



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PPD 730.5.35.1

May 2, 2012
12-PPD-014(R)

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

SUBJECT: Audit Guidance on Elimination of Non-major Incurred Cost Audit Program

Effective immediately, DCAA will no longer have a separate incurred cost audit program for non-major contractors (Non-major Post Year End Auditing). The current major incurred cost audit program will be used to perform incurred cost audits for all major and non-major contractors. As part of Policy's ongoing assessment of current audit programs supported by the Strategic Plan Ad Hoc on Incurred Cost, an in-depth review of the major and non-major incurred cost audit programs was performed. Based on this assessment, a decision was made to eliminate the non-major incurred cost audit program. The major incurred cost audit program will be renamed "Post Year End Incurred Cost Audit."

For in-process non-major incurred cost assignments, where detailed audit steps have not been substantially started (i.e., only risk assessment has been started or performed), auditors should incorporate the major incurred cost audit program steps into their current audit program, as appropriate. For in-process non-major incurred cost assignments where detailed audit steps have been substantially started or completed, auditors should review the major incurred cost audit program and incorporate any additional procedures into their assignments, as deemed necessary, based on risk and auditor judgment, to ensure that sufficient, appropriate audit evidence is obtained to support the audit opinion.

In addition, based on the assessment and input from the incurred cost ad hoc, several additional changes were made to the current major incurred cost audit program. Due to the fact that we now have only one audit program, it is even more important that auditors appropriately tailor the audit program to efficiently and effectively accomplish the audit objectives. In tailoring the audit program steps, the auditor, in consultation with his or her supervisor, should apply professional judgment, considering the significance of the claimed amounts and known risk factors. Auditors are reminded that the standard audit program provides the overall framework for performing the audit in compliance with GAGAS and it is expected that the program will be tailored for the specific contract audit based on the risk assessment.

Auditors with questions should address them to their regional office. Regional questions concerning this memorandum should be directed to Policy Programs Division at (703) 767-2270 or via email DCAA.PPD@dcaa.mil.

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

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