



Department of Defense

DIRECTIVE

NUMBER 5105.36

January 4, 2010

DA&M

SUBJECT: Defense Contract Audit Agency (DCAA)

References: See Enclosure 1

1. PURPOSE. Under the authority vested in the Secretary of Defense by sections 113, 191, and 192 of title 10, United States Code (U.S.C.) (Reference (a)), this Directive reissues DoD Directive (DoDD) 5105.36 (Reference (b)) to update the mission, organization and management, responsibilities and functions, relationships, and authorities of the DCAA.

2. APPLICABILITY. This Directive applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the "DoD Components").

3. MISSION. The DCAA, while serving the public interest as its primary customer, shall perform all necessary contract audits for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. These services shall be provided in connection with negotiation, administration, and settlement of contracts and subcontracts to ensure taxpayer dollars are spent on fair and reasonable contract prices. DCAA shall provide contract audit services to other Federal agencies, as appropriate.

4. ORGANIZATION AND MANAGEMENT

a. DCAA is a Defense Agency under the authority, direction, and control of the Under Secretary of Defense (Comptroller) (USD(C))/Chief Financial Officer (CFO), Department of Defense, consistent with DoDD 5118.03 (Reference (c)).

b. DCAA shall consist of a Director and such subordinate organizational elements as are established by the Director within resources assigned by the Secretary of Defense.

c. No separate contract audit organization independent of the DCAA shall be established in the Department of Defense.

5. RESPONSIBILITIES AND FUNCTIONS. The Director, DCAA, shall:

a. Organize, direct, and manage DCAA and all assigned resources.

b. Assist in achieving the objective of prudent contracting, by providing DoD officials responsible for procurement and contract administration with financial information and advice on proposed or existing contracts and contractors, as appropriate.

c. Audit, examine, and/or review contractors' and subcontractors' accounts, records, documents, and other evidence; systems of internal control; and accounting, costing, and general business practices and procedures in accordance with Government Auditing Standards (Reference (d)), the Federal Acquisition Regulation (Reference (e)), the Defense Federal Acquisition Regulation Supplement (Reference (f)), and other applicable laws and regulations to the extent and in whatever manner is considered necessary to permit proper performance of the other functions described in paragraphs 5.d. through 5.j. of this Directive.

d. Approve, suspend, or disapprove costs on reimbursement vouchers received directly from contractors, under cost-type contracts, transmitting the vouchers to the cognizant Disbursing Officer.

e. Provide information and advice on proposed or existing contracts and contractors, consistent with paragraph 5.b. of this Directive, including, but not limited to:

(1) Acceptability of costs incurred under redeterminable, incentive, and similar-type contracts.

(2) Acceptability of incurred costs and estimates of cost to be incurred as represented by contractors incident to the award, negotiation, modification, change, administration, termination, or settlement of contracts.

(3) Adequacy of financial or accounting aspects of contract provisions.

(4) Adequacy of contractors' accounting and financial management systems, estimating procedures, and property controls.

f. Assist responsible procurement or contract administration activities in their surveys of the purchasing-procurement systems of major contractors.

g. Direct audit reports to the Government management level having authority and responsibility to take action on the audit findings and recommendations.

h. Cooperate with other appropriate DoD Components on reviews, audits, analyses, or inquiries involving contractors' financial position or financial and accounting policies, procedures, or practices.

i. Establish and maintain liaison auditors and financial advisors, as appropriate, at major procuring and contract administration offices.

j. Review Government Accountability Office reports and proposed responses thereto, that involve significant contract or contractor activities for the purpose of ensuring the validity of appropriate pertinent facts contained therein.

k. In an advisory capacity, attend and participate, as appropriate, in contract negotiation and other meetings where contract cost matters, audit reports, or related financial matters are under consideration.

l. Provide assistance, as requested, in the development of procurement policies and regulations.

m. Report incidents of suspected fraud, waste, and abuse to the appropriate authorities.

n. Design and manage DCAA activities and programs to improve standards of performance, economy, and efficiency, and demonstrate DCAA's attention to the requirements of its organizational customers, both internal and external to the Department of Defense.

o. Perform such other duties as may be assigned by the Secretary and Deputy Secretary of Defense or the USD(C)/CFO.

6. RELATIONSHIPS

a. In performing assigned functions and responsibilities, the Director, DCAA, shall:

(1) Report directly to the USD(C)/CFO.

(2) Maintain liaison with the DoD Components, other Federal agencies, foreign governments, and private sector organizations for the exchange of information concerning assigned programs, activities, and responsibilities.

(3) Use existing systems, facilities, and services of the Department of Defense and other Federal agencies, when possible, to avoid duplication and to achieve maximum efficiency and economy.

(4) Receive support from the Military Departments and other DoD Components within their respective fields of responsibility to assist in carrying out the assigned responsibilities and functions of the DCAA.

b. The OSD Principal Staff Assistants and Heads of the other DoD Components shall coordinate with the Director, DCAA, as appropriate, on matters under their purview relating to DCAA operations, functions, responsibilities, and programs.

c. Procurement and contract administration activities of the DoD Components shall utilize audit services of the DCAA to the extent appropriate in connection with the negotiation, administration, and settlement of contract payments and prices that are based on cost (incurred or estimated), or on cost analysis.

7. AUTHORITIES. The Director, DCAA, is hereby delegated authority to:

a. Communicate directly with the Heads of the DoD Components, as necessary, to carry out assigned responsibilities and functions, including the transmission of requests for advice and assistance. Communications to the Military Departments shall be transmitted through the Secretaries of the Military Departments, their designees, or as otherwise provided in law or directed by the Secretary of Defense in other DoD issuances. Communications to the Commanders of the Combatant Commands normally shall be transmitted through the Chairman of the Joint Chiefs of Staff, except those communications dealing solely with contract audit functions.

b. Communicate with other Government officials, representatives of the Legislative Branch, members of the public, and representatives of foreign governments, as appropriate, to carry out assigned responsibilities and functions. Communications with representatives of the Legislative Branch shall be coordinated with the Assistant Secretary of Defense for Legislative Affairs or the USD(C)/CFO, as appropriate, and be consistent with the DoD Legislative Program.

c. Obtain reports and information consistent with DoD Instruction (DoDI) 8910.01 (Reference (g)), as necessary, to carry out assigned responsibilities and functions.

d. Establish DCAA facilities using appropriate established physical facilities and services of other DoD Components whenever possible to achieve maximum efficiency and economy.

e. Exercise the administrative authorities contained in Enclosure 2 of this Directive.

8. ADMINISTRATION

a. The Director, DCAA, shall be a civilian appointed by the Secretary of Defense, with the advice of the USD(C)/CFO.

b. The appointment of other personnel to DCAA will be subject to the approval of the Director, DCAA, or his or her designee.

9. RELEASABILITY. UNLIMITED. This Directive is approved for public release and is available on the Internet from the DoD Issuances Web Site at <http://www.dtic.mil/whs/directives>.

10. EFFECTIVE DATE. This Directive is effective immediately.

A handwritten signature in black ink, appearing to read 'W. J. Lynn III', is positioned above the printed name and title.

William J. Lynn III
Deputy Secretary of Defense

Enclosures

1. References
2. Delegations of Authority

ENCLOSURE 1

REFERENCES

- (a) Sections 113, 173, 191, 192, and 2667 of title 10, United States Code
- (b) DoD Directive 5105.36, "Defense Contract Audit Agency (DCAA)," February 28, 2002 (hereby canceled)
- (c) DoD Directive 5118.03, "Under Secretary of Defense (Comptroller) (USD(C))/Chief Financial Officer (CFO), Department of Defense," January 6, 1997
- (d) U.S. Government Accountability Office, Government Auditing Standards, current edition¹
- (e) Federal Acquisition Regulation, current edition²
- (f) Defense Federal Acquisition Regulation Supplement, current edition³
- (g) DoD Instruction 8910.01, "Information Collection and Reporting," March 6, 2007
- (h) Executive Order 10450, "Security Requirements for Government Employment," April 27, 1953, as amended
- (i) Executive Order 12333, "United States Intelligence Activities," December 4, 1981, as amended
- (j) Executive Order 12968, "Access to Classified Information," August 2, 1995, as amended
- (k) DoD Directive 5200.2, "DoD Personnel Security Program," April 9, 1999
- (l) DoD 5200.2-R, "Personnel Security Program," January 16, 1987
- (m) Joint Federal Travel Regulation, Volume 1, "Uniformed Service Members," December 1, 2004
- (n) Joint Travel Regulations, Volume 2, "Department of Defense (DoD) Civilian Personnel," January 1, 2009
- (o) Title 5, United States Code
- (p) Section 412 of title 37, United States Code
- (q) Title 44, United States Code
- (r) DoD Directive 5015.2, "DoD Records Management Program," March 6, 2000
- (s) DoD Instruction 5025.01, "DoD Directives Program," October 28, 2007
- (t) DoD Instruction 5200.08, "Security of DoD Installations and Resources," December 10, 2005
- (u) DoD Instruction 1400.25, "DoD Civilian Personnel Management System," December 1, 1996
- (v) DoD Instruction 5105.04, "Department of Defense Federal Advisory Committee Management Program," August 6, 2007

¹ Available at <http://www.gao.gov/govaud/ybook/pdf>

² Available at <https://www.acquisition.gov/far/>

³ Available at <http://www.acq.osd.mil/dpap/dars/dfarspgi/current/index.html>

ENCLOSURE 2

DELEGATIONS OF AUTHORITY

Under the authority vested in the Secretary of Defense, and subject to the authority, direction, and control of the USD(C)/CFO, and in accordance with DoD policies and issuances, the Director, DCAA, or, in the absence of the Director, the person acting for the Director, is hereby delegated authority, as required in the administration and operation of DCAA, to:

a. Maintain an official seal and attest to the authenticity of official records under the seal.

b. Enforce regulatory procedures in accordance with Executive Order (E.O.) 10450 (Reference (h)), E.O. 12333 (Reference (i)), E.O. 12968 (Reference (j)), and DoDD 5200.2 (Reference (k)), as appropriate, and:

(1) Designate any position in DCAA as a “sensitive” position.

(2) Authorize, in case of emergency, the appointment of a person to a sensitive position in DCAA for a limited period of time and for whom a full field investigation or other appropriate investigation, including the National Agency Check, has not been completed.

(3) Initiate personnel security investigations and, if necessary, in the interest of national security, suspend a security clearance for personnel assigned to, detailed to, or employed by DCAA. Any actions under this paragraph shall be taken in accordance with procedures prescribed in DoD 5200.2-R (Reference (l)).

c. Authorize and approve:

(1) Temporary duty travel only for military personnel assigned or detailed to the DCAA in accordance with Joint Federal Travel Regulation, Volume 1 (Reference (m)).

(2) Travel for DCAA civilian personnel in accordance with Joint Travel Regulations, Volume 2 (Reference (n)).

(3) Invitational travel to non-DoD personnel whose consultative, advisory, or other highly specialized technical services are required in a capacity that is directly related to, or in connection with, DCAA activities, in accordance with Reference (n)).

(4) Overtime work for DCAA civilian personnel in accordance with subchapter V of chapter 55 of title 5, U.S.C. (Reference (o)) and applicable Office of Personnel Management (OPM) regulations.

d. Approve the expenditure of funds available for travel by military personnel assigned or detailed to the DCAA for expenses incident to attendance at meetings of technical, scientific, professional, or other similar organizations in such instances when the approval of the Secretary

of Defense, or designee, is required by sections 4110 and 4111 of Reference (o) and section 412 of title 37, U.S.C. (Reference (p)).

e. Develop, establish, and maintain an active and continuing Records Management Program, pursuant to section 3102 of title 44, U.S.C. (Reference (q)) and DoDD 5015.2 (Reference (r)).

f. Utilize the Government purchase card for making appropriate purchases of material and services, other than personal services, for the DCAA when it is determined more advantageous and consistent with the best interests of the Government.

g. Authorize the publication of advertisements, notices, or proposals in newspapers, magazines, or other public periodicals as required for the effective administration and operation of the DCAA, consistent with section 3702 of Reference (q).

h. Establish and maintain, for the functions assigned, an appropriate internal publications system for the promulgation of regulations, instructions, and reference documents, and changes thereto, pursuant to the policies and procedures prescribed in DoD issuances published under DoDI 5025.01 (Reference (s)).

i. Enter into support and service agreements with the Military Departments, other DoD Components, or other Federal agencies, as required, for the effective performance of DCAA functions and responsibilities.

j. Enter into and administer contracts directly or through the Military Departments, a DoD contract administration services Component, or other Federal agency, as appropriate, for supplies, equipment, and services required to accomplish the DCAA mission.

k. Establish and maintain appropriate property accounts for the DCAA and appoint Boards of Survey, approve reports of survey, relieve personal liability, and drop accountability for DCAA property contained in the authorized property accounts that has been lost, damaged, stolen, destroyed, or otherwise rendered unserviceable, in accordance with applicable laws and regulations.

l. Issue the necessary security regulations for the protection of property and places under the jurisdiction of the Director, DCAA, pursuant to DoDI 5200.08 (Reference (t)).

m. Lease property under the control of the DCAA, under terms that promote the national defense or that are in the public interest, pursuant to section 2667 of Reference (a) and applicable DoD policy.

n. Exercise the powers vested in the Secretary of Defense by sections 301, 302(b), 3101, and 5107 of Reference (o) on the employment, direction, and general administration of assigned employees.

o. Fix rates of pay of wage-rate employees exempted from the Classification Act of 1949 by section 5102 of Reference (o) on the basis of rates established under the Federal Wage System.

In fixing such rates, the Director, DCAA, shall follow the wage schedule established by the DoD Wage Fixing Authority.

p. Administer oaths of office to those entering the Executive Branch of the Federal Government or any other oath required by law in connection with employment therein, in accordance with section 2903 of Reference (o), and designate in writing, as may be necessary, officers and employees of the DCAA to perform this function.

q. Establish a DCAA Incentive Awards Board and pay cash awards to, and incur necessary expenses for the honorary recognition of, civilian employees of the Government whose suggestions, inventions, superior accomplishments, or other personal efforts, including special acts or services, benefit or affect the DCAA, in accordance with section 4503 of Reference (o), OPM regulations, and DoDI 1400.25 (Reference (u)).

r. Use advisory committees and employ temporary or intermittent experts or consultants, as approved by the Secretary of Defense or the Director of Administration and Management, for the performance of DCAA functions, consistent with sections 173 and 174 of Reference (a), section 3109(b) and Appendix 2 of Reference (o), and DoD Instruction 5105.04 (Reference (v)).

s. Redelegate these authorities as appropriate, and in writing, except as otherwise specifically indicated in this Directive or prohibited by law, Executive order, or regulation.