 15 and June 15 of the fiscal year. The summary shall include--

(1) A description of the change in work requirements or delegation pattern;

(2) The estimated duration of the impact;

(3) The results of discussions with affected DOD contract administration offices including agreement and disagreements on the predicted impact on DOD in terms of changes in manpower requirements or other costs; and

(4) Any other significant impact on DOD or NASA resources or contract performance risk.

1842.170 Assignment of NASA personnel at contractor plants.

(a)(1) NASA personnel normally shall not be assigned at or near a contractor's facility to perform any contract administration functions listed in FAR 42.302(a). Before such an assignment is made, a written request shall be forwarded to the cognizant program director for approval with the concurrence of the Associate Administrator for Procurement (Code HS). The following supporting information shall be forwarded with the request to make the assignment:

- (i) A statement of the special circumstances that necessitate the assignment.
- (ii) The contract administration services to be performed.
- (iii) A summary of any discussions held with the cognizant contract administration organization.
- (iv) A staffing plan covering three years or such shorter period as may be appropriate.

(2) The provisions of this paragraph do not apply to NASA audit personnel assigned to the field installations, to NASA technical personnel covered by 1842.101 and paragraph (b) of this section, unless they are performing any contract administration functions listed in FAR 42.302(a), or to personnel assigned to contractors' plants on NASA or other Federal installations.

(b) NASA may assign technical personnel (such as quality assurance, reliability, or engineering representatives) to contractors' plants or laboratories to provide direct liaison with NASA and technical assistance and guidance to the contractor and DOD. The duties and responsibilities of these technical representatives shall be clearly defined and shall not conflict with, duplicate, or overlap with functions delegated to DOD personnel. NASA shall advise appropriate DOD and contractor organizations of the duties and responsibilities of NASA technical personnel.

(c) When a NASA resident office, including any assigned technical personnel, and a DOD contract administration office are performing contract administration functions for NASA contracts at the same contractor's facility, the two offices shall execute a written agreement clearly establishing the relationship between the two organizations and the contractor. The agreement should eliminate duplication in the performance of contract administration functions and minimize procedural misunderstandings between the two organizations. Such agreements shall be consistent with existing delegations to the contract administration offices concerned and shall specify the relationship of NASA nonprocurement resident personnel to their DOD and contractor counterparts if such personnel will be involved in any aspect of contract administration.

Subpart 1842.2--Assignment of Contract Administration

1842.202 Assignment of contract administration.

(b) *Withholding normal functions.*

(1) The following functions are normally retained by the contracting office.

(A) Approval of the final voucher (FAR 42.302(a)(7)).

(B) Countersigning NASA Form 456, Notice of Contract Costs Suspended and/or Disapproved (FAR 42.302(a)(8)).

(C) Issuance of decisions under the disputes clause (FAR 42.302(a)(10)).

(D) Contract payment (FAR 42.302(a)(13)).

(E) Execution of supplemental agreements involving spare parts or other items selected through provisioning procedures. However, delegation of the negotiation of supplemental agreements for spare parts and other items and forwarding for approval and signature of the NASA contracting officer is permitted (FAR 42.302(a)(22)).

(F) Execution of supplemental agreements definitizing change orders (see FAR 42.302(b)(1)).

(G) Issuing termination notices and executing supplemental agreements for settlement of termination for default or for convenience of the Government. However, delegation of the negotiation of termination settlements and forwarding for approval and signature of the NASA contracting officer is permitted using NASA Form 1432 (FAR 42.302(a)(23)).

(H) Consent to placement of subcontracts under FAR 42.302(a)(51). (See 1844.202-1(a)).

(d) *Transmittal and documentation.* In addition to the instructions at FAR 42.202(d)(1) through (4), contracting officers shall--

(i) Send delegations to DOD contract administration offices in accordance with the instructions in the DOD Directory of Contract Administration Services Components (DLAH 4105.4).

(ii) At time of contract award, prepare and forward NASA Form 1430, Letter of Contract Administration Delegation, General, to the contract administration office. NASA Form 1430A, Letter of Contract Administration, Special Instructions, will supplement the NASA Form 1430, to

(1) Use of the NASA Contractor Financial Management Reports, the NASA Form 533 series, is required on cost-type, price redetermination, and fixed-price incentive contracts when the following dollar, period of performance, and scope criteria are met:

Contract value/scope	Period of Performance	533M	533Q
\$500K to \$999K	1 year or more	Required	Optional
\$1,000,000 and over	Less than 1 year	Required	Optional
\$1,000,000 and over	1 year or more	Required	Required

(2) When it is probable that a contract will ultimately meet the criteria in paragraph (b)(1) of this section through change orders, supplemental agreements, etc., the reporting requirement must be implemented in the contract based on the estimated final contract value at the time of award.

(3) NF 533Q reporting may be waived by the contracting officer, with the concurrence of the center chief financial officer and cognizant project manager, for support service or task order contracts, when NF 533M reports and other data are sufficient to ensure accurate monthly cost accruals, evaluation of the contractor's cost performance, and forecasting of resource requirements.

(4) Where a specific contractual requirement differs from the standard system set forth in NPG 9501.2, NASA Contractor Financial Management Reporting, but is determined to be in the best interests of the Government and does not eliminate any of the data elements required by the standard NF 533 formats, it may be approved by the contracting officer with the concurrence of the center chief financial officer and the project manager. Such approval shall be documented and retained, with the supporting rationale, in the contract file.

(5) The contractor's internal automated printout reports may be substituted for the 533 reporting formats only if the substitute reports contain all the data elements that would be provided by the corresponding 533's. The contracting officer shall coordinate any proposed substitute with the installation financial management office.

(c) Contract requirements.

(1) Reporting requirements, including a description of reporting categories, shall be detailed in the procurement request, and reports shall be required by inclusion of the clause prescribed in 1842.7202. The contract schedule shall include report addressees and numbers of copies. Reporting categories shall be coordinated with the center financial management office to ensure that data required for agency cost accounting will be provided by the reports. Reporting dates shall be in accordance with NPG

9501.2, except that earlier submission is encouraged whenever feasible. No due date shall be permitted which is later than the date by which the center financial management office needs the data to enter an accurate monthly cost accrual in the accounting system.

(2) The contractor shall be required to submit an initial report in the NF 533Q format, time phased for the expected life of the contract, within 30 days after authorization to proceed has been granted. NF 533M reporting will begin no later than 30 days after incurrence of cost. NF 533Q reporting begins with the initial report.

1842.7202 Contract clause.

The contracting officer shall insert the clause at 1852.242-73, NASA Contractor Financial Management Reporting, in solicitations and contracts when any of the NASA Form 533 series of reports is required from the contractor.

Subpart 1842.73--Audit Tracking and Resolution

1842.7301 NASA external audit follow-up system.

(a) This section implements OMB Circular No. A-50, NASA Policy Directive (NPD) 1200.1, and NASA Procedures and Guidelines (NPG) 1200.1, "Management Accountability and Control, Audit Liaison, and Audit Follow-up", which provide more detailed guidance. Recommendations for external audits (OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Institutions) shall be resolved by formal review and approval procedures analogous to those at 1815.406-171.

(b) The external audit followup system tracks all contract and OMB Circular No. A-133 audits where NASA has resolution and disposition authority. The objective of the tracking system is to ensure that audit recommendations are resolved as expeditiously as possible, but at a maximum, within 6 months of the date of the audit report.

(c)(1) The identification and tracking of contract audit reports under NASA cognizance are accomplished in cooperation with the DCAA.

(2) Identification and tracking of OMB Circular No. A-133 audit reports are accomplished in cooperation with the NASA Office of the Inspector General (OIG) by means of a transmittal memorandum. A transmittal memorandum is sent by the OIG to the procurement officer of each NASA Center having an award (contract, grant, or other agreement) covered by the audit report. The transmittal memorandum will identify any significant audit findings.

(d)(1) All reportable contract audit reports as defined by Part 15, Section 6, of the DCAA Contract Audit Manual (CAM) shall be reported quarterly to the Headquarters Office of Procurement (Code HC); and

(2) Only OMB Circular No. A-133 audit reports involving the following shall be reported quarterly to Code HC:

(i) A significant management control issue; or

(ii) Questioned costs of \$10,000 or more due to an audit finding (see Subpart E-Auditor, paragraph 510 of OMB Circular No. A-133).

(3) NASA contracting officers will maintain a dialogue with DOD Administrative Contracting Officers (ACO) who have been delegated activities on NASA contracts. A review will be conducted no less frequently than semiannually, and the status and disposition of significant audit findings will be documented in the contract file.

(e)(1) The terms "resolution" and "disposition" are defined in Appendix A of NPG 1200.1.

(2) The resolution and disposition of OMB Circular No. A-133 audits are handled as follows:

(i) Audit findings pertaining to an individual NASA award are the responsibility of the procurement officer administering that award.

(ii) Audit findings having a Governmentwide impact are the responsibility of the cognizant Federal agency responsible for oversight. For organizations subject to OMB Circular No. A-133, there is either a cognizant agency or an oversight agency. The cognizant agency is the Federal agency that provides the predominant amount of direct funding to the recipient organization unless OMB makes a specific cognizant agency for audit assignment. To provide for the continuity of cognizance, the determination of the predominant amount of direct funding will be based on the direct Federal awards expended in the recipient's fiscal years ending in 1995, 2000, 2005, and every fifth year thereafter. When there is no direct funding, the Federal agency with the predominant indirect funding is to assume the oversight responsibilities. In cases where NASA is the cognizant or oversight Federal agency, audit resolution and disposition is the responsibility of the procurement officer for the Center having the largest amount of direct funding, or, if there is no direct funding, the largest amount of indirect funding for the audited period. A copy of the memorandum dispositioning the findings shall be provided by each Center having resolution responsibility for the particular report to the Headquarters OIG office and Code HC.