



DEFENSE CONTRACT AUDIT AGENCY
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IN REPLY REFER TO

730.3. B.2.4

May 17, 2022
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MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
CORPORATE AUDIT DIRECTORS, DCAA
ASSISTANT DIRECTORS, HQ, DCAA

SUBJECT: Audit Guidance on Required Management Inquiries on Use of Specialists

The purpose of this memorandum is to notify audit teams of a new mandatory question to ask of contractor management during the entrance conference, or other appropriate meeting. Auditors in all examination engagements are required to ask contractor management if specialists were used in the preparation of the subject matter of the audit.

What Auditors Need to Do

The new question has been added to relevant audit programs as part of the existing step on required questions of contractor management (e.g. questions about management's knowledge of fraud, investigations or legal proceedings significant to the audit objectives, etc.). Auditors should document the inquiry and the corresponding responses as well as how the response affects the performance of the engagement. For example, if the subject matter includes significant amounts related to defined benefit pension plans and the contractor indicates no pension specialists were used, inherent risk may be elevated.

For in-process audits that were initiated before this change will be issued on or after June 15, 2022, the audit team should still ask contractor management if specialists were used in preparing the subject matter and maintain documentation of this communication in the audit package.

Questions and Further Information

FAO personnel with questions regarding this audit alert should contact their regional or CAD offices. Regional/CAD personnel with questions regarding this audit alert should contact PAS at DCAA-PAS@dcaa.mil.

/Signed/
Jennifer L. Desautel
Assistant Director, Policy and Quality

Enclosure:
Frequently Asked Questions

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FREQUENTLY ASKED QUESTIONS

Question 1: Why are we making a change?

Answer: The AICPA Auditing Standards Board issued Statement on Standards for Attestation Engagements (SSAE) No. 21, which amended AT-C 205. The newly amended AT-C 205.16b requires auditors to ask the responsible party (i.e., contractor management) about the use of any specialists in the preparation of the subject matter. AT-C 205 does not require specific auditor actions if the contractor did or did not use specialists, only that the question be asked to assist in assessing risk. SSAE No. 21 is effective for reports dated on or after June 15, 2022.

Question 2: What is a specialist?

Answer: “Specialists” in this instance includes both internal and external specialists. The auditing standards define a specialist as “an individual or organization possessing expertise in a field other than accounting or auditing.” Examples of specialists include but are not limited to actuaries, engineers, scientists, attorneys, and compensation consultants.