



## DoD DIRECTIVE 5105.36

### DEFENSE CONTRACT AUDIT AGENCY

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**Originating Component:** Office of the Director of Administration and Management

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**Approved by:** Kathleen H. Hicks, Deputy Secretary of Defense

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**Purpose:** This issuance establishes the mission, organization and management, administration, responsibilities and functions, relationships, and authorities of the Defense Contract Audit Agency (DCAA), pursuant to the authority vested in the Secretary of Defense by Sections 113 and 191 of Title 10, United States Code (U.S.C.).

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## SECTION 1: GENERAL ISSUANCE INFORMATION

### 1.1. APPLICABILITY.

This issuance 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 Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

### 1.2. MISSION.

The mission of the DCAA is to perform all necessary contract audits for the DoD and to provide accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. DCAA provides these services in connection with the negotiation, administration, and settlement of contracts and subcontracts to ensure that taxpayer dollars are spent on fair and reasonable contract prices. DCAA provides contract audit services to other Federal agencies, as appropriate.

### 1.3. ORGANIZATION AND MANAGEMENT.

a. The DCAA:

(1) Is established as a Defense Agency, pursuant to Section 191 of Title 10, U.S.C.

(2) Consists of:

(a) The Director, DCAA, who is under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO), pursuant to Section 192 of Title 10, U.S.C. The Director, DCAA exercises authority, direction, and control over DCAA and all assigned resources.

(b) The DCAA Headquarters.

(c) Regional and Corporate Audit offices.

(d) Such additional subordinate organizational elements, as are established by the Director, DCAA, within resources assigned by the Secretary of Defense.

b. No separate contract audit organization independent of the DCAA may be established in the DoD.

**1.4. ADMINISTRATION.**

The Director, DCAA is a member of the senior executive service appointed by the Secretary of Defense with the advice of the USD(C)/CFO.

## SECTION 2: RESPONSIBILITIES AND FUNCTIONS

The Director, DCAA:

- a. Plans, manages, and directs DCAA, its subordinate elements, and all assigned resources.
- b. Assists 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. In accordance with Government Auditing Standards, the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement, 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 2.d. through 2.i., audits, examines, and reviews:
  - (1) Contractors' and subcontractors' accounts records, documents, and other evidence.
  - (2) Systems of internal control.
  - (3) Compliance with regulations.
  - (4) Accounting, costing, and general business practices and procedures.
- d. Provides information and advice on proposed or existing contracts and contractors, consistent with Paragraph 2.b., including, but not limited to:
  - (1) Allowability of costs incurred under redeterminable, incentive, and similar-type contracts.
  - (2) Allowability 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) Compliance with Defense Federal Acquisition Regulation Supplement Contractor Business Systems Clauses for contractors' accounting, material management and accounting, and estimating systems.
- e. Assists responsible procurement or contract administration activities in the performance of their duties by conducting special audits or advisory services.
- f. Directs audit reports to the government management level having authority and responsibility to act on the audit findings and recommendations.
- g. Cooperates with other appropriate DoD Components on reviews, audits, analyses, or inquiries involving contractors' financial and accounting policies, procedures, or practices.

- h. Establishes and maintains liaison auditors and financial advisors, as appropriate, at major procuring and contract administration offices.
- i. Reviews Government Accountability Office reports and proposed responses that involve significant contract or contractor activities for the purpose of ensuring the validity of appropriate pertinent facts contained therein.
- j. Provides an annual report on DCAA activities during the previous fiscal year to the congressional defense committees by March 30 of each year, in accordance with Section 3847 of Title 10, U.S.C.
- k. In an advisory capacity, attends and participates, as appropriate, in contract negotiation and other meetings where contract cost matters, audit reports, or related financial matters are under consideration.
- l. Implements, as appropriate, policy recommendations from the small business ombudsman to address small business concerns about audit timeliness and responsiveness of DCAA, in accordance with Section 3848 of Title 10, U.S.C.
- m. Adheres to follow-up policies and procedures for contract audits in accordance with DoD Instruction (DoDI) 7640.02.
- n. Provides assistance, as requested, in the development of procurement policies and regulations.
- o. Reports incidents of suspected fraud, waste, and abuse to the appropriate authorities.
- p. Uses existing systems, facilities, and services of DoD and other Federal departments and agencies, when possible, to avoid duplication and achieve maximum efficiency and economy.
- q. Participates, as appropriate, in the periodic review of Defense Agencies and DoD Field Activities in accordance with Section 192(c) of Title 10, U.S.C.
- r. Designs and manages DCAA programs and activities to improve standards of performance, economy, and efficiency, with particular attention to the requirements of DCAA's organizational customers, both internal and external to the DoD.
- s. Performs such other duties as assigned by the Secretary of Defense, the Deputy Secretary of Defense, or the USD(C)/CFO.

## **SECTION 3: RELATIONSHIPS**

### **3.1. DIRECTOR, DCAA.**

- a. Reports directly to the USD(C)/CFO.
- b. Maintains appropriate liaison with the other DoD Components, the agencies and departments of the Executive Branch, State and local government organizations, foreign governments, and international organizations to exchange information and integrate efforts on programs and activities related to assigned responsibilities. Communications with foreign governments for the purpose of entering into international agreements must be coordinated with the General Counsel of the Department of Defense and be conducted in accordance with DoDI 5530.03.

### **3.2. OSD PRINCIPAL STAFF ASSISTANTS AND DOD COMPONENT HEADS.**

The OSD Principal Staff Assistants and DoD Component heads coordinate with the Director, DCAA on matters under their purview related to the authorities, responsibilities, and functions assigned to the Director, DCAA.

### **3.3. HEADS OF PROCUREMENT AND CONTRACT ADMINISTRATION ACTIVITIES OF THE DOD COMPONENTS.**

Procurement and contract administration activities of the DoD Components 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.

## **SECTION 4: AUTHORITIES**

### **4.1. GENERAL AUTHORITIES.**

The Director, DCAA is delegated the authority to:

- a. Prescribe policies to carry out the functions required to operate DCAA, in accordance with Sections 191 and 192 of Title 10, U.S.C.
- b. Communicate directly with the DoD Components heads, as necessary, to carry out assigned responsibilities and functions, including the transmission of requests for advice and assistance. Communications to the Military Departments must 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 Combatant Commanders must be in accordance with DoD Directive (DoDD) 5100.01.
- c. Communicate with other Federal agencies and government officials, State and local officials, members of the public, and representatives of foreign governments, as appropriate, and in accordance with DoD policy, to carry out assigned responsibilities and functions. Communications with representatives of the Legislative Branch must be coordinated through the Office of the Assistant Secretary of Defense for Legislative Affairs, except for communications with defense appropriations committees, which must be coordinated through the USD(C)/CFO, and be consistent with the DoD Legislative Program. Communications with the non-Federalized National Guard of the States, territories, and the District of Columbia must be coordinated with the National Guard Bureau in accordance with DoDD 5105.77.
- d. Obtain reports and information, in accordance with DoDI 8910.01, as necessary to carry out assigned responsibilities and functions.
- e. Approve conferences in accordance with the June 26, 2016 Assistant Deputy Chief Management Officer Memorandum.
- f. Require, by subpoena, the production of any records that the Secretary of Defense is authorized to audit or examine in accordance with Section 3841 of Title 10, U.S.C. and Section 4706 of Title 41, U.S.C.

### **4.2. HUMAN RESOURCES.**

The Director, DCAA is delegated the authority to:

- a. Exercise the powers vested in the Secretary of Defense by Sections 3101 and 5101–5107 of Title 5, U.S.C. on the employment, direction, and general administration of DCAA civilian personnel.
- b. Fix rates of pay for wage grade employees exempted from Chapter 51 of Title 5, U.S.C., also known as the “Classification Act of 1949,” by Section 5102 of Title 5, U.S.C., based on



rates established under the Federal wage system. In fixing such rates, the Director, DCAA will follow the wage schedule established by the DoD wage-fixing authority.

c. Administer oaths of office to those entering the DoD, or any other oath required by law in connection with employment therein, in accordance with Section 2903 of Title 5, U.S.C., and designate in writing, as necessary, officers and employees of DCAA to perform this function.

d. Establish a DCAA Incentive Awards Board and authorize 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, or its subordinate activities, pursuant to Section 4503 of Title 5, U.S.C., applicable Office of Personnel Management (OPM) regulations, and Volume 451 of DoDI 1400.25.

e. 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 Title 10, U.S.C.; Section 3109 of Title 5, U.S.C.; Section 2 of Title 5, U.S.C. Appendix; and DoDIs 5105.04 and 5105.18.

f. Authorize and approve:

(1) Travel for military and civilian personnel assigned or detailed to DCAA, in accordance with Joint Travel Regulations.

(2) 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 Joint Travel Regulations.

(3) Overtime work for DCAA civilian personnel in accordance with Section 5542 of Title 5, U.S.C. and Parts 550 and 551 of Title 5, Code of Federal Regulation.

(4) The expenditure of funds available for travel by military personnel assigned or detailed to DCAA for expenses incident to attending meetings of technical, scientific, professional, or other similar organizations when the approval of the Secretary of Defense or a designee is required by Section 455 of Title 37, U.S.C.

(5) Waivers of indebtedness for DCAA employees in accordance with Section 5584 of Title 5, U.S.C.

### **4.3. SECURITY.**

The Director, DCAA is delegated the authority to:

a. Designate positions within DCAA utilizing the OPM Position Designation Automated Tool. All positions will be assigned a designation using the criteria found in Parts 731 and 732 of Title 5, Code of Federal Regulations and DoDI 5200.02 and will be documented in the

Defense Civilian Personnel Data System or other authorized DoD automated system. The OPM Position Designation Automated Tool will be used to assist in assigning a position designation and to identify the background investigation required of the position.

b. Establish and maintain an effective suitability and fitness determination program in accordance with Volume 731 of DoDI 1400.25.

c. Provide funding to cover requirements for personal security investigations, adjudication, and recording of results to comply with the DoD Personnel Security Program in accordance with DoDI 5200.02.

d. Enforce requirements for prompt reporting of significant derogatory information, unfavorable administrative actions, and adverse actions to the appropriate personnel security, human resources, and counterintelligence official(s), as appropriate.

e. In accordance with Executive Orders 10450, 12333, and 12968 and DoDI 5200.02, as appropriate:

(1) Authorize, in exceptional circumstances, where official functions must be performed before the completion of an investigation and adjudication process, temporary access to a sensitive position in DCAA for a limited period to individuals for whom an appropriate investigation is underway.

(2) Initiate personnel security inquiries and, if necessary and in the interest of national security, suspend a security clearance for personnel assigned to, detailed to, or employed by DCAA. Any action under this subparagraph will be taken in accordance with procedures prescribed in DoD Manual (DoDM) 5200.02.

(3) Grant interim clearances for up to Top Secret eligibility and access to classified information, when the requirements of DoDM 5200.02 have been met.

(4) In the interest of national security and if necessary, suspend or terminate personnel assigned to, detailed to, or employed by DCAA. Any actions pursuant to this paragraph must be taken in accordance with procedures described in DoDM 5200.02.

f. Protect the security of DCAA installations, activities, property, information, and personnel by appropriate means, including the publication of necessary security regulations, in accordance with DoDIs 5200.01 and 5200.08.

g. Establish and maintain an insider threat program and comply with the requirements and minimum standards of DoDD 5205.16 to prevent, deter, detect, and mitigate the threat insiders may pose to DoD and U.S. Government installations, facilities, personnel, missions, or resources.

#### **4.4. PUBLICATIONS AND RECORDS.**

The Director, DCAA is delegated the authority to:

a. 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 Title 44, U.S.C.

b. 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 DoDI 5025.01.

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

d. Develop, establish, and maintain an active and continuing Records Management Program, pursuant to Section 3102 of Title 44, U.S.C. and DoDI 5015.02.

#### **4.5. ACQUISITION, PROCUREMENT, FINANCIAL MANAGEMENT, AND PROPERTY.**

The Director, DCAA is delegated the authority to:

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

b. Use the government-wide 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 U.S. Government.

c. Enter into intragovernmental and intergovernmental support agreements, as the receiver or supplier, with the other DoD Components, non-DoD Federal Government departments and agencies, as to the extent permitted by law, State and local governments, as required for the effective performance of Director, DCAA, responsibilities and functions, in accordance with Section 1535 of Title 31, U.S.C. and DoDI 4000.19.

d. Enter into and administer contracts, directly or through a Military Department, a DoD contract administration services component, or other Federal agency, as appropriate, for supplies, equipment, and services required to accomplish DCAA's mission. To the extent that any law or Executive order specifically vests a contract authority in the Secretary of Defense but only permits the delegation of such authority to a Presidentially appointed, Senate-confirmed official, then the authority for such contracts may be exercised by the USD(C)/CFO.

e. Exercise the delegated roles and responsibilities that are assigned to the Head of Contracting Activity to the official who is responsible for the selection and appointment of contracting officials, in accordance with the April 4, 2017 Director of Defense Procurement and Acquisition Policy Memorandum.

f. Establish and maintain appropriate property accounts for DCAA and appoint boards of survey, approve reports of survey (or financial liability investigations of property loss), 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.

g. 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 Title 10, U.S.C. and applicable DoD policy.

## GLOSSARY

### G.1. ACRONYMS.

<b>ACRONYM</b>	<b>MEANING</b>
DCAA	Defense Contract Audit Agency
DoDD	DoD directive
DoDI	DoD instruction
DoDM	DoD manual
OPM	Office of Personnel Management
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense

## REFERENCES

- Assistant Deputy Chief Management Officer Memorandum, “Department of Defense Conference Guidance, Version 4.0,” June 26, 2016
- Code of Federal Regulations, Title 5
- Defense Federal Acquisition Regulation Supplement, current edition
- Director of Defense Procurement and Acquisition Policy Memorandum, “Designation for the Selection and Appointment of Contracting Officers to the Head of the Contracting Authority,” April 4, 2017<sup>1</sup>
- DoD Directive 5100.01, “Functions of the Department of Defense and Its Major Components,” December 21, 2010, as amended
- DoD Directive 5105.77, “National Guard Bureau (NGB),” October 30, 2015, as amended
- DoD Directive 5205.16, “The DoD Insider Threat Program,” September 30, 2014, as amended
- DoD Instruction 1400.25, Volume 451, “DoD Civilian Personnel Management System: Awards,” November 4, 2013
- DoD Instruction 1400.25, Volume 731, “DoD Civilian Personnel Management System: Suitability and Fitness Adjudication for Civilian Employees,” August 24, 2012
- DoD Instruction 4000.19, “Support Agreements,” December 16, 2020
- DoD Instruction 5015.02, “DoD Records Management Program,” February 24, 2015, as amended
- DoD Instruction 5025.01, “DoD Issuances Program,” August 1, 2016, as amended
- DoD Instruction 5105.04, “Department of Defense Federal Advisory Committee Management Program,” August 6, 2007
- DoD Instruction 5105.18, “DoD Intergovernmental and Intragovernmental Committee Management Program,” July 10, 2009, as amended
- DoD Instruction 5200.01, “DoD Information Security Program and Protection of Sensitive Compartmented Information (SCI),” April 21, 2016, as amended
- DoD Instruction 5200.02, “DoD Personnel Security Program (PSP),” March 21, 2014, as amended
- DoD Instruction 5200.08, “Security of DoD Installations and Resources and the DoD Physical Security Review Board (PSRB),” December 10, 2005, as amended
- DoD Instruction 5530.03, “International Agreements,” December 4, 2019
- DoD Instruction 7640.02, “Policy for Follow-Up on Contract Audit Reports,” April 15, 2015
- DoD Instruction 8910.01, “Information Collection and Reporting,” May 19, 2014, as amended
- DoD Manual 5200.02, “Procedures for the DoD Personnel Security Program (PSP),” April 3, 2017, as amended
- Executive Order 10450, “Security Requirements for Government Employment,” April 27, 1953, as amended
- Executive Order 12333, “United States Intelligence Activities,” December 4, 1981, as amended

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<sup>1</sup> Available on request by contacting the Office of Under Secretary of Defense for Acquisition and Sustainment at (703) 693-6136.

Executive Order 12968, “Access to Classified Information,” August 2, 1995, as amended  
Federal Acquisition Regulation, current edition  
Joint Travel Regulations, current edition  
United States Code, Title 5  
United States Code, Title 10  
United States Code, Title 31, Section 1535  
United States Code, Title 37, Section 455  
United States Code, Title 41, Section 4706  
United States Code, Title 44  
United States Government Accountability Office, Government Auditing Standards, current  
edition<sup>2</sup>

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<sup>2</sup> Available at <http://www.gao.gov/yellowbook>