



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

IN REPLY REFER TO

PSP 730.5.1

September 5, 2007  
07-PSP-030(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA  
DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT: Audit Guidance on Supporting Contracting Officer's Cost Realism Analysis**

Effective immediately, auditors should perform examinations to evaluate proposed costs/rates in support of the contracting officer's cost realism analysis when the contracting officer requests an opinion as to whether the proposed costs/rates are realistic and not significantly understated. The new audit program under Code 27000, Parts of a Proposal – Cost Realism Audit Program, Version 1.0 (Enclosure 1), and accompanying Report Shell – Cost Realism (Enclosure 2) have been incorporated into APPS.

Contracting officers, as part of their cost realism analyses, often require the auditor to evaluate specified cost element(s) (e.g., direct labor rates, indirect rates) of a proposal and to provide a level of assurance that proposed costs/rates are realistic and not significantly understated. In these cases, Agreed Upon Procedures (AUP) engagements are not appropriate, since AUP engagements cannot provide opinions, any assurance (positive or negative), or findings based on materiality. As such, auditors should perform an audit of parts of a proposal (Code 27000), provided that there is sufficient cost information for conducting an examination.

However, in cases where the requestor asks for procedures that meet the AUP criteria (e.g., specific, subject to measurable criteria, not call for opinion-like findings) and considers the results of these procedures sufficient for his or her own cost realism analysis, the auditor may perform an AUP engagement, using the existing code 28000 Application of Agreed Upon Procedures program and report shell. An AUP may be appropriate when there is a limited amount of data provided by the contractor due to the competitive nature of the procurement, and therefore, the available data may not be sufficient for the auditor to perform an examination and render an audit opinion.

As discussed in CAM 9-207e, upon receipt of a request, the auditor should obtain a clear understanding of the requestor's needs and discuss with the requestor the appropriate level of service to be provided. FLAs should continue to work with contracting officers so that the appropriate service is requested based on the customer's needs.

PSP 730.5.1

September 5, 2007

SUBJECT: Audit Guidance on Supporting Contracting Officer's Cost Realism Analysis

FAO personnel should direct questions to their regional personnel. Regional personnel may direct questions to Pricing and Special Projects Division, 703-767-3290.

/Signed/

Kenneth J. Saccoccia  
Assistant Director  
Policy and Plans

Enclosures: 2

a/s

DISTRIBUTION: C

**Master Document – Audit Program**

<b>Activity Code 27000</b>	<b>Parts of a Proposal – Cost Realism</b>
<b>Version 1.0, dated August 2007</b>	
<b>B-1</b>	<b>Planning Considerations</b>
<b>Purpose and Scope</b>	
<p>This standard audit program assists the auditor in planning and performing the audit of parts of a price proposal for realism and possible understatement in support of the contracting officer’s cost realism analysis. Generally, cost realism analyses are performed on competitive cost-reimbursement acquisitions. The primary objective of the cost realism analysis is to ensure proposed costs/rates are not significantly understated. Therefore, the auditor needs to specifically focus his or her evaluation on the possibility that the contractor’s proposed costs may be significantly understated. However, the auditor should also report any significant overstatement to assist the contracting officer in determining the realistic (probable) costs. The program steps should be tailored, as appropriate, and reflect an understanding between the auditor and supervisor as to the scope required.</p>	
<b>Planning Considerations</b>	
<ol style="list-style-type: none"> <li>1. The auditor should determine whether the information other than cost or pricing data the solicitation required is sufficient to conduct an examination. If not, discuss with the requestor the appropriate level of service to be provided.</li> </ol>	
<ol style="list-style-type: none"> <li>2. Unless special circumstances exist, an audit is generally not required for a proposal that is below the DoD threshold for field pricing assistance (PGI 215.404-2), (i.e., \$650,000 for fixed-price or \$10 million for cost-type proposals). Contact the contracting officer to understand the reason for the request and determine whether a different level of service (e.g., specific cost/rate information (code 25000)) could provide adequate field pricing support. (For requests for audits of part(s) of a proposal (code 27000), the thresholds apply to the total proposal.) If the decision is to perform an audit, the below-threshold proposal is considered low risk and should be scoped accordingly.</li> </ol>	
<ol style="list-style-type: none"> <li>3. Consider CAS Implications. If the potential contract will be CAS covered, consider contractor compliance with the applicable CAS requirements as part of the proposal evaluation.</li> </ol>	
<ol style="list-style-type: none"> <li>4. A technical evaluation is an integral part of the contracting officer’s source selection procedures; therefore, a request for technical assistance is generally not required.</li> </ol>	
<b>References</b>	

## Master Document – Audit Program

1. CAM 9-311.4 Cost Realism Analyses
2. CAM 9-108 Audit of Part(s) of a Proposal and Applications of Agreed-Upon Procedures – Price Proposal
3. FAR 15.404-1(d), Cost Realism Analysis

<b>B-1</b>	<b>Preliminary Steps</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
1.	Review the proposal package for adequacy, considering the type and level of cost information the solicitation required the offeror to submit.	
2.	Review the audit request for scope limitations or special requirements. Coordinate with the requestor on key matters (e.g., the cost elements to be examined, due date, assist audits, and the extent of discussions with the contractor that are permitted).	
3.	If the proposal is under the DFARS threshold (see the Planning Considerations section), document the circumstances necessitating an audit, including discussions with the requestor.	
4.	Considering risk factors, prepare a request for subcontract assist audits, if required, and document on W/P B-3.	
5.	Document the understanding of the contractor’s internal controls related to accounting and estimating systems on W/P B-2.	
6.	If the contractor is classified as nonmajor (where ICAPS have not been completed) and the evidential matter to be obtained during the audit is highly dependent on computerized information systems, document on W/P B-2 the audit work performed that supports reliance on the computer-based evidential matter. When sufficient work will not be performed to determine reliability, qualify the audit report. (CAM 10-210.4j).	
7.	Consider audit leads or key prior audit findings from the permanent files and prior audits.	
8.	Determine whether there are any outstanding CAS noncompliances affecting the proposal.	
9.	In planning and performing the examination, consider the fraud risk indicators specific to forward pricing. The principal sources for the applicable fraud risk indicators are: <ul style="list-style-type: none"> <li>• Handbook on Fraud Indicators for Contract Auditors, Section III (IGDH 7600.3, APO March 31, 1993) located at</li> </ul>	

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<p><a href="http://www.dodig.osd.mil/PUBS/index.html">www.dodig.osd.mil/PUBS/index.html</a>.and</p> <ul style="list-style-type: none"> <li>• CAM Figure 4-7-3.</li> </ul> <p>Document on W/P B, Section 4, any identified fraud risk indicators and your response/actions to the identified risks and your conclusion.</p>	
<p>10. Conduct an entrance conference, only if the requestor permits discussion/communication with the offeror. If a subcontract, obtain the subcontractor’s written consent for release of the audit report or reason(s) for not authorizing release.</p>	
<p>11. Summarize on W/P B the assessment of risk for areas covered in the preliminary steps above and determine the scope of examination for each cost element.</p>	

<b>D-1</b>	<b>Indirect Rates (Overhead, G&amp;A, Fringe, and COM)</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
1.	Based on the results of the risk assessment, evaluate the proposed indirect rates for possible under/overstatement. Perform the following audit steps, if appropriate:	
a.	If agreed-to or FPRA rates exist, verify proper application.	
b.	If agreed-to or FPRA rates do not exist, compare proposed rates to other sources, (e.g., year-to-date experience) and analyze major variances. Determine if the proposed rate structure is the same as the indirect rate structure used to accumulate actual costs and is consistent with disclosed practice. (CAS 401 and 402/FAR 31.201-1 and 31.203).	
c.	Determine that the rates proposed consider known and significant volume changes.	
d.	Ensure that the period for the proposed rates coincides with the contractor’s fiscal years (CAS 406/FAR 31.203(g)).	
2.	Summarize the results.	

<b>E-1</b>	<b>Subcontracts</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
1.	Based on the results of the risk assessment, evaluate the proposed subcontract/interorganizational transfer costs for possible under/overstatement. Determine the adequacy of contractor	

**Master Document – Audit Program**

justification for competitive subcontracts.	
2. For sole source subcontracts where assist audits were not requested, evaluate contractor cost or price analysis of subcontract proposals/interorganizational transfers for possible under/overstatement.	
3. If contractor cost or price analysis of sole source subcontracts is inadequate or not available and the subcontract cannot be evaluated by other techniques (other current or historical data), contact the cognizant audit office for telephone rate verification.	
4. Summarize the results.	

<b>L-1</b>	<b>Direct Labor Rates</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
1. Based on the results of the risk assessment, evaluate the proposed direct labor rates for possible under/overstatement. Perform the following steps, if appropriate:		
a. If agreed-to or FPRA rates exist, verify proper application.		
b. If agreed-to or FPRA rates do not exist, select labor categories with significant proposed costs and compare proposed rates to other sources, (e.g., actual/historical rates and/or budgetary data). Determine if proposed direct labor costs/rates are classified consistent with disclosed practice (CAS 402/FAR 31.202 and 31.203(a), and CAM 9-505).		
c. Evaluate the proposed escalation rates.		
2. Summarize the results.		

<b>M-1</b>	<b>Direct Material Costs</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
1. Based on the results of the risk assessment, evaluate a sample of proposed material items (generally limited to high dollar items) for possible under/overstatement.		
2. Summarize the results.		

<b>O-1</b>	<b>Other Direct Costs (ODCs)</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
1. Based on the results of the risk assessment, evaluate a sample of the		

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proposed ODC items (generally limited to high dollar items) for possible under/overstatement. Ensure costs are being proposed consistent with disclosed practice (i.e., direct costs).	
2. Summarize the results.	

<b>A-1</b>	<b>Concluding Steps</b>	<b>W/P Reference</b>
<b>Version 1.0, dated August 2007</b>		
	1. Summarize and document the audit results for supervisory review.	
	2. Obtain supervisory review of the working papers and audit results.	
	3. Unless otherwise instructed by the contracting officer, do not discuss any conclusions and/or recommendations with the contractor.	
	4. Prepare the draft audit report in accordance with CAM 10-300.	
	5. Provide verbal results to the requestor, if required.	
	6. Prepare any required audit lead sheets and update permanent files.	

Version No. 1.0	Parts of a Proposal Audit Report – Cost Realism (27000)	August 2007
Reviewer's Approval and Date:		



**DEFENSE CONTRACT AUDIT AGENCY**



**AUDIT REPORT NO. [Office Organizational Code]– [Government Fiscal Year (4 digit)][Team Code][Five-Digit Activity Code][Last 3 digits of Assignment Number]**

[date]

**PREPARED FOR:** [ACO, PCO, or Other]  
 [Customer Name 1st Line]  
 [Customer Name 2nd Line]  
 [Customer Name 3rd Line]  
 ATTN: [Attention To]  
 [Customer Address 1st Line]  
 [Customer Address 2nd Line]  
 [City of Customer], [State of Customer] [Zip Code of Customer]  
 [Country of Customer]

*If the request for audit is sent to the audit office through the ACO, use “thru” addressing. (See 10-206.4).*

**THRU:** [ACO, PCO, or Other]  
 [Customer Name 1st Line]  
 [Customer Name 2nd Line]  
 [Customer Name 3rd Line]  
 ATTN: [Attention To]  
 [Customer Address 1st Line]  
 [Customer Address 2nd Line]  
 [City of Customer], [State of Customer] [Zip Code of Customer]  
 [Country of Customer]

**PREPARED BY:** DCAA [Office Name]  
 [Office Address 1st Line]  
 [Office Address 2nd Line]  
 [City of Office], [State of Office] [Zip Code of Office]  
 Telephone No. [Main Phone Number of Office]  
 FAX No. [Fax Number of Office]  
 E-mail Address [E-Mail of Office]

**SUBJECT:** Audit Report on Parts of a Proposal — Cost Realism



**REFERENCES:** PCO: [Reference Number (Enabled if Demand)]  
*[If the request for audit is sent to the audit office through the ACO, include the ACO's field pricing case no.]*

*[ACO:]*  
*Relevant Dates: (See Page 6)*

**CONTRACTOR:** [Contractor Name 1st Line]  
[Contractor Name 2nd Line]  
[Contractor Name 3rd Line]  
[Contractor Address 1st Line]  
[Contractor Address 2nd Line]  
[City of Contractor], [State of Contractor] [Zip Code of Contractor]  
[Country of Contractor]

**REPORT RELEASE RESTRICTIONS:** See Page 7

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## **SUBJECT OF AUDIT OF PARTS OF A PROPOSAL**

As requested by [*requestor organization name*] on [*insert date*], and as discussed subsequently with your office, we examined the [*part(s) of the proposal to be examined*] portion, [(\$ *proposed for the part(s) of the proposal examined*)], of [Contractor Name 1st Line] ([Contractor Acronym]) [Proposal Amount][Proposal Type (Fixed, Cost, etc.)][*proposal type (fixed, cost, etc.)*] proposal, dated [Date of Proposal], for realism and possible understatement to assist the contracting officer in performing cost realism analysis. [Contractor Acronym] submitted the proposal for [*provides for (product or service)*] in response to [Contractor Acronym][Provides For (Product or Service)][*RFP/contract number*]. The company proposed a performance period of [Period of Performance - Start Date] through [Period of Performance - Completion Date].

The proposed [*part(s) of proposal examined*] and related information other than cost and pricing data are the responsibility of the contractor. Our responsibility is to express an opinion on the [*part(s) of a proposal*] based on our examination.

### ***EXECUTIVE SUMMARY***

*[This section gives a brief overview of the audit findings. It briefly describes the audit opinion, findings, and the significant issues supporting the opinion. Due to the limited nature of audits of part(s) of a proposal and cost realism, an Executive Summary paragraph is generally not needed].*

## **SCOPE OF AUDIT OF PARTS OF A PROPOSAL**

As requested, we limited our examination to those parts of the proposal identified in your request [*or identify the elements examined*]. Except for the qualifications discussed below, [*omit if the report is not rendering a qualified opinion and there is no "Qualifications" section within the "Scope" paragraph*], we conducted our examination of information other than cost or pricing data in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the part(s) of the proposal examined are free of material misstatement. An examination includes:

- evaluating the contractor's internal controls, assessing control risk, and determining the extent of audit testing needed based on the control risk assessment;
- examining, on a test basis, evidence supporting the amounts and disclosures for the part(s) of the proposal examined;
- assessing the accounting principles used and significant estimates made by the contractor in developing the proposed amounts for the part(s) of the proposal examined; and
- evaluating the overall presentation for those parts.

We evaluated the proposed [*part(s) of the proposal examined*] for realism and possible understatement using the applicable requirements contained in the:

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- Federal Acquisition Regulation (FAR),
- [*Defense FAR Supplement (DFARS) or for non-DoD agencies, identify specific agency supplement – see CAM 15-102.3*], and
- [*Cost Accounting Standards (CAS) - omit if the potential contract will not be CAS-covered*].

*[The following statement should be included when the small business exemption applies (CAM 10-210.3e):]*

The contractor claims exemption under 48 CFR 9903.201-1(b)(3) from the practices required by the Cost Accounting Standards Board rules and regulations because it considers itself a small business concern.

*[The next paragraph in the Scope of Audit of Parts of a Proposal section should comment on the status of the contractor’s accounting and estimating systems and the impact of the assessment of control risk on the scope of audit for the part(s) of the proposal being examined. Coordinate this information with the Contractor Organization and System section. Outstanding deficiencies that impact the scope of audit should be disclosed until those deficiencies are corrected.] [Refer to 10-305.3 for guidance in completing the rest of the Scope section.]*

*[For a contractor where internal control audits of the contractor’s overall accounting and estimating systems have been performed, these comments might read as follows:]*

We consider [Contractor Acronym]’s overall accounting and estimating systems to be [*adequate, inadequate, or inadequate in part*] (see Contractor Organization and Systems section). [*If inadequate or inadequate in part, briefly describe the impact of any outstanding deficiencies on the audit scope.*] The scope of our examination reflects our assessment of control risk and includes audit tests designed to provide a reasonable basis for our opinion.

*[For a nonmajor contractor where an estimating system audit has not been performed, the following comments may be appropriate:]*

We consider [Contractor Acronym]’s accounting system to be [*adequate, inadequate, or inadequate in part*] for accumulating and billing costs on Government contracts. We have not specifically examined [Contractor Acronym]’s estimating system and its related internal controls (see Contractor Organization and Systems section). The scope of our examination reflects our assessment of control risk and includes tests of compliance with applicable laws and regulations that we believe provide a reasonable basis for our opinion.

**QUALIFICATIONS**

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*[If applicable, this section sets forth any factors that restrict or limit the scope of the examination that have a significant adverse effect on the audit or results. (See 10-304.4 and 10-210.4).]*

**RESULTS OF AUDIT OF PARTS OF A PROPOSAL**

*[Tailor the wording to reflect only the part(s) of a proposal examined. As prescribed by 10-304.5 and 10-305.4, this section should include the following sections:]*

- *Audit Opinion (10-304.6). Begin the first sentence of the opinion paragraph with “In our opinion....” Tailor your results of audit for the part(s) of the proposal examined using the opinion matrix at 10-304.6c. Use the appropriate terminology “information other than cost or pricing data” for cost realism analysis. In addition to the audit opinion, because we have only examined part(s) of a proposal, we should disclaim an opinion on the proposal as a whole. Insert the following disclaimer: “This report is limited to [insert the names of the part(s) of a proposal examined]. Accordingly, we express no opinion on the contractor’s proposal taken as a whole.”*
- *Submission and Audit Evaluation (10-304.7)*
- *Under/Overstated, Unsupported and Unresolved Cost (10-304.8)*
- *Difference (10-304.9)*
- *Additional Remarks (10-304.10)*

*[If the audit is limited to direct labor, indirect rates, or other part(s) of the proposal examined disclosed no significant exceptions, the results of audit paragraph should state:]*

In our opinion, the offeror has submitted adequate information other than cost or pricing data in support of direct labor and indirect rates *[or insert other part(s) of the proposal examined]*. The direct labor and indirect rates *[or insert other part(s) of the proposal examined]* proposed were prepared in accordance with *[if CAS covered, add “applicable Cost Accounting Standards and]* appropriate provisions of FAR. Therefore, we consider the proposed amount acceptable as a basis for determining the probable cost for direct labor and indirect rates *[or insert other part(s) of the proposal examined]*. This report is limited to the direct labor and indirect rates *[or insert other part(s) of a proposal examined]*. Accordingly, we express no opinion on the contractor’s proposal taken as a whole.

*[If the requestor states that the auditor should not discuss the results with the contractor, conclude the Results of Audit of Parts of a Proposal section of the report with language such as the following:]*

This procurement is source selection sensitive; therefore, as requested by your office, we did not discuss factual matters or the dollar impact of our findings with the contractor.

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*[If the requestor does not object to the auditor having discussions with the contractor, conclude the Results of Audit of Parts of a Proposal section of the report with language such as the following:]*

We discussed factual matters concerning our findings with *[name and title of offeror's representative]* in an exit conference held on *[date]*. We did not provide the dollar impact of our findings. *[Include a summary of the offeror's reaction to the major areas of significant under/overstatements.]*

**CONTRACTOR ORGANIZATION AND SYSTEMS**

*[This section should furnish pertinent information that impacts the scope and the results of audit. Tailor this information to the contractor's size and reference any other reports issued on relevant systems. This information should be classified under separate subheadings for the organization and individual system(s). Refer to 10-306 and 10-210.7. This section should be used if the auditor has systemic information to provide to the requestor.]*

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**DCAA PERSONNEL**

	<u>Telephone No.</u>
Primary contact(s) regarding this audit: [Auditor's Name], Auditor [Supervisor's Name], Supervisory Auditor	[Auditor's Phone Number] [Supervisor's Phone Number]
Other contact(s) regarding this audit report: [FAO Manager's Name], Branch Manager [FLA Name], Financial Liaison Advisor	[FAO Manager's Phone Number] [Phone Number of FLA]
	<u>FAX No.</u>
[Office Name] [FLA Name], Financial Liaison Advisor	[Fax Number of Office] [Fax Number of FLA]
	<u>E-mail Address</u>
[Office Name]	[E-Mail of Office]

General information on audit matters is available at <http://www.dcaa.mil/>.

**RELEVANT DATES**

*[Use this section in customer requested assignments. The section should include, at a minimum, the dates of ACO and PCO requests and the dates of any extensions. The format should facilitate computation of elapsed days (see 10-211 and Fig. 10-2-3).]*

**AUDIT REPORT AUTHORIZED BY:**

[FAO Manager's Name]  
[Title]  
DCAA [Office Name]

**AUDIT REPORT DISTRIBUTION AND RESTRICTIONS**

**DISTRIBUTION**

*[All recipients of the audit report will be identified in this section of the report, include their e-mail addresses.]*

	<u>E-mail Address</u>
[ACO, PCO, or Other]	[Customer Prepared For Email Address]
[Customer Name 1st Line]	
[Customer Name 2nd Line]	
[Customer Name 3rd Line]	
ATTN: [Attention To]	
[Customer Address 1st Line]	
[Customer Address 2nd Line]	
[City of Customer], [State of Customer] [Zip Code of Customer] [Country of Customer]	
[Customer Name 1st Line]	[Customer Email]
[Customer Name 2nd Line]	
[ACO, PCO, or Other]	
ATTN: [Attention To]	
[Customer Address 1st Line]	
[Customer Address 2nd Line]	
[City of Customer], [State of Customer] [Zip Code of Customer] [Country of Customer]	
[Buying Command line 1]	[E-Mail of FLA]
[Buying Command line 2]	
ATTN: [FLA Attention line]	
[FLA Address 1st Line]	
[FLA Address 2nd Line]	
[City of FLA], [State of FLA] [Zip Code of FLA] [Country of FLA]	Telephone [Phone Number of FLA]

**RESTRICTIONS**

1. Information contained in this audit report may be proprietary. It is not practical to identify during the conduct of the audit those elements of the data which are proprietary. Make proprietary determinations in the event of an external request for access. Consider the restrictions of 18 U.S.C. 1905 before releasing this information to the public.



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2. Under the provisions of Title 32, Code of Federal Regulations, Part 290.7(b), DCAA will refer any Freedom of Information Act requests for audit reports received to the cognizant contracting agency for determination as to releasability and a direct response to the requestor.
3. *[Tailor this paragraph for release applications as discussed in CAM 10-212.2 and 10-212.3.]*

*[If there are no subcontracts use the following restriction:]*

The Defense Contract Audit Agency has no objection to release of this report, at the discretion of the contracting agency, to authorized representatives of [Contractor Acronym].

*[If there are subcontracts and the subcontractors do not object to release:]*

The Defense Contract Audit Agency has no objection to release of this report, at the discretion of the contracting agency, to authorized representatives of [Contractor Acronym]. Nor does this Agency or [subcontractor name] object to release of this report to authorized representatives of [insert name of higher-tier contractor]. See Appendix [x] for a copy of the subcontractor's release statement.

*[If there are subcontracts and the subcontractors object to release of all of the report information:]*

The Defense Contract Audit Agency has no objection to release of this report, at the discretion of the contracting agency, to the authorized representatives of [name of contractor or subcontractor to which the report pertains]. However, please note that [subcontractor name] objects to the release of this report in its entirety to the higher-tier contractor, [higher-tier contractor name], because [briefly summarize the reason(s) for the subcontractor's objection]. See Appendix [x] for a copy of the subcontractor's statement of objection to release.

*[If there are subcontracts and the subcontractors object to release of any part of the report information and it is not possible to remove the restricted data from the report:]*

The Defense Contract Audit Agency has no objection to release of this report, at the discretion of the contracting agency, to the authorized representatives of [name of contractor or subcontractor to which the report pertains]. However, please note that since [subcontractor name] objects to the release of certain parts of this report [identify parts of report that are not releasable] to [higher-tier contractor name], and these parts of the report cannot be separately segregated and removed, then the report cannot be released to [higher-tier contractor name]. See Appendix [x] for a copy of the subcontractor's statement of objection to release of any part of the report.

*[If there are subcontracts and the subcontractors object to release of only a portion of the report information and it is possible to remove the restricted data from the report:]*

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The Defense Contract Audit Agency has no objection to release of this report, at the discretion of the contracting agency, to the authorized representatives of [*name of contractor or subcontractor to which the report pertains*]. However, please note that [*subcontractor name*] objects to the release of this report to the higher-tier contractor, [*higher-tier contractor name*], unless Schedule/Appendix [x] is first removed, because it contains [*identify the data and briefly state the reason(s) for the subcontractor's objection*]. See Appendix [x] for a copy of the subcontractor's statement of objection to release.

*[If the technical evaluator objects to release of his/her evaluation:]*

The Defense Contract Audit Agency has no objection to release of this report. However, do not release the Government technical evaluation report included as Appendix [x] of our report to [*insert name of contractor or subcontractor*] without approval of [*insert name of Government agency supplying technical report*].

4. Do not use the information contained in this audit report for purposes other than action on the subject of this audit without first discussing its applicability with the auditor.

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***APPENDIXES***

*[Appendixes may be used to provide other information when needed. When recurring reports are issued to the same addressee concerning the same contractor, consider reducing the appendix material. Refer to 10-308 for examples.]*