Audit Report No. 4561–2016A17740002
Wichita Branch Office
120 East 1st Street
Wichita, KS  67202-2002
October 26, 2016

Independent Audit Report on University of Oklahoma’s Preaward Accounting System Design

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EXECUTIVE SUMMARY

ABOUT UNIVERSITY OF OKLAHOMA

University of Oklahoma (OU) (CAGE code 3G168), located at 660 Parrington Oval, Norman Oklahoma 73019, is a coeducational public research university founded in 1890. We have no prior audit experience with OU. OU currently has 31 DoD contracts/grants in total amount of $18.2 million, with CFY 2015 revenues of approximately $583.7 million; Federal grants and contracts total approximately $59.9 million (10.2 percent), and DOD totals approximately $4.8 million (.82 percent). OU currently has 12,734 employees.

ABOUT THIS AUDIT

As requested by Mr. Joseph M. Strehle, Contracting Officer on August 2, 2016, we examined OU’s accounting system design to determine if it complies with FAR 53.209-1(f), Standard Form 1408 (SF 1408), Preaward Survey of Prospective Contractor Accounting System requirements.

WHAT WE FOUND

OU’s accounting system design complies in all material respects with the criteria contained in FAR 53.209-1(f), Standard Form 1408.
REPORT ON UNIVERSITY OF OKLAHOMA’S ACCOUNTING SYSTEM DESIGN

We examined University of Oklahoma’s (OU) accounting system design to determine if it complies with FAR 53.209-1(f), Standard Form 1408 (SF 1408), Preaward Survey of Prospective Contractor Accounting System requirements.

Management’s Responsibility

OU’s management is responsible for establishing and maintaining an acceptable accounting system design for accumulating costs under prospective Government contracts.

Auditor’s Responsibility

Our responsibility is to express an opinion on the acceptability of the design of the accounting system for the award of a prospective contract based on our examination. We conducted our examination in accordance with Generally Accepted Government Auditing Standards (GAGAS).

GAGAS requires that we plan and perform the examination to obtain reasonable assurance about whether OU’s accounting system design materially complies with the criteria cited above. An examination includes performing procedures to obtain evidence about whether OU’s accounting system design materially complies with the criteria cited above. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error, and involve examining evidence about the accounting system design.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion. Our examination does not provide a legal determination on OU’s compliance with the criteria cited above.

Unqualified Opinion

In our opinion, OU’s accounting system design complies in all material respects with the criteria contained in FAR 53.209-1(f), Standard Form 1408 (SF 1408).

We have also completed a Standard Form 1408, Preaward Survey of Prospective Contractor Accounting System (see Appendix, page 7 of this report).

EXIT CONFERENCE

We discussed the results of our examination with Ms. Suzanne Burgess, CRA Director for Post Awards Financial Services, and Ms. Andrea Deaton, CRA Associate Vice President for

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Research Executive Director in an exit conference held on October 26, 2016. The contractor had no comment.

We are available to discuss the results of audit at your convenience.
DCAA PERSONNEL

Primary contact(s) regarding this audit:
  Tony Leung, Senior Auditor (817) 961-3948
  Latasha Gransberry, Supervisory Auditor (817) 961-3968

Other contact(s) regarding this audit report:
  Kent Palermo, Resident Auditor (817) 961-3976
  Robert Hazelwood, Branch Manager (403) 231-4905
  Debra Hughett, Financial Liaison Advisor (937) 255-2362

Wichita Branch Office
(316) 558-9600
dcaa-fao4561@dcaa.mil
Debra.Hughett@us.af.mil

General information on audit matters is available at http://www.dcaa.mil/.

AUDIT REPORT AUTHORIZED

KENT PALERMO
Resident Auditor
DCAA DynCorp International Resident Office
AUDIT REPORT DISTRIBUTION

Department of the Air Force
Airforce Material Command
Contracting Officer
ATTN: Joseph Strehle
2130 8th St.
Wright-Patterson AFB OH 45433-7541

DCAA Financial Liaison Advisor
ATTN: Debra Hughett
Wright-Patterson Liaison Office, DCAA/WPL
2275 D Street, Bldg 16, Room 119,
Wright-Patterson AFB, OH 45433-7233

E-mail Address

Joseph.strehle@us.af.mil
Debra.Hughett@us.af.mil
RESTRICTIONS

1. The contents of this audit report should not be released or disclosed, other than to those persons whose official duties require access in accordance with Department of Defense (DoD) Manual 5200.01, Volume 4 - DoD Information Security Program, February 2012, Enclosure 3, paragraph 2.d. This document may contain information exempt from mandatory disclosure under the Freedom of Information Act. Exemption 4, of the Freedom of Information Act, which addresses proprietary information, may apply.

It is not practical to identify during the conduct of the audit those elements of the data that are proprietary. You should make proprietary determinations in the event of an external request for access. Unauthorized disclosure of proprietary information violates Title 18 United States Code (U.S.C.) 93 §1905 and, if the information is contractor bid or proposal or source selection information, Title 41 U.S.C. 21 § 2102. Any person who unlawfully discloses such information is subject to penalties such as fines, imprisonment, and/or removal from office or employment.

2. Under the provisions of Title 32, Code of Federal Regulations, Part 290.7(b), the Defense Contract Audit Agency will refer any Freedom of Information Act requests for audit reports received to the cognizant contracting agency for determination as to releasability and a direct response to the requestor.

3. The Defense Contract Audit Agency has no objection to the release of this report, at the discretion of the contracting agency, to authorized representatives of OU.

4. Do not use the information contained in this audit report for purposes other than action on the subject of this audit without first discussing its applicability with the auditor.
SECTION I - RECOMMENDATION

1. PROSPECTIVE CONTRACTOR'S ACCOUNTING SYSTEM IS ACCEPTABLE FOR AWARD OF PROSPECTIVE CONTRACT

☐ YES
☐ NO (Explain in 2. NARRATIVE)

☐ YES, WITH A RECOMMENDATION THAT A FOLLOW ON ACCOUNTING SYSTEM REVIEW BE PERFORMED AFTER CONTRACT AWARD (Explain in 2. NARRATIVE)

2. NARRATIVE (Clarification of deficiencies, and other pertinent comments. If additional space is required, continue on plain sheets of paper.)

See DCAA Audit Report No. 3161-2016N17740002, dated October 26, 2016 for information supporting this form
## SECTION II - EVALUATION CHECKLIST

MARK "X" IN THE APPROPRIATE COLUMN (Explain any deficiencies in SECTION I NARRATIVE)

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
<th>NOT APPLICABLE</th>
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<tbody>
<tr>
<td>1. EXCEPT AS STATED IN SECTION I NARRATIVE, IS THE ACCOUNTING SYSTEM IN ACCORD WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES APPLICABLE IN THE CIRCUMSTANCES?</td>
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<td>2. ACCOUNTING SYSTEM PROVIDES FOR:</td>
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<td><strong>a.</strong> Proper segregation of direct costs from indirect costs.</td>
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<td><strong>b.</strong> Identification and accumulation of direct costs by contract.</td>
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<td><strong>c.</strong> A logical and consistent method for the allocation of indirect costs to intermediate and final cost objectives. (A contract is final cost objective.)</td>
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<tr>
<td><strong>d.</strong> Accumulation of costs under general ledger control.</td>
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<td><strong>e.</strong> A timekeeping system that identifies employees' labor by intermediate or final cost objectives.</td>
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<td><strong>f.</strong> A labor distribution system that charges direct and indirect labor to the appropriate cost objectives.</td>
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<td><strong>g.</strong> Interim (at least monthly) determination of costs charged to a contract through routine posting of books of account.</td>
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<td><strong>h.</strong> Exclusion from costs charged to government contracts of amounts which are not allowable in terms of FAR 31, Contract Cost Principles and Procedures, or other contract provisions.</td>
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<td><strong>i.</strong> Identification of costs by contract line item and by units (as if each unit or line item were a separate contract) if required by the proposed contract.</td>
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<td><strong>j.</strong> Segregation of preproduction costs from production costs.</td>
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<td>3. ACCOUNTING SYSTEM PROVIDES FINANCIAL INFORMATION:</td>
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<tr>
<td><strong>a.</strong> Required by contract clauses concerning limitation of cost (FAR 52.232-20 and 21) or limitation on payments (FAR 52.216-16).</td>
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<tr>
<td><strong>b.</strong> Required to support requests for progress payments.</td>
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<td>4. IS THE ACCOUNTING SYSTEM DESIGNED, AND ARE THE RECORDS MAINTAINED IN SUCH A MANNER THAT ADEQUATE, RELIABLE DATA ARE DEVELOPED FOR USE IN PRICING FOLLOW-ON ACQUISITIONS?</td>
<td>×</td>
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<tr>
<td>5. IS THE ACCOUNTING SYSTEM CURRENTLY IN FULL OPERATION? (If not, describe in Section I Narrative which portions are (1) in operation, (2) set up, but not yet in operation, (3) anticipated, or (4) nonexistent.)</td>
<td>×</td>
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