



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

PPS 730.4.A.4

December, 23 2010
10-PPS-036(R)

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

SUBJECT: Audit Alert for Modifying Standard Audit Programs

This audit alert provides clarification on previous guidance for modifying standard audit programs under MRD 10-PPS-027(R), dated September 30, 2010. That guidance prohibits Auditors from deleting standard audit program steps and requires the Auditor to line through the step and provide an explanation why it is not necessary.

The Agency's Audit Planning and Performance System (APPS) generates standard audit programs and sections which are not always relevant to every audit. As an example, under the 21000 Price Proposal Activity Code, there are multiple E-1 working paper sections to choose from depending on whether the labor rates have been established by Forward Pricing Rate Agreement (FPRA), have been audited but not negotiated, or have not been audited at all. Another example is under the major incurred cost audit program where a working paper section is delivered for direct material, but the contractor may not have any material costs. Under these types of circumstances, it is not necessary to include the section(s) of the audit program which are not applicable. Instead, during the risk assessment phase of the audit, the auditor should document the sections to be removed, and the basis for removing the section. The supervisor will review the risk assessment, and approve if he or she agrees with the sections to be deleted. If a working paper section is not removed from the APPS package during the risk assessment phase and appropriately documented, then the procedures discussed in MRD 10-PPS-027(R) should be followed.

FAO personnel should direct questions to their regional points of contact, and regional personnel with questions should contact Policy Publications and Systems Division, at (703) 767-3274, or by e-mail DCAA-PPS@dcaa.mil.

/s/ David E. Johnson
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