



**DEFENSE CONTRACT AUDIT AGENCY**  
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IN REPLY REFER TO

PPD 730.5.45.1

May 19, 2008  
08-PPD-018(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on the Executive Compensation Cap for Contractor Fiscal  
Years 2008 and Beyond

On March 25, 2008, the Office of Federal Procurement Policy (OFPP) set the new executive compensation cap amount for CFY 2008 and beyond at \$612,196 in accordance with 41 U. S. C. 435 (*Federal Register* notice Volume 73, Number 58). This cap applies to costs incurred after January 1, 2008, and to all defense and civilian agency contracts covered by the FAR cost principles, including those contracts awarded prior to the enactment of the new cap. The new cap applies to compensation and senior executives as defined in FAR 31.205-6(p)(2)(i) and (ii), respectively.

When evaluating executive compensation, auditors are reminded of the clarifying guidance issued on the proper application of the cap (MRD 08-PAC-010(R), dated March 4, 2008). In addition, based on the risk assessment, the reasonableness of executive compensation should also be evaluated in accordance with FAR 31.205-6(b)(2).

Field office personnel should direct questions regarding this memorandum to their regional offices. Regions should direct their questions to Policy Programs Division, at (703) 767-2270 or e-mail at [DCAA-PPD@dcaa.mil](mailto:DCAA-PPD@dcaa.mil).

/Signed/  
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