



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAS 730.3.B.2.4

January 30, 2009
09-PAS-003(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA
HEADS OF PRINCIPAL STAFF ELEMENTS, DCAA

SUBJECT: Audit Guidance on Working Paper Documentation of Judgmental Selections

The purpose of this audit guidance is to clarify documentation requirements when items or transactions are judgmentally selected for testing during our audits. Generally Accepted Government Auditing Standards (GAGAS) require auditors to prepare attest documentation in sufficient detail to provide a clear understanding of the work performed to support significant judgments and conclusions. GAGAS 6.22a requires auditors to document the objectives, scope, and methodology of the attestation engagement. To comply with these GAGAS requirements, when items for testing are selected judgmentally, the following should be documented in the working papers:

- A description of the universe from which the items are selected, including specific source information (e.g., contractor's January 1, 20XX bill of material totaling \$2.5 million).
- Identification of the items to be tested (e.g., material parts with an extended value over \$50 thousand) and the attributes to be tested.
- An explanation that supports the judgmental selection results in adequate audit coverage of the universe to meet the audit objectives (e.g., the 30 items with an extended value over \$50 thousand represent 90 percent of the total bill of material value of \$2.5 million).

Auditors are reminded that documentation requirements for items selected based on statistical sampling are contained in CAM Appendix B.

FAO personnel should direct questions regarding this memorandum to their regional offices. Regional offices should direct their questions to Auditing Standards Division, at (703)-767-3274 or by e-mail to DCAA-PAS@dcaa.mil.

/Signed/
Kenneth J. Saccoccia
Assistant Director
Policy and Plans

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