



**DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219**

IN REPLY REFER TO

PPS 730.4.A.4

September 30, 2010
10-PPS-027(R)

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

SUBJECT: Audit Guidance on Modifying Standard Audit Program Steps

This memorandum revises our guidance for modifying standard audit program steps. This guidance applies to audits established subsequent to the date of this memorandum.

Auditors shall continue to use Agency electronic working papers (APPS) and tailor standard audit programs based on the documented risk assessment and specific audit objectives. In developing audit steps, auditors should add or modify standard audit program steps as appropriate. Auditors are not to delete unnecessary audit steps from standard audit programs. Instead, any steps deemed unnecessary during the development of the audit program must be lined out using the strikethrough function in Microsoft Word. Auditors must also add an explanation for why the step is unnecessary prior to submitting the audit program for supervisory approval. This may be documented directly below the lined out step or in a separate working paper as necessary.

If during the audit, the auditor determines that modifications to the initial audit program are necessary (e.g., steps need to be added, modified or are no longer necessary), the auditor should discuss the need to modify the audit program with the supervisor. If changes to the audit program are necessary, the auditor should document the results of the discussion in the interim supervisory guidance section and modify the audit steps accordingly. If it is determined that a step is no longer necessary, the audit program should be modified using the strikethrough function, and an explanation added directly below the lined out step or in a separate working paper as necessary. The auditor should initial and date the changes to the approved audit program when revisions are made.

We believe these audit process changes will enhance the quality of DCAA audits by providing auditors more visibility and a better understanding of the modifications being made to the standard audit programs. They will facilitate a better process for auditors to document why the standard audit steps are unnecessary, and will allow supervisors to see what steps the auditor has determined are unnecessary prior to approving the audit program. These changes will also document any steps requiring modification or deemed unnecessary after approval of the audit program, and will assist in ensuring the audit scope is reflective of the documented risk. We will update CAM Sections 3-103.3 and 3-103.4 to reflect the revised guidance.

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If FAO personnel have any questions regarding this memorandum, they should direct questions to their regional points of contact. Regional personnel with questions should contact Policy Publications and Systems Division, at (703)-767-3274, or by e-mail: DCAA-PPS@dcaa.mil.

/s/
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