



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

IN REPLY REFER TO

OTS 730.3.A.1

June 2, 2011  
11-OTS-024(R)

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

SUBJECT: Audit Guidance on Reporting Cost Avoidance for Operations Audits

DCAA has historically recognized one year's cost avoidance in an operations audit as a conservative estimate of the achievable savings. The DCAA Director has approved a major policy change that will allow estimation of cost savings over an extended period of time that more logically reflects the impact of audit findings and conclusions up to a maximum period of six years. This policy change is consistent with existing DoD guidance for identifying, classifying, and reporting potential monetary benefits identified in audits as prescribed within the DoD Audit Manual, (DoDM 7600.07-M, dated February 13, 2009).

Changes will be made to impacted CAM sections to reflect the extended the time period for recognition of cost avoidance in an Operations Audit. In addition, the DMIS User Manual, Appendix A, Section I, 3(b) will be revised to recognize the extend time period up to 6 years.

Field audit office personnel should direct questions regarding this memorandum to their regional offices. Regional offices should direct their questions to the Technical Audit Services Division, at (703) 767-2238, or email DCAA-OTS@dcaa.mil.

/s/

Nina I.S. Kissinger  
Deputy Assistant Director  
Operations

DISTRIBUTION: C