



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PPS 730.4.A.4

January 25, 2012
12-PPS-001(R)

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

SUBJECT: Audit Guidance on Milestone Plans

This audit guidance sets forth DCAA policy requiring the development and use of a milestone plan for audits of all high risk proposals, major contractor incurred costs submissions, business systems audits and other audits deemed significant by the FAO manager. The requirement for milestone plans for less significant audits will be at the supervisory auditor's and FAO manager's discretion. Milestone plans are intended to be a useful audit management tool that assists the audit team in successfully accomplishing its audit by a realistic due date. Good milestone plans provide a visual document to manage work flow and assist in meeting common objectives. A well-developed milestone plan also will allow the audit team to recognize when established due dates are no longer achievable or increased staffing is required to meet the due date. The following are items to consider when developing a milestone plan:

- Milestones should be measureable and specific. Milestones should include detailed audit tasks, team roles and responsibilities, and a realistic completion date for each milestone (consideration for auditor experience, annual leave, training, budgeted hours and other assignments should be factored in). An initial milestone plan should be established for completing the risk assessment, including the walk through of the contractor's assertion and when acknowledgement and contractor notification letters will be issued.
- The complete milestone plan should be established towards the end of the risk assessment after the scope has been defined.
- Realistic dates are based on assessments made by the audit team, the risk assessment, and the audit scope. The contracting officer's needs should be considered to achieve a mutually agreed-to due date.
- Incorporate interim reviews as part of the milestone plan. Interim reviews will ensure that the supervisory auditor, FAO Manager, RAM and RST, when appropriate, are in agreement on the audit approach also while providing the appropriate coaching to the audit team.
- Allow the audit team to develop the milestone plan. The supervisory auditor will review the milestone plan and discuss any concerns with the audit team. The final milestone plan should be agreed to by the entire audit team, including the supervisory auditor.
- Make a shared commitment to meeting the dates in the milestone plan. All parties, to include FAO manager/regional personnel, should assess and explain the circumstances that lead to missing the milestone dates so that any necessary process improvements can be employed.

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Auditors should discuss portions of the milestone plan with all parties – DCMA, buying command, and the contractor. For example, auditors should discuss with the contractor the planned dates for testing and when data will be needed to support testing, the date we will be providing draft results (if applicable), and the date we will need their response to our findings. Auditors may discuss with DCMA and buying commands the dates related to the need for receipt of any technical reviews and the dates our draft and final reports will be provided to them. The benefit of discussing these portions of the milestone plan is to allow the Government and the contractor to provide sufficient staffing to meet the requirements of the audit and, ultimately, to allow DCAA to meet the due date, as coordinated with the contracting officer.

There is no requirement for the format of the milestone plan. However, the best practices webpage includes examples that have proven useful on high risk proposals. They are provided for information purposes only. As milestone plans are developed for other audits (i.e., incurred costs, business systems), they will be added to the best-practice website.

FAO personnel should direct questions regarding this memorandum to their regional offices, and regional personnel should direct any questions to Policy Publications and Systems Division at (703) 767-3274 or e-mail: DCAA-PPS@dcaa.mil.

/Signed/
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