



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA
CORPORATE AUDIT DIRECTORS, DCAA
ASSISTANT DIRECTORS, DCAA

SUBJECT: Updated Guidance on Scanned Documents

What You Need to Know

The Policy and Quality Directorate (PQ) revised CAM 3-204.21 Contractors Use of Scanned Images. Annual testing of scanned images is now optional and should be performed where contractors and auditors plan to place reliance on scanned images. This change is made to adapt as contractors move towards computerized originals and does not reflect a change in the requirement that audit opinions are supported by reliable evidence. The audit programs for the 10100 Incurred Cost activity codes no longer include a mandatory step on assessing contractor scanned documents. Auditors can add such a step according to their own judgment.

What Auditors Need to Do

FAOs with no planned audit work which relies on scanned images are not required to plan annual testing of scanned images. FAOs seeking to rely on scanned images as evidence should continue to test the contractor's scanned images annually as part of an ongoing audit performed at the contractor (e.g., incurred cost, proposal audit, etc.). When auditors seek to use scanned images as evidence and annual testing has not been performed, auditors will need to address the risk and reliability of scanned images as appropriate for their audit.

Questions and Further Information

FAO personnel with questions regarding this memorandum should contact their Regional, Field Detachment, or CAD offices. Regional/Field Detachment and CAD personnel with questions should contact Policy Auditing Standards Division (PAS) at dcaa.belvoir.hq.mbx.dcaa-pas@mail.mil.

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Enclosure:
Question and Answers

QUESTIONS AND ANSWERS

Question: Why might it be necessary to schedule testing of scanned images annually? Why not just wait and see if the issue arises in normal audit work?

Answer: FAR 4.703(c) allows contractors to duplicate and store original records in electronic form. After one year, contractors are not required to maintain or produce original records during an audit if the contractor provides photographic or electronic images of the original records, and the contractor meets the requirements of FAR 4.703(c). Therefore, when scanned images are not tested annually, auditors run the risk that they will eventually not be able to validate scanned images against originals.

Certain audits may be difficult to anticipate over a year in advance (e.g., CAS Cost Impact audits, Claims audits, etc.). All contractors that provide scanned images as evidential support, FAO management should consider the likelihood of performing audit work where originals may not be retained long enough to support their use in fieldwork.

Question: How do we test scanned images?

Answer: CAM 3-204.21 provides guidance on scanned images. Section (d) provides specific guidance on how to proceed when electing to perform annual testing.