

DCAA MEMORANDUM FOR REGIONAL DIRECTORS COVER SHEET

AUDIT GUIDANCE/AUDIT MANAGEMENT GUIDANCE MEMORANDUM NO. 09-PAS-004(R)

Date of MRD: March 13, 2009

Subject of**MRD:** Audit Guidance on Reporting Significant/Sensitive Unsatisfactory Conditions Related to Actions of Government Officials**Current Audit Guidance and/or Audit Management Guidance Affected:****CAM****Paragraph****Explanation of Effect on Current Version of CAM**4-803 Remove guidance on conditions related to Government official covered in new 4-804.4-804 Add new section regarding processing of unsatisfactory conditions related to actions of Government officials, including significant/sensitive conditions requiring an independent assessment by the DoDIG.**AUDIT PROGRAMS**

5 Digit Activity Code	Subactivity/Document Name	Step No.	Explanation of Effect on Current Audit Program
<u>NONE</u>			

SHELL AUDIT REPORTS

5 Digit Activity Code	Subactivity/Document Name	Sec./ Par.	Explanation of Effect on Current Audit Report
<u>NONE</u>			

MEMORANDUMS FOR REGIONAL DIRECTORS

MRD No.	Date	Subject/Explanation of Change
<u>NONE</u>		

INTERNAL CONTROL QUESTIONNAIRE/INTERNAL CONTROL MATRIX/INTERNAL CONTROL AUDIT PLANNING SUMMARY

ICQ/ICM/ ICAPS	Section & No.	State Control(s) Affected by the Change
<u>NONE</u>		

DCAA PAMPHLETS/REGULATIONS/INSTRUCTIONS

DCAAP/R/I/No.	Date	Page/Sec./Par.	Explanation of Effect
<u>NONE</u>			

DMIS USER GUIDE

Explanation of Effect
<u>NONE</u>



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PAS 730.4.A.4

March 13, 2009
09-PAS-004(R)

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

SUBJECT: Audit Guidance on Reporting Significant/Sensitive Unsatisfactory Conditions
Related to Actions of Government Officials

This memorandum revises DCAA's process for reporting unsatisfactory conditions related to actions of Government officials. Certain unsatisfactory conditions related to actions of Government officials will be reported to the Department of Defense Inspector General (DoDIG) in lieu of reporting the conditions to a higher level of management. The unsatisfactory conditions reported to the DoDIG will be those cases where DCAA determines an independent assessment and related actions are necessary due to the significance and/or sensitivity of the matter.

Unsatisfactory conditions include actions by Government officials that appear to reflect mismanagement, a failure to comply with specific regulatory requirements or gross negligence in fulfilling his or her responsibility that result in substantial harm to the Government or taxpayers, or that frustrate public policy. Current guidance in CAM 4-803 requires that the region/FAO handle these conditions by elevating them through the Government official's management chain for resolution. However, certain unsatisfactory conditions may warrant an independent assessment due to the significant or sensitive nature of the matter. An example might include a situation where the contracting officer purposely excludes DCAA from performing or completing an audit to avoid a negative report (e.g., audit report with an adverse opinion). Another example may be where a contracting officer ignores a DCAA audit report and takes an action that is grossly inconsistent with procurement law and regulation, (e.g., awards a contractor unreasonable or excessive costs and/or profit).

When an unsatisfactory condition of this nature comes to the auditor's attention, the FAO manager should discuss the issue with the regional office to ascertain the appropriate reporting. Where the region/FAO determine it is not advisable to elevate the condition to a higher level of authority within the Government official's chain of command (i.e., an independent review is more appropriate due to the significant and/or sensitive nature), the FAO will provide a report covering the details of the conditions to the region. The region will review the report for accuracy and completeness and then forward the report to Headquarters, Attention: Policy and Plans. If Headquarters concurs with the region/FAO assessment, the submission will be forwarded to the DoDIG for appropriate action.

March 13, 2009
09-PAS-004(R)

PAS 730.4.A.4

SUBJECT: Audit Guidance on Reporting Significant/Sensitive Unsatisfactory Conditions
Related to Actions of Government Officials

This special reporting applies only to the most significant and sensitive issues. Less significant/sensitive matters should continue to be handled at the local level, elevating the issue to the next higher level of management authority within the Government official's chain of command for appropriate resolution.

Indications of suspected irregular conduct (e.g., possible violations of criminal and penal statutory provisions, such as those implemented by the Joint Ethics Regulation) should continue to be reported on the DCAAF 2000, *Suspected Irregularity Referral Form*, and not pursued as an unsatisfactory condition.

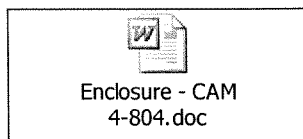
We have developed a new CAM Section 4-804 (see enclosure) to reflect this new guidance.

FAO personnel should direct questions regarding this memorandum to their regional offices. Regional offices should direct their questions to Mr. David McCormick, Program Manager, Auditing Standards Division, at (703) 767-3274 or by e-mail at DCAA-PAS@dcaa.mil.

/Signed/

Kenneth J. Saccoccia
Assistant Director
Policy and Plans

Enclosure: a/s



DISTRIBUTION: C