



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PPS 710.7

April 17, 2012
12-PPS-010(R)

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

SUBJECT: Audit Guidance on Audit Leads

This audit guidance provides additional information regarding (1) when to prepare audit leads (2) proper supervisory review of audit leads (3) appropriate follow-up procedures and (4) final disposition of the audit lead.

CAM 4-403.e will be updated to provide clarification on responsibilities for auditors, supervisory auditors and managers, as follows:

- Auditors will prepare audit lead sheets when an issue arises that an auditor believes needs to be addressed, but is not an area within the scope of the current audit. Auditors should provide a brief description of the audit lead, identify areas potentially impacted, and suggest audit steps, if appropriate.
- Supervisors will review draft lead sheets and provide guidance for appropriate action/follow up. If a lead is part of the scope of the current assignment, the supervisor will assist the auditor in designing tailored audit steps to adequately cover the area of concern. If a lead is not part of the scope of the current assignment, appropriate follow up may include (1) documenting specifically where the lead will be addressed in a future assignment(s) or (2) immediately establishing a new assignment to review the lead. Supervisors are responsible for ensuring that audit leads are addressed and dispositioned appropriately and well documented.
- Final approved audit lead sheets are to be maintained in the originating assignment working papers, as well as the FAO contractor permanent file.
- Field office managers are responsible for reviewing audit lead sheets periodically to verify appropriate actions have been taken.

In addition, audit lead working paper 05 is being updated. The revised working paper will include a new section for documenting follow-up procedures. This new section will require documenting the assignment(s) performed to follow up on the audit lead, if applicable. It also will require information pertaining to the procedures performed under each assignment and any findings, or a statement that there were no findings. The audit lead should not be dispositioned until sufficient evidence has been gathered to make a determination that the audit lead no longer poses significant risk to the Government. Once this determination is made, it should be

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documented, and the supervisor should sign off on the form maintained in the FAO contractor permanent file.

The Agency website for best practices includes two examples used by the field for tracking and monitoring audit leads. One is Excel-based and may benefit a branch office. The other is a database and is more appropriate for a major contractor or a large suboffice. While these specific tracking tools are not required, each FAO must have a method in place to ensure the appropriate follow up and disposition of audit leads.

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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