



MEMORANDUM FOR BUREAU CHIEF PROCUREMENT OFFICERS

FROM: IRIS B. COOPER,
SENIOR PROCUREMENT EXECUTIVE,
OFFICE OF THE PROCUREMENT EXECUTIVE

SUBJECT: Treasury Audit Resolution, Follow-Up, and Closure procedures

1. Purpose: This Acquisition Procedures Update (APU) is issued to amend the Department of Treasury Acquisition Procedure (DTAP) September 2015 edition version 2.0 for the purposes of providing acquisition policy surrounding contract audits.

2. Effective Date: Immediately

3. Expiration Date: Until otherwise canceled, superseded or included within a future edition of the DTAP.

4. Background: Audit follow-up is an essential component of sound management controls and overall government efficiency. It is also a shared responsibility between Bureau managers and auditors. Treasury has established policy surrounding audit follow-up and other related activities within three Treasury Directives:

- (1) [40-01](#) Responsibilities of and to the Inspector General
- (2) [40-02](#) Corresponding with the General Accounting Office (GAO)
- (3) [40-03](#) Treasury Audit Resolution, Follow-Up, and Closure

The purpose of this APU is to ensure that contracting personnel are aware of Treasury's policy surrounding audit follow-up and formally incorporate with the DTAP this policy along with additional requirements. Overall, the SPE has determined that the issuance of this amendment to the DTAP is necessary.

5. Department of the Treasury Acquisition Procedures: The DTAP is amended as follows:

A. Add 1042.170 as follows:

1042.170 Treasury Audit Resolution, Follow-Up, and Closure procedures.

1042.170-1 Scope of section.

This section prescribes Treasury's policy and procedures surrounding contract audits.

1042.170-2 Definitions.

As used in this section—

“Corrective Action” means the measures taken to implement resolved audit findings and recommendations.

“Disposition” means the status of an audit report finding or recommendation wherein corrective action has been completed and that no further action can be reasonably anticipated.



“Resolution” means the status of an audit report finding or recommendation where the contracting officer has documented a plan for corrective action for addressing an audit finding or recommendation and has notified all concerned parties of such plan; or in the event of disagreement, the point at which the audit follow-up official determines the matter to be resolved.

1042.170-3 Applicability.

This policy and procedure applies to contract audit reports issued by one of the Treasury IG (i.e. TIG, TIGTA, and SIGTARP), the General Accountability Office (GAO), the Defense Contract Audit Agency (DCAA), Defense Contract Management Agency (DCMA), independent accounting firms, and other audit organizations.

1042.170-4 Authorities.

(a) Inspector General Act of 1978, as amended, 5 U.S.C. Appendix establish the office of inspector general;

(b) OMB [Circular A-50, "Audit Follow-up"](#) (September 29, 1982) provides the policies and procedures for use by executive agencies when considering reports issued by the IGs, other executive branch audit organizations, the GAO, and non-Federal auditors where follow-up is necessary.

(c) *Treasury directives*. The following Treasury directives provide Treasury policy and procedures surrounding IG and audits-

- (1) [40-01](#) Responsibilities of and to the Inspector General
- (2) [40-02](#) Corresponding with the General Accounting Office (GAO)
- (3) [40-03](#) Treasury Audit Resolution, Follow-Up, and Closure

1042.170-5 Policy.

It is Treasury’s policy that

(a) Audit follow-up is an integral part of evaluating and monitoring the actions taken in response to contract audits reports and is a shared responsibility of Treasury officials and auditors;

(b) Findings and recommendations contained in contract audit reports shall be resolved and dispositioned in a timely manner, consistent with regulations, Treasury and Bureau policy and procedures (see 1042.170-4);

(c) Bureaus shall establish systems, policies and procedures to assure the prompt and proper resolution, disposition, and implementation of audit findings and recommendations. These systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations; and

(1) The Joint Audit Management Enterprise System (JAMES) is the Treasury system used to track and report contract audit recommendations.

(d) Statistical information and other data concerning audits are appropriately reported and tracked pursuant to all statutory and regulatory as well as Agency and Bureau requirements.

**1042.170-6 Responsibilities.**

(a) *Bureau Chief Procurement Officers.* BCPOs are responsible for complying with and ensuring Bureau contracting personnel comply with the Treasury Directives listed in 1042.170-4(c) and other Treasury and Bureau policies and procedures surrounding contract audits.

(b) *Contracting officers.* COs are responsible for—

(1) Submitting within 30 days of the receipt of the contract audit report, unless additional time is agreed too, a written response to the auditor (see [Treasury Directive 40-03, Treasury Audit Resolution, Follow-Up, and Closure](#)). The written response shall include at a minimum—

(i) The CO's agreement or disagreement with the audit findings or recommendations;

(A) Disagreements are to be resolved according to [Treasury Directive 40-03, Treasury Audit Resolution, Follow-Up, and Closure](#) and other policy.

(ii) The corrective actions that will be taken to address each audit finding and recommendation, inclusive of the action to be taken to recover any disallowed costs, penalties and other monetary benefits due the Government; and

(iii) Dates and other milestones for accomplishing the corrective actions.

(2) Resolving contract audit reports, other than pre-award audit reports, within six months of issuance of a final report or, in the case of audit performed by non-Federal auditors, six months after the receipt of the report, unless another regulation or policy provides for a shorter timeline (see [OMB Circular A-50](#) and [Treasury Directive 40-03, Treasury Audit Resolution, Follow-Up, and Closure](#)). Resolution may involve—

(i) Coordination with the other government agencies that have negotiation responsibility over a portion of the audit report findings or recommendations.

(ii) Assessment of penalties and interest (or documenting a waiver) in accordance with [FAR 42.709](#) if the contracting officer determines that a contractor's included costs that are expressly unallowable or previously determined to be unallowable in its final indirect cost rate proposal.

(iii) Collection of interest assessed on increased costs paid by the Government as a result of a cost accounting standard (CAS) noncompliance in accordance with [FAR 52.230-2\(a\)\(5\)](#), [52.230-3\(a\)\(4\)](#), or [52.230-4\(a\)\(4\)](#).

(iv) Collection of overpayments, interest assessed on overpayments, and penalties amounts assessed on certain of these overpayments resulting from defective cost or pricing data on Treasury contracts in accordance with [FAR 15.407-1](#).

(3) Disposition shall take place as soon as possible after resolution. The recovery of disallowed costs shall be a priority as there are in some cases statute of limitations that will preclude the Government from recovery of disallowed costs if action is not taken in a timely fashion.

(i) BCPOs shall establish a mechanism that tracks all outstanding actions concerning the recovery of disallowed costs and advise the HCA and SPE on the status of such recovery on no less than a quarterly basis.

(4) Documenting the disposition of all contract audit findings and recommendations in a signed and dated memorandum (see [Treasury Directive 40-03, Treasury Audit Resolution, Follow-Up, and Closure](#)). This shall include indicating whether each audit finding or recommendation is agreed to and, if not, documenting the rationale for the disagreement. It shall also include, if applicable, the negotiation results from other government agencies. This memorandum shall be placed in the contract file. The CO shall—

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(i) Consult with legal counsel and document the legal basis for the resolution when there is a disagreement with the audit reported findings or recommendations based on an interpretation of law, regulation, or the authority of officials; and

(ii) Document the consultation with legal counsel and any review above the contracting officer in the contract file.

6. Required Bureau Actions: Bureau Chief Procurement Officers shall—

- a. Ensure dissemination of this APU to all impacted personnel; and
- b. Update any related Bureau policies and procedures impacted by this APU.

7. Additional Information: The point of contact for this APU is Mr. Thomas O'Linn, who can be reached at thomas.olinn@treasury.gov or OfficeoftheProcurementExecutive@treasury.gov.