DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PAS 730.3.B.2.3

September 27, 2012
12-PAS-026(R)

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

SUBJECT: Audit Guidance on the Timing of DCAA's Implementation of the 2011 Revision of Government Auditing Standards

The purpose of this memorandum is to advise auditors of when they must start complying with the 2011 Revision of Government Auditing Standards (2011 GAGAS Revision). We will issue guidance on the changes to GAGAS as a result of the 2011 Revision and the impact on DCAA policy at a later date.

The GAO issued the 2011 GAGAS Revision in December 2011. That revision is effective for financial audits and attestation engagements for periods ending on or after December 15, 2012, and for performance audits beginning on or after December 15, 2011. The 2011 GAGAS Revision does not permit early implementation. DCAA performs the vast majority of its work under the attestation engagement standards. Audit organizations typically will not be performing attestation engagements that cover periods ending on or after December 15, 2012 until CY 2013. This is also generally true of DCAA, with the exception of our forward pricing work. Based on a literal reading of the effective dates stated in the standards, the 2011 GAGAS Revision would apply to DCAA's forward pricing audits performed in CY 2012 since those engagements generally cover future contractor periods ending after December 15, 2012. However, DCAA proposed to the GAO an approach for implementing the GAGAS Revision for our forward pricing work that would result in DCAA first applying the 2011 GAGAS Revision for attestation engagements in CY 2013 (except for forward pricing audits that may be started in the last two weeks of December 2012). The GAO agreed that our approach is appropriate; therefore, DCAA will implement the 2011 GAGAS Revision as follows:

- DCAA will start applying the 2011 GAGAS Revision to audits of price proposals and other forward pricing audits that begin on or after December 15, 2012. For this purpose, DCAA will use the date of the initial acknowledgment letter (see CAM 4-104b) as the date that the audit begins.
- DCAA will start applying the 2011 GAGAS Revision to all other attestation engagements for periods ending on or after December 15, 2012. The "period ending" is the ending

date of the period covered by the engagement as stated in the report (e.g., the contractor's fiscal year end).

- Since DCAA's incurred cost audits deal with prior period incurred costs and the 2011 GAGAS Revision does not permit early implementation, the 2007 GAGAS will continue to apply to audits of incurred costs covering contractor fiscal years ending before December 15, 2012.

We will issue guidance on the changes to GAGAS as a result of the 2011 Revision and the impact on DCAA policy in time to implement the 2011 GAGAS Revision by December 15, 2012. We expect to make those future changes to policy in such a way that the revised policy will continue to comply with the 2007 GAGAS. This will allow all of our auditors to follow the same policies and procedures regardless of whether the 2007 GAGAS or 2011 GAGAS Revision applies to the particular audit. In the meantime, auditors should continue to follow the current guidance.

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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Policy and Plans

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