



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
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IN REPLY REFER TO

PPD 730.5.30 and 730.3b

September 30, 2011  
11-PPD-018(R)

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

SUBJECT: Audit Guidance on Discontinuance of Purchasing System Internal Control Audits  
(12030)

Effective immediately, FAOs will no longer initiate audits on contractor Purchasing System Internal Controls (12030). FAOs will continue to audit purchases and subcontract costs as part of their forward pricing and incurred cost audits, and report significant deficiencies found in the contractor's system to the administrative contracting officer (ACO) for resolution.

FAR 42.302 (a)(50) assigns the responsibility to review and maintain surveillance of the contractor's purchasing system to the contract administration office. Additionally, FAR 44.302 states the administrative contracting officer shall determine the need for a Contractor Purchasing System Review (CPSR) based on, but not limited to, the past performance of the contractor, and the volume, complexity and dollar value of the subcontracts. If determined necessary, the cognizant contract administration office will conduct a purchasing system review. DFARS 244.302(b) states that the ACO is solely responsible for reviewing the contractor's purchasing systems.

As part of our continued effort to identify and eliminate areas of potential overlapping responsibilities, while looking for opportunities to improve efficiencies within DCMA and DCAA to ensure the appropriate use of resources while protecting the taxpayers' interest, we have determined that DCAA will no longer initiate Purchasing System Internal Control Audits (12030). DCMA has an established Purchasing System Review Center under its Contracting Directorate and is increasing both the number of analysts assigned to the Center and reviews performed per year to meet the increased workload requirements. Auditors should continue to support and provide assistance to the contracting officer and the CPSR team by meeting with the CPSR analysts prior to the start of their review to share any reported business system deficiencies, identified risk areas, results of other relevant completed audits, and to discuss any concerns DCAA may have relative to the contractor's purchasing system.

As stated above, auditors will continue to audit purchases and subcontract costs as part of their forward pricing and incurred cost audits. As a part of these audits and in the absence of an internal control audit planning summary (ICAPS), auditors should perform procedures to obtain sufficient understanding of the contractor's internal controls that are material to the subject matter of audit (e.g., proposed or claimed subcontract costs) and plan the audit and design procedures to achieve the objectives of the audit. In some cases, this may include tests of key

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controls related to subcontract costs. Auditors should document that understanding on the new B-2 working paper, (see MRD 11-PAS-016(R), Audit Guidance on Obtaining an Understanding of Relevant Internal Controls (Revised B-2 Working Paper)). To provide better audit coverage of incurred subcontract costs, Policy is in the process of assessing the need for additional audit steps for the incurred cost audit programs. When purchasing system deficiencies are found in these audits, auditors should follow the guidance in MRD 08-PAS-041(R), dated December 19, 2008, to report the identified deficiencies.

FAOs should complete substantially in-process Purchasing System Internal Controls (12030).

This guidance has been coordinated with DCMA Headquarters. FAO personnel should direct questions to their regional offices, and regional personnel should direct any questions to Policy Program Division, at (703) 767-2270 or e-mail [DCAA-PPD@dcaa.mil](mailto:DCAA-PPD@dcaa.mil).

/Signed/  
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