



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAS 730.3.B.2.4

July 7, 2011
11-PAS-010(R)

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

SUBJECT: Audit Alert on Timely Resolution of Independence Impairments

This MRD clarifies existing policy at CAM 2-S103.1(b)(5) on management's responsibility to take action to resolve independence impairments in a timely manner in accordance with Generally Accepted Government Audit Standards (GAGAS) 3.09.

DCAA employees at all organizational levels must adhere to the GAGAS independence requirements. As part of DCAA's policies and procedures for ensuring compliance with GAGAS, all auditors are required to notify the supervisor who reviews their Statement on Independence form if they experience a situation where they believe their independence and/or objectivity is or may be impaired. Upon such notification, the supervisor should look into the matter promptly.

In some cases, supervisors may become aware of circumstances or behavior that may indicate or give the appearance of a lack of independence or objectivity on the part of an auditor by a means other than notification by the auditor. DCAA management should promptly investigate any potential independence impairment, regardless of how it comes to their attention. If it is determined that the auditor's independence is impaired, either in fact or appearance, the supervisor must take timely action to eliminate the impairment, e.g., by promptly removing the auditor from any affected audits.

FAO supervisors/managers should coordinate with regional offices, as necessary, to resolve any impairment or potential impairment to independence. Since independence issues often also involve ethics issues, if the impairment is not resolved at the regional level, regions should request assistance from the DCAA Office of General Counsel (DL) at DCAA-DL@dcaa.mil. DL will obtain an opinion on GAGAS from Headquarters, Policy and Plans, and prepare a consolidated response. The supervisor should document the actions taken to resolve the impairment or potential impairment to independence.

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.

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

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