



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAS 730.3.B.2.4

October 15, 2010
10-PAS-029(R)

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

SUBJECT: Audit Guidance on Retaining Working Papers

SUMMARY

Effective immediately, all working papers should be retained including working papers for all cancelled assignments. In addition, unreconciled differences of opinion between the auditor and the supervisor or higher level management that are significant to the assignment will be documented even if an assignment is cancelled. As a reminder, for assignments cancelled with eight or more hours incurred, current guidance requires auditors to prepare a Memorandum for Record (MFR) documenting the audit work performed and why the assignment was cancelled.

BACKGROUND

MRD 07-PAS-034(R) dated October 10, 2007, Subject: Audit Guidance on Documentation for Cancelled Assignments, states that working papers for cancelled audit assignments should generally not be retained since they will, in most cases, represent extraneous working papers. It also requires the auditor to prepare an MFR documenting the audit work performed and why the assignment was cancelled, for assignments cancelled with eight hours or more. MRD 08-PAS-022(R) dated July 31, 2008, Subject: Audit Alert on Handling Disagreements on Audit Findings, requires that documentation of unreconciled differences of opinion between the auditor and the supervisor or higher level management, which materially affect audit conclusions, be retained as a part of the superseded working papers. The DoDIG recently conducted a review of cancelled assignments and found a case where documentation regarding a difference of opinion was not available because the FAO followed the guidance in MRD 07-PAS-034(R) and did not retain the working papers for the cancelled assignment. In addition, the DoDIG found that the documentation prepared for cancelled assignments was not adequate to determine what work was performed and the status of the work when the assignment was cancelled.

GUIDANCE

Effective immediately, all working papers should be retained including working papers for all cancelled assignments regardless of the hours charged. For assignments cancelled with eight hours or more, auditors should continue to prepare a MFR to fully document the audit work

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performed and why the assignment was cancelled. Auditors and supervisors should generally use judgment in deciding whether to prepare a MFR for cancelled assignments with less than eight hours.

Furthermore, the documentation requirements for unreconciled differences of opinion occurring during the audit must be followed even if an assignment is cancelled. Both the auditor and the supervisor should document the disagreement and the specific basis for the disagreement as part of the superseded working papers, which should be retained in the audit file. The documentation is generally only required when the differences of opinion are significant. However, auditors and/or supervisors may document in the superseded working papers any unreconciled differences of opinion on audit issues for both completed and cancelled assignments.

The superseded working papers should include any working papers prepared during the course of the audit that do not support or are not relevant to the conclusions in the audit report; e.g., working papers changed due to revisions in audit methodology that are not relevant to the audit conclusions. Audit guidance relating to extraneous working papers has been deleted from CAM 4-403.

CONCLUDING REMARKS

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

/s/
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