



← Home ← Insights ← Industries ← Government Contracting

ARTICLE

September 05, 2023

# The BDO Gov Con Week Ahead - September 2023

September 5, 2023

## Navigating Change: DCAA's 23-PIC-008 Memorandum and Government Contractor Audits

By: Samuel Bickel-Barlow

Government contractors are accustomed to Mandatory Annual Audit Requirements (MAARs) 6 and 13, which focus on real-time audits of labor and purchase existence and consumption. These audits ensure accurate charge verification and compliance. However, the landscape is evolving due to the Defense Contract Audit Agency's (DCAA) recent Memorandum For Regional Directors, DCAA Corporate Audit Directors, DCAA, Assistant Directors (23-PIC-008 (R)) released on August 9th 2023. This update redefines real-time audits and introduces changes to audit guidance.

### Key Changes in the DCAA Memorandum:

The memorandum removes the mandatory annual audit requirements from real-time labor and purchase existence and consumption audits, introducing a risk-based framework instead. Auditors determine when these audits are necessary based on a risk assessment. Contractors can now be subject to both scheduled and unannounced real-time audits, depending on specific risk levels and operational nuances.

The memorandum also emphasizes audit efficiency. Auditors will capitalize on current accounting and material management system audits, streamlining the process and enhancing efficiency. It also removed the requirement to report a scope limitation for nonperformance of real-time audits. Additionally, recognizing the rise of telework, the memorandum places emphasis on testing contractor work-at-home programs.

### **Implications for Government Contractors**

Contractors must align their practices with the new risk-based model, preparing for audits triggered by specific risk factors. Clear communication and coordination with auditors remain pivotal, especially regarding unannounced audits.

Contractors should also ensure their systems accommodate technology for remote audits, allowing for seamless remote interviews and traditional in-person interviews and floorchecks.

For more information:

- ▶ MAAR overview: <https://www.dcaa.mil/Careers/Career-Blog/Article-View/Article/2828276/common-dcaa-audits-floor-checks-and-material-cost-audits/>
- ▶ DCAA Memorandum: [https://www.dcaa.mil/Portals/88/Documents/Guidance/MRDs/23-PIC-008\(R\).pdf?ver=bVro8TMloDc3QLGkRqt2Vg%3D%3D](https://www.dcaa.mil/Portals/88/Documents/Guidance/MRDs/23-PIC-008(R).pdf?ver=bVro8TMloDc3QLGkRqt2Vg%3D%3D)