



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAS 730.3.B.2.4

February 9, 2012
12-PAS-004(R)

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

SUBJECT: Audit Alert on Coordination of Nonaudit Services with the Region and Headquarters

The purpose of this MRD is to reiterate and clarify existing policy regarding when FAOs must coordinate with the regional office and Headquarters before agreeing to provide a nonaudit service.

Generally Accepted Government Auditing Standards (GAGAS) require audit organizations and auditors that provide nonaudit services to determine whether providing such a service creates a threat to independence with respect to any GAGAS audit it performs before agreeing to provide the nonaudit service.

Policy is in the process of reassessing DCAA's nonaudit services and will issue detailed guidance in the future. In the meantime, FAOs are reminded that current policy requires them to coordinate with the regional office before agreeing to provide any nonaudit services that go beyond the types of nonaudit services that DCAA has determined do not impair independence as described in CAM 2-203.4. Specifically, the nonaudit services that FAOs may provide without first coordinating with the regional office include the following:

- Responses to requests for specific cost or rate information within the guidelines discussed in CAM 9-107 and the guidance in MRD 10-PSP-018, Audit Alert on Reporting on Forward Pricing Rates in Price Proposal, dated June 4, 2010.
- Assignments that DCAA has designated as nonaudit services and for which specific APPS packages have been established. This includes Nonmajor Desk Reviews of Incurred Costs (10100), Evaluations of Final Vouchers (15400), and Annual Testing of Contractor Eligibility for Direct Bill Program (11015).
- The development of a rough order of magnitude as part of the DCMA/DCAA Cost Recovery Initiative as discussed in MRD 11-PAC-01, Audit Guidance on DCMA/DCAA Cost Recovery Initiative (CRI) and Related Rough Order of Magnitude (ROM) Calculation for Unresolved CAS Cost Impact Issues, dated January 18, 2011.

FAOs must coordinate with the regional office before agreeing to perform any other nonaudit services (except for routine advice) and the Regions must coordinate with Headquarters, PAS to ensure that the appropriate independence assessment is made before proceeding.

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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/

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