



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

SEP 05 2008

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA (ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION & LOGISTICS MANAGEMENT),
ASN (RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DIRECTOR, DEFENSE AGENCIES
DIRECTOR, DOD FIELD ACTIVITIES

SUBJECT: Discontinuance of DCAA Participation in Integrated Product Teams

I have been informed by the Defense Contract Audit Agency (DCAA), that effective immediately, DCAA will no longer serve as members of Integrated Product Teams (IPTs) due to concerns that their participation appears to violate Generally Accepted Government Auditing Standards (see attachment). This includes established IPTs and all other teaming arrangements involving joint proposal preparation such as Alpha Pricing, Omega Pricing and One-Pass Pricing.

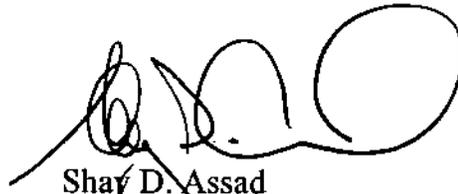
I fully endorse the need for DCAA auditors to provide unencumbered independent audit opinions to our contracting officers.

As an IPT completes part of a proposal and that portion is officially approved by the company's management, DCAA may render an opinion on that portion of the proposal, e.g., a bill of materials. In addition, upon request, DCAA will continue to perform proposal audits including those not developed under IPTs and to assist in negotiations to support its recommendations.

Contracting officers should refer to FAR 15.404-2 and DFARS PGI 215.404-2 for guidance on when to request field pricing assistance, such as audits. I encourage contracting officers to include subject matter experts such as contract cost and price analysts when employing IPTs or other collaborative pricing techniques.



My point of contact is Ms. Sandra Morris, who can be reached at 703-602-0296 or at Sandra.Morris@osd.mil.

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large circular flourish at the end.

Shay D. Assad
Director, Defense Procurement,
Acquisition Policy, and
Strategic Sourcing

Attachment:
As stated



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

IN REPLY REFER TO

PAS 730.3.B.2.4

August 8, 2008

**MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION
POLICY AND STRATEGIC SOURCING**

SUBJECT: DCAA Audit Services Performed in Support of Integrated Product Teams (IPTs)

On August 4, 2008, we notified you that DCAA could no longer be part of an IPT (Enclosure). Although DCAA is not part of the IPT, DCAA can and should provide audit services as necessary to assist the contracting officer in determining a fair and reasonable price. However, DCAA must maintain its independence as required by Generally Accepted Government Auditing Standards (GAGAS).

Throughout the IPT process, as the contractor completes the proposal, whether in part (e.g., bill of materials) or in total, the contracting officer should request DCAA to audit the submission. The key is that the submission must be "management approved" and not be a draft. To comply with GAGAS, DCAA needs to issue an audit report reflecting an independent audit opinion that is not influenced by the contractor or Government officials.

Once the final consolidated proposal is submitted by the contractor, DCAA should be requested to audit the proposal. We highly recommend that DCAA provide support to the contracting officer at negotiations for the purpose of explaining audit results, especially for complex proposals with significant audit issues. Such support to contracting officers at negotiations is permissible under GAGAS as long as DCAA has issued an audit report on the contractor's proposal.

DCAA's withdrawal from participation as a team member of an IPT should not be viewed as relieving the contracting officer of requesting audit services as required by the acquisition regulations. Rather, DCAA needs to preserve its independence by not participating in the IPT and not providing input absent issuing an audit report based on an independent audit.

We will be issuing guidance to our field offices explaining the audit services that DCAA may provide during an IPT. Please notify the contracting officials of the Military Services and DoD Components of this change in DCAA audit policy.

If you have any questions or desire further discussion on this matter, please contact the undersigned at (703) 767-3280.


Kenneth J. Saecoccia
Assistant Director
Policy and Plans

Enclosure:

Memo to DPAP DCAA Participation on IPTs

Attachment



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

IN REPLY REFER TO

PAS 730.3.B.2.4

August 4, 2008

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION
POLICY AND STRATEGIC SOURCING

SUBJECT: Discontinuance of DCAA Participation in Integrated Product Teams (IPTs)

Effective immediately, DCAA will discontinue all participation in integrated product teams (IPTs) due to concerns that DCAA participation results in a noncompliance with Generally Accepted Government Auditing Standards (GAGAS). This includes in-process IPTs and any other teaming arrangements; such as, Alpha pricing, Omega pricing and one-pass pricing. DCAA will continue to perform audits of management-approved final contractor proposals when requested by the contracting officer.

The current independence standards prohibit DCAA from auditing its own work or providing nonaudit services that are significant or material to the subject matter of the audits. Consequently, to avoid any appearance of a GAGAS independence issue, we are discontinuing DCAA participation in IPTs.

Please notify the contracting officials of the Military Services and DoD Components of this change in DCAA audit policy. As part of your notification, please emphasize that at the request of the contracting officers, DCAA will continue to audit management-approved final contractor proposals and issue an independent audit opinion at the completion of our audit.

If you have any questions or desire further discussion on this matter, please contact the undersigned at (703) 767-3280.


Kenneth J. Saccoccia
Assistant Director
Policy and Plans

Enclosure