



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SPACE AND MISSILE SYSTEMS CENTER (AFMC)
LOS ANGELES, CA

21 JAN 1999

MEMORANDUM FOR RECIPIENTS OF SMC/PK INFORMATIONAL LETTERS

FROM: SMC/PK

SUBJECT: Reportable Audit Processing Responsibilities and Reporting Procedures

1. Reportable audits continue to be a critical issue. Because reportable audits are tracked and reported at the highest levels within DoD, it is critical that Space and Missile Systems Center (SMC) maintain a system that accurately records the status of each audit for which it is responsible. This letter establishes the basic monthly status reporting procedures for SMC reportable audits.

2. Responsibilities:

(a) The Contracting Officer is responsible for disposition of reportable audits in a timely manner. Contracting Officer's will set resolution and disposition target dates that can be met, and allocate the necessary resources to ensure that these target dates are met. Target dates will be set such that audits will be dispositioned within one year of the date they were issued to comply with the DoD Directive 7640.2.

(b) The SMC Reportable Audit focal point is assigned to SMC/PKXF. The primary function is to facilitate the resolution and disposition of all reportable audits, develop and maintain checklists and formats (such as those attached), and generate reports and analysis for management and higher headquarters. Assistance in resolving specific cases will be provided, upon request.

(c) The three-letter Chiefs of Contracting will ensure the resolution and disposition dates committed to by the Contracting Officers are met. If it appears that a target date will be missed, the Contracting Chief and Contracting Officer will brief SMC/PK as to why it may not be met and the newly established target dates for the resolution and disposition of the reportable audit.

3. Reporting Procedures:

(a) On the second work day of each month, the status of each open audit will be reported to SMC/PKXF. This monthly status report may be emailed to SMC/PKXF and a copy of each monthly report is to be placed in the official contract file. The required PK Audit Reporting System (PARS) Input Worksheet is Attachment 1.

(b) A milestone system will be used to report the progress of the audit through to disposition. The milestone system will become the principal method used to evaluate whether an audit is being processed in a timely manner. A description of the milestones is at Attachment 2. It summarizes and consolidates regulatory guidance for processing reportable audits. However, Contracting Officers and buyers must follow appropriate regulations. The estimated calendar days required for each step is considered adequate, and, if followed, will ensure disposition within the twelve month limit.

4. Contact the SMC focal point, Ms. Pat Herrick, SMC/PKXF, at 363-6986 or DSN 833-6986, for any assistance you may need.



PATRICIA KIRK-McALPINE
Director of Contracting

Attachments

1. PARS Input Worksheet
2. Milestone Schedule

PARS INPUT WKSHEET

DATE: _____

	DATA FIELD NAME	(A) CURRENT STATUS	(B) PREVIOUS DATA
1	AUDIT REPORT NUMBER	_____	_____
2	AUDIT REPORT DATE	_____	_____
3	REPORT ACTIVITY CODE	_____	N/A
4	CONTRACT NUMBER	_____	_____
5	CONTRACTOR CODE	_____	_____
6	AUDIT TYPE CODE	_____	_____
7	AUDIT BASELINE DOLLARS	_____	_____
8	COST QUESTIONED DOLLARS	_____	_____
9	RESOLUTION TARGET DATE	_____	N/A
10	DISPOSITION TARGET DATE	_____	N/A
11	RESOLUTION ACTUAL DATE	_____	_____
12	DISPOSITION ACTUAL DATE	_____	_____
13	DISPOSITION MOD NUMBER	_____	_____
14	COST SUSTAINED DOLLARS	_____	_____
15	REASON CLOSED CODE	_____	_____
16	RETRO CLOSED FLAG	_____	N/A
17	INVESTIGATION DEFER DATE	_____	_____
18	INVESTIGATION REL DATE	_____	_____
19	LITIGATION NUMBER	_____	_____
20	POC/DSN TELEPHONE NUMBER:	_____	
21	REMARKS:	_____ _____ _____	

Notes: 1. Column (A) is the complete current database record for an audit..
 2. Column (B) lists the data that was changed from the last semi-annual report..

DEFECTIVE PRICING MILESTONE SCHEDULE

Audit Report No. _____ Date Issued: _____

Contractor _____

<u>Milestone</u>	<u>Est. Calendar Days</u>	<u>Actual Date Completed</u>
0. Audit Issued. PCO receives, and sends copy to PKF.	5	_____
1. PCO reviews to determine its overall acceptability. Request PKF support.	5	_____
2. Send a copy of audit report to contractor, request response within 30 days.	5	_____
3. Receive contractor comments.	60	_____
4. Review response. Request and receive DCAA and PKF input. Make preliminary decision as to how issues will be solved. Send package to Legal for review.	60	_____
5. PCO establishes prenegotiation objective after reviewing all comments. Obtain coordination from Contracts Director, PKF, and legal (if necessary). If the determination is that there is no defective pricing, Committee must also coordinate.	30	_____

RESOLUTION HAS BEEN REACHED AT THIS POINT.

A revised audit report or written comments should be solicited from the auditors if additional information may cause them to change their originally reported position. Documented, oral comments from the auditor are sufficient to warrant the PCO's revision of initial audit report recommendations.

6. If PCO's course is not in agreement with the most current audit recommendations, this position must be coordinated with PKF.	15	_____
7. Negotiate settlement with contractor. Auditor involvement recommended.	60	_____

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8.	PCO renders final decision.	30	_____
9.	Prepare negotiation memorandum and contract modification. If money is due the Government, follow AFARS 15.874-8, and coordinate with PKF.	30	_____
10.	PNM and Mod coordination complete.	15	_____
11.	Modification issued to contractor for signature, if bilateral. PCO signs modification.	15	_____
12.	Modification is distributed.	5	_____

Total: 335 days

AUDIT IS DISPOSITIONED AS OF THE EFFECTIVE DATE OF MOD, OR THE DATE FINAL DECISION IS SIGNED, IF NO MOD IS REQUIRED.