

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

Why are we providing this tool?

The objective of these adequacy criteria is to assist the auditor in identifying issues to consider during the risk assessment.

What method might the auditor use to gather the information needed?

To facilitate the adequacy assessment, the auditor should attend the contractor’s walk-through of the proposal, if possible, with the cognizant Federal agency official (CFAO) in attendance to gain an understanding of the basis and related supporting documentation. Require the contractor to provide any information needed to complete the adequacy review promptly.

Should auditors tailor the listed criteria based on the subject matter of the audit?

Expand or curtail the adequacy criteria as necessary based on the specific circumstances and prior experience with the contractor. The auditor should use judgment and consider the materiality of the effect of these criteria on the proposed cost impact in assessing adequacy.

What actions should auditors take if they find significant inadequacies?

Return proposals that are inadequate for audit to the contractor through the CFAO, describing the specific deficiencies (CAM 8-502.5). The CFAO may request the audit team to report on the proposed cost impact to the extent possible, or provide a non-audit service such as a rough order magnitude (ROM) estimate of the cost impact.

References:

- CAM 8-500 Audit of Cost Impact Proposals
- Audit Program 19500
- FAR 52.230-6
- FAR 30.6

Adequacy Consideration	Government Regulation and/or Other Source	Meets Criteria?	Notes
I. Overall Proposal Submission			
1. Was the CAS cost impact submitted to the CFAO (cognizant federal agency official responsible for resolving the cost impact)?	FAR 52.230-6(c) FAR 30.601(a) FAR 30.604(b) FAR 30.001		
2. CAPC. Is the required, desirable, or unilateral CAPC adequately described and compliant with CAS and FAR? Did contractor revise the disclosure statement, if applicable? Was the prior cost accounting practice (CAP) compliant?	FAR 52.230-6(b) FAR 30.604(b)		

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

	Note: If the CAPC is noncompliant or the prior practice was not compliant, the Government should follow the process at FAR 30.605, Processing Noncompliances. The contractor will be required to provide the cost impact of the noncompliant practice, after the noncompliance is corrected.			
3.	Noncompliance. Did the contractor correct the noncompliant practice? Did the CFAO determine whether the corrected practice is adequate and compliant?	FAR 52.230-6(b)(4) FAR 30.605(c)		
4.	Did the contractor comply with any CFAO-required format and directions?	GDM FAR 52.230-6(d)(3) or (g)(3) and 30.604(e)(3) or 30.605(d)(4) DCI FAR 52.230-6(e)(3) or (h)(3) and 30.604(g)(3) or 30.605(f)(3)		
5.	If requested by the CFAO, did the contractor provide a list of all affected CAS-covered contracts and subcontracts? Consider coordinating with the CFAO to obtain the list from the contractor, including, if appropriate: contract number, CLIN, contract type, CAS coverage, period of performance, award value, Executive agency, and customer. The list should identify IDIQ, Multiple Award Task Order Contracts (MATOC), and separately priced options. The contractor should identify the fixed hourly rate portion of T&M contracts as “fixed” and the material portion of T&M contracts “flexibly priced.”	Affected contracts FAR 52.230-6(a) FAR 30.001 GDM FAR 52.230-6(d)(4) or (g)(4) FAR 30.604(e)(4) or 30.605(d)(5) DCI FAR 52.230-6(e)(4) or (h)(4) FAR 30.604(g)(4) or 30.605(f)(4)		
6.	Is the cost impact proposal prepared in accordance with the contractor’s policies and procedures? (FYI: Contractor policies and procedures for preparing the cost impact proposal are documented as part of the risk assessment and maintained in the permanent files at I-04, Cost Impacts.)			

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

7.	Is the cost impact for each CAPC or noncompliant practice identified and calculated separately?	<p>FAR 52.230-2(a)(4)/(5) 48 CFR 9903.306(a)/(b)</p> <p>Cost impact of a noncompliance or a unilateral change: FAR 30.606(a)(3)</p>		
8.	<p>CAPC. Does the cost impact proposal describe or reference a description of the CAPC and is the description consistent with the notification of the CAPC and, if applicable, related disclosure statement revisions submitted in accordance with FAR 52.230-6(b)? Note that a cost impact proposal is required for changes to established cost accounting practices even if the change does not require a disclosure statement revision. The CFAO may implement remedies to withhold costs or issue a final decision if the contractor does not submit information as required in FAR 52.230-6(b).</p>	<p>FAR 52.230-6(j) remedy if contractor does not submit the information required in 52.230-6(b)</p> <p>FAR 30.604(i)</p>		
9.	<p>Noncompliance. Did the contractor describe or reference the noncompliant CAP and the corrected (compliant) practice? The CFAO may implement remedies to withhold costs or issue a final decision if the contractor does not submit information as required in FAR 52.230-6(b).</p>	<p>FAR 52.230-6(j) remedy if contractor does not submit the information required in 52.230-6(b)</p> <p>FAR 30.605(i)</p>		
10.	<p>Does the contractor’s proposal include the impact on all affected, or potentially affected, CAS covered contracts and subcontracts?</p> <p>Note: Be alert for proposals estimated near the effective date of the CAPC or correction of the noncompliance, since they may have been estimated with the new practice.</p> <p>CAPC. Include all CAS-covered pricing actions estimated using the prior CAP, but accumulated and reported using the new CAP.</p>	<p>Affected contracts FAR 52.230-6(a) FAR 30.001</p> <p>Cost Impact FAR 52.230-6(f)(1) FAR 30.604(h)(1)</p> <p>FAR 52.230-6(i)(1) FAR 30.605(h)(1)</p>		

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

	Noncompliance. Include all fixed-priced work estimated using the noncompliant practice.			
11.	Is a cost impact proposal for a required or desirable change that includes a request for equitable adjustment (REA) that exceeds the simplified acquisition threshold for any Defense contract, certified as required by DFARS 243.204-71 and 252.243-7002 at the time of submission of the proposal? The threshold applies to equitable adjustment on a contract-by-contract basis, not the cost impact proposal itself. (CAM 8.502-5.d)	DFARS 243.204-71 and 252.243-7002		
II. Assumptions/Methodology to Estimate Change in Cost Accumulations & Estimates				
12.	Does the proposal provide an adequate description of the basis of estimates, i.e., major assumptions, rationale, and methodology used to compute increased and decreased cost accumulations by contract type and Executive agency (by contract for DCI)?			
13.	Did the contractor support the proposed impact with adequate documentation? Did the contractor provide the actual calculations and related formulas in electronic format? Did the contractor identify and provide the necessary supporting data for those calculations in the proposal and at the walkthrough? Are all supporting worksheets and files included in the proposal submission? If data is too voluminous to be provided upfront, has the auditor verified that the data exists and is adequate for audit?			
14.	CAPC. Did the contractor estimate the change in cost accumulations through the entire periods of performance (i.e., based on the estimated cost to <i>complete</i> using prior and changed practice) for all affected CAS-covered contracts and subcontracts?	FAR 52.230-6(f) FAR 30.604(h)		
15.	Noncompliance. Did the contractor calculate the change in cost	FAR 52.230-6(i) FAR 30.605(h)		

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

	accumulations for flexibly-priced work for the entire period of the noncompliance? Did the contractor include the impact on the price of fixed-priced work estimated during the period of the noncompliance using the noncompliant practice?			
16.	CAPC. Determine the basis of estimates to complete (ETC) for contracts affected by a CAPC. Consider whether the methodology used for the ETCs can be expected to reasonably estimate the change in cost accumulations due solely to the specific CAPC.			
III. Calculation of Cost Impact				
17.	CAPC. Does the contractor show the estimated change in cost accumulations on affected CAS-covered work by contract type (by contract for a DCI)? Did the contractor identify the effect on the “fixed” portion of T&M contracts separately from “flexibly-priced”?	FAR 52.230-6(d)(3)(i) FAR 52.230-6(e)(2) FAR 52.230-6(a)		
18.	Noncompliance. Does the proposal show the difference between cost accumulations using the compliant vs. the noncompliant practice for all flexibly-priced CAS-covered work (by flexibly-priced contract for a DCI)? Does the proposal also calculate the difference between estimated costs using the compliant vs. the noncompliant practice for all fixed-priced CAS-covered work (by fixed-priced contract for a DCI)?	FAR 52.230-6(g)(3) FAR 52.230-6(h)(2) FAR 52.230-6(a)		
19.	CAPC and Noncompliance. Does the contractor show estimated changes in cost accumulations (CAPCs and accumulating noncompliances) by Executive Agency for a GDM? For estimating noncompliances, does the contractor show estimated changes in contract price estimates due to the noncompliant practices by Executive Agency for a GDM?	FAR 52.230-6(d)(3)(i) FAR 52.230-6(g)(3)(i)		
20.	Did the contractor’s calculation of the proposed impact (i.e., aggregate	FAR 52.230-6(f)(1) FAR 52.230-6(i)(1)		

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

	increased or decreased cost to the Government) include only the changes in cost accumulation (or estimates) on contracts affected by the CAPC or noncompliance?	FAR 30.604(h)(1) FAR 30.605(h)(1)		
21.	Unilateral CAPC. Did the contractor calculate increased cost to the Government resulting from greater cost accumulations on flexibly-priced work and lesser cost accumulations on fixed-priced work? Did the contractor calculate decreased cost to the Government resulting from lesser cost accumulations on flexibly-priced work and greater cost accumulations on fixed-priced work? Did the contractor calculate the increased cost to the Government, in the aggregate?	FAR 52.230-6(f)(2) FAR 30.604(h)(3)		
22.	Required or Desirable CAPC. Did the contractor calculate the estimated increases in contract prices, target prices, and cost ceilings resulting from increased cost accumulations, and decreases in contract prices, target prices, and cost ceilings resulting from decreases in cost accumulations?	FAR 52.230-6(f)(3) FAR 30.604(h)(4)		
23.	Noncompliance. Did the contractor calculate and identify the increased cost to the Government resulting from greater estimates on fixed-priced and greater cost accumulations on flexibly-priced work using the noncompliant practice? Did the contractor calculate and identify the lesser cost to the Government resulting from lesser estimates on fixed-priced and lesser cost accumulations on flexibly-priced work using the noncompliant practice? Did the contractor calculate the increased cost to the Government, in the aggregate?	FAR 52.230-6(i) FAR 30.605(h)		
24.	Is the effect on profit/fee included?	FAR 52.230-6(f)(2)(iii) FAR 52.230-6(d)(3) FAR 30.604(e)(3)(i) FAR 30.604(h)(3)(iii)		
IV. Subcontracts				
25.	If applicable, did the contractor separately identify the impacts on	FAR 52.230-6(m) FAR 30.607		

Adequacy Criteria General Dollar Magnitude (GDM) and
Detailed Cost Impact (DCI) Proposals for
Cost Accounting Practice Changes (CAPC) and CAS Noncompliant Practices

	affected CAS-covered subcontracts?			
26.	Does this cost impact proposal only reflect cost accounting practices at the entity submitting the cost impact proposal?	FAR 52.230-6(m) FAR 30.607		
V. Assessment of Proposal Adequacy for Audit				
27.	Does the proposal appear sufficient to resolve the cost impact? Considering the proposal in its entirety, including the collective effect of the identified inadequacies, is there enough adequate and accurate supporting information to estimate the general dollar magnitude of the cost impact, or the impact by contract for a DCI. If not, coordinate with the CFAO return the inadequate proposal and obtain a cost impact proposal that contains the necessary information and format.			
<p>Note 1. If the GDM cost impact proposal is insufficient to resolve the cost impact, consider advising the CFAO to request a DCI in lieu of a GDM.</p> <ul style="list-style-type: none"> - FAR 30.604(f)(2) - FAR 30.605(e)(2) 				
<p>Note 2. In returning a cost impact proposal to the CFAO, consider advising the CFAO of the FAR remedies (withhold costs or issue a final decision) if the contractor does not submit the required information within the specified time, or extensions granted by the CFAO. Discuss whether the CFAO needs a ROM estimate of the cost impact in order to implement the remedies.</p> <ul style="list-style-type: none"> - FAR 52.230-6(j) remedy if contractor fails to comply with 52.230-6(c) - FAR 30.604(i) - FAR 30.605(i) 				
Note 3. Workpaper B-04 in the 19500 APPS package is derived from this OAG adequacy tool.				

