



# Department of Defense DIRECTIVE

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DA&M

SUBJECT: Defense Contract Audit Agency (DCAA)

- References:
- (a) Title 10, United States Code
  - (b) DoD Directive 5105.36, "Defense Contract Audit Agency," June 8, 1978 (hereby canceled)
  - (c) [DoD Directive 8910.1](#), "Management and Control of Information Requirements," June 11, 1993
  - (d) [DoD 5025.1-M](#), "DoD Directive System Procedures," August 1994

## 1. REISSUANCE AND PURPOSE

Pursuant to the authority provided in reference (a), this Directive reissues reference (b) to update the responsibilities, functions, authorities, and relationships as outlined below.

## 2. APPLICABILITY

This Directive applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of 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 Defense Contract Audit Agency (DCAA) shall:

3.1. Perform all necessary contract audit 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 will be provided in connection with negotiation, administration, and settlement of contracts and subcontracts.

3.2. Provide contract audit service to other Government Agencies, as appropriate.

#### 4. ORGANIZATION AND MANAGEMENT

4.1. The DCAA is established as a separate Agency of the Department of Defense under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO). It shall consist of a Director and such subordinate organizational elements as are established by the Director within resources authorized by the Secretary of Defense.

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

#### 5. RESPONSIBILITIES AND FUNCTIONS

The Director, Defense Contract Audit Agency shall:

5.1. Organize, direct, and manage the DCAA and all assigned resources.

5.2. 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.

5.3. Audit, examine and/or review contractors' and subcontractors' accounts, records, documents, and other evidence; systems of internal control; accounting, costing, and general business practices and procedures; to the extent and in whatever manner is considered necessary to permit proper performance of the other functions described in paragraphs 5.4. through 5.12., below.

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

5.5. Provide information and advice on proposed or existing contracts and contractors, as contemplated by paragraph 5.2., including, but not limited to, the following areas:

5.5.1. Acceptability of costs incurred under redeterminable, incentive, and similar type contracts.

5.5.2. 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.

5.5.3. Adequacy of financial or accounting aspects of contract provisions.

5.5.4. Adequacy of contractors' accounting and financial management systems, estimating procedures, and property controls.

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

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

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

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

5.10. Review General Accounting Office reports and proposed responses thereto, which involve significant contract or contractor activities for the purpose of ensuring the validity of appropriate pertinent facts contained therein.

5.11. 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.

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

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

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

## 6. AUTHORITY

The Director, DCAA, is specifically delegated authority to:

6.1. Communicate directly with the Heads of the DoD Components, as necessary, to carry out assigned 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 shall be transmitted through the Chairman of the Joint Chiefs of Staff except those communications dealing solely with contract audit functions.

6.2. Communicate with other Government officials, representatives of the legislative branch, members of the public, and representatives of foreign governments, as appropriate, in carrying out assigned functions.

6.3. Obtain reports and information consistent with the policies and criteria of DoD Directive 8910.1 (reference (c)), as necessary, to carry out assigned functions.

6.4. Issue DoD Instructions, DoD Publications, and one-time directive-type memoranda, consistent with DoD 5025.1-M (reference (d)), which implement policy approved by the Secretary of Defense in assigned areas of responsibility. Instructions to the Military Departments shall be issued through the Secretaries of the Military Departments. Instructions to the Combatant Commands shall be communicated through the Chairman of the Joint Chiefs of Staff.

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

6.6. Exercise the administrative authorities contained in enclosure 1 of this Directive.

## 7. RELATIONSHIPS

7.1. In the performance of assigned responsibilities and functions, the Director, DCAA shall:

7.1.1. Maintain appropriate liaison with other components of the Department of Defense, other Executive Departments and Agencies, the General Accounting Office, foreign governments, and private sector organizations for the exchange of information and programs in the field of assigned responsibilities.

7.1.2. 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 Agency.

7.2. 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.

## 8. ADMINISTRATION

8.1. The Director, DCAA, shall be a civilian appointed by the Secretary of Defense.

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

8.3. DCAA shall utilize existing facilities and services of the Department of Defense and other Federal Agencies, whenever practicable, to avoid duplication and to achieve an appropriate balance among modernization, efficiency, and economy.

8.4. The Military Departments shall assign military personnel to DCAA in accordance with approved authorizations and procedures for assignment to joint duty.

8.5. DCAA will be authorized such personnel, facilities, funds, and other administrative support as the Secretary of Defense deems necessary.

9. EFFECTIVE DATE

This Directive is effective immediately.



Paul Wolfowitz  
Deputy Secretary of Defense

Enclosures - 1

E1. Delegations of Authority

E1. ENCLOSURE 1  
DELEGATIONS OF AUTHORITY

E1.1.1. Pursuant to the authority vested in the Secretary of Defense, and subject to the authority, direction, and control of the Secretary of Defense and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and in accordance with DoD policies, Directives, and Instructions, the Director, Defense Contract Audit Agency (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:

E1.1.1.1. Exercise the powers vested in the Secretary of Defense by 5 U.S.C. 301, 302(b), 3101, and 5107 on the employment, direction, and general administration of DCAA civilian personnel.

E1.1.1.2. Fix rates of pay of wage-rate employees exempted from the Classification Act of 1949 by 5 U.S.C. 5102 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.

E1.1.1.3. 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 5 U.S.C. 2903, and designate in writing, as may be necessary, officers and employees of the DCAA to perform this function.

E1.1.1.4. 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 5 U.S.C. 4503, Office of Personnel Management (OPM) regulations, and DoD 1400.25-M, Chapter 400, Subchapter 451.

E1.1.1.5. Maintain an official seal and attest to the authenticity of official records under the seal.

E1.1.1.6. Establish advisory committees and employ temporary or intermittent experts or consultants, as approved by the Secretary of Defense, for the performance of DCAA functions consistent with 10 U.S.C. 173; 5 U.S.C. 3109(b); and DoD Directive 5105.4, "Department of Defense Federal Advisory Committee Management Program."

E1.1.1.7. In accordance with Executive Order 10450, "Security Requirements for Government Employment," April 27, 1953; Executive Order 12333, "United States Intelligence Activities," December 4, 1981; and Executive Order 12968, "Access to Classified Information," August 4, 1995; and DoD Directive 5200.2, "DoD Personnel Security Program," as appropriate:

E1.1.1.7.1. Designate any position in DCAA as a "sensitive" position.

E1.1.1.7.2. Authorize, in case of an emergency, the appointment of a person to a sensitive position in the DCAA for a limited period of time for whom a full field investigation or other appropriate investigation, including the National Agency Check, has not been completed.

E1.1.1.7.3. Initiate personnel security investigations and, if necessary, in the interest of national security, suspend a security clearance for personnel assigned, detailed to, or employed by the DCAA. Any actions under this paragraph shall be taken in accordance with procedures prescribed in DoD 5200.2-R, "Personnel Security Program."

E1.1.1.8. Authorize and approve:

E1.1.1.8.1. Temporary duty travel only for military personnel assigned or detailed to the DCAA in accordance with Joint Travel Regulations (JFTR), Volume 1, "Uniformed Service Members," current edition.

E1.1.1.8.2. Travel for DCAA civilian personnel in accordance with Joint Travel Regulations (JTR), Volume 2, "DoD Civilian Personnel," current edition.

E1.1.1.8.3. 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 JTR, Volume 2, "DoD Civilian Personnel."

E1.1.1.8.4. Overtime work for DCAA civilian personnel in accordance with 5 U.S.C. Chapter 55, Subchapter V, and applicable OPM regulations.

E1.1.1.9. 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 his designee, is required by 37 U.S.C. 412 and 5 U.S.C. 4110 and 4111.

E1.1.1.10. Develop, establish and maintain an active and continuing Records Management Program, pursuant to 44 U.S.C. 3102 and DoD Directive 5015.2, "DoD Records Management Program."

E1.1.1.11. Utilize the Government purchase card for making micro-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.

E1.1.1.12. 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 44 U.S.C. 3702.

E1.1.1.13. Establish and maintain, for the functions assigned, an appropriate publications system for the promulgation of common supply and service regulations, instructions, and reference documents, and changes thereto, pursuant to the policies and procedures prescribed in DoD 5025.1-M, "DoD Directives System Procedures."

E1.1.1.14. Enter into support and service agreements with the Military Departments, other DoD Components, or other Government Agencies, as required, for the effective performance of DCAA functions and responsibilities.

E1.1.1.15. 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.

E1.1.1.16. Promulgate the necessary security regulations for the protection of property and places under the jurisdiction of the Director, DCAA, pursuant to DoD Directive 5200.8, "Security of DoD Installations and Resources."

E1.1.1.17. Lease property under the control of the DCAA, under terms that will promote the national defense or that will be in the public interest, pursuant to 10 U.S.C. 2667.

E1.1.2. The Director, DCAA may redelegate these authorities as appropriate, and in writing, except as otherwise specifically indicated above or as otherwise provided by law or regulation.

E1.1.3. This delegation of authority is effective immediately.