



DEFENSE CONTRACT AUDIT AGENCY

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IN REPLY REFER TO

PAS 730.3.B.01/2021-01

April 21, 2021
21-PAS-003(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
CORPORATE AUDIT DIRECTORS, DCAA
ASSISTANT DIRECTORS, HQ, DCAA

SUBJECT: Revised Policy for Audit Specific Independence Determination (W/P 34)

The purpose of this memorandum is to revise Agency policy for the Audit Specific Independence Determination Working Paper (W/P 34) and to emphasize the importance of timely completion of W/P 34.

Why We Are Revising the Policy

We recognize there are situations that may arise in which it is not practicable for all team members to complete W/P 34 immediately upon being assigned to an engagement. This revised policy provides flexibility for those unique situations while still providing assurance that each team member is free of independence impairments, and allows management the opportunity to remedy any issues that arise prior to audit completion.

What Has Changed

In most instances, CaseWare's automated W/P 34 process is sufficient to capture the team member's independence determination. However, in unique situations where the team member does not have immediate access to the CaseWare file, the following guidelines apply:

- Each team member who performed work, reviewed, or consulted on an audit during the preliminary (including early engagement) and planning phases should sign the W/P 34 as soon as practicable once assigned to the audit, and prior to risk assessment approval.
- Team members whose involvement began during the fieldwork or reporting phases should sign the W/P 34 as soon as practicable once assigned to the audit, but no later than final report or memo approval.

Importance of Completing the W/P 34 Timely

GAGAS 3.28 requires auditors to reevaluate threats to independence when facts or circumstances change, and W/P 34 is an internal control implemented by the Agency to ensure the required independence reassessment occurs. Timely completion of the W/P 34 ensures that any independence threats or impairments are identified and remedied in a timely manner. Untimely identification of threats/impairments may:

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- Negatively affect the timeliness and quality of our audits;
- Require the agency to expend additional resources to remedy the issue including audit re-work;
- Require the affected audit reports to be rescinded;
- Degrade the Agency's overall system of quality control and may impact our peer review rating;
- Negatively affect the creditability of our audits and the Agency as a whole.

Thus, it is important for all team members to complete the audit specific independence determination as early as practicable once assigned to an engagement.

Questions and Further Information

For further guidance and information, see CAM 2-S103.1.

FAO personnel with questions regarding this MRD should contact their regional or CAD offices. Regional/CAD personnel with questions regarding this MRD should contact Ms. Monique Duncan, Program Manager, Policy Auditing Standards Division (PAS) at (571) 448-4452 or via e-mail at DCAA-PAS@dcaa.mil.

/Signed/

Martha E. McKune
Assistant Director, Policy and Plans

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