

## MASTER AUDIT PROGRAM

<b>Activity Code 19100</b>	<b>Compliance of Initial Disclosure Statement</b>
<b>B-1 Planning Considerations</b>	<b>Version 7.3, dated Dec 2025</b>

<b>Type of Service - Attestation Examination Engagement</b>
<b>Audit Specific Independence Determination</b>
<p>Members of the audit team and internal specialists consulting on this audit must complete the Audit Specific Independence Determination (WP 34) prior to starting any work on this assignment.</p> <p><i>(Note: Because staff is sometimes added to on-going audits, supervisors should ensure that all individuals who are directing, performing audit procedures, or reporting on this audit as a member of the audit team who are performing as a consultant have signed this working paper. For example, an FAO may add additional auditors (e.g., technical specialists) to the audit assignment or may need to consult with an internal specialist (e.g., industrial engineers, and operations research specialists) as the audit progresses. )</i></p>

<b>Purpose and Scope</b>
<p>This standard audit program assists the auditor in planning and performing the audit in support of the cognizant Federal agency official's (CFAO) initial determination of compliance of the contractor's description of cost accounting practices submitted in the Disclosure Statement. The audit program does not include testing actual practices for compliance with CAS and FAR Part 31, because we perform those tests in conjunction with routine audits (i.e., forward pricing, incurred cost, CAS compliance audits, etc.). The compliance audit should be scheduled for completion within 60 days after the CFAO has made a determination of adequacy (CAM 8303.2).</p>
<p>NOTE: This program does not replace individual auditor judgment and therefore, must be tailored to reflect a mutual understanding between the audit team as to the scope required to meet auditing standards and objectives for this specific assignment.</p>
<b>Other Planning Considerations</b>
<p>Prior to commencing the audit, review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.</p>
<b>References</b>
1. CAM Chapter 8, Cost Accounting Standards
2. CAS Board Rules, Regulations, and Standards
3. DoD CAS Working Group Guidance Papers 76-6, 76-7 and 77-20
4. 48 CFR 9903. 202 Disclosure Requirements
5. 48 CFR 9903. 302 Definitions, Explanations, and Illustrations of the Terms, "Cost Accounting Practice" and "Change to Cost Accounting Practice"

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<b>Purpose and Scope</b>
6. FAR Part 31 Contract Cost Principles and Procedures

<b>Definitions</b>
<b><i>Allocation of cost to cost objectives:</i></b> As defined in 48 CFR 9903. 302-1(c), “includes both direct and indirect allocation of cost. Examples of cost accounting practices involving allocation of cost to cost objectives are the accounting methods or techniques used to accumulate cost, to determine whether a cost is to be directly or indirectly allocated to determine the composition of cost pools, and to determine the selection and composition of the appropriate allocation base. ”
<b><i>Assignment of cost to cost accounting periods:</i></b> As defined in 48 CFR 9903. 302-1(b), “refers to a method or technique used in determining the amount of cost to be assigned to individual cost accounting periods. Examples of cost accounting practices which involve the assignment of cost to cost accounting periods are requirements for the use of specified accrual basis accounting or cash basis accounting for a cost element. ”
<b><i>Cost accounting practice:</i></b> As defined in 48 CFR 9903. 302-1, “means any disclosed or established accounting method or technique which is used for allocation of cost to cost objectives, assignment of cost to cost accounting periods, or measurement of cost. ”
<b><i>Cost accounting practice change:</i></b> As defined in <a href="#">48 CFR 9903. 302-2</a> , means any alteration in a cost accounting practice method or technique which is used to measure cost, assign cost to cost accounting periods, or allocate cost to cost objectives, as defined in <a href="#">48 CFR 9903. 302-1</a> , whether or not such cost accounting practices are covered by a Disclosure Statement. The definition specifies that the initial adoption of a cost accounting practice, the partial or total elimination of a cost, and the revision of a previously immaterial cost accounting practice are not cost accounting practice changes.
<b><i>Measurement of cost:</i></b> As defined in 48 CFR 9903. 302-1(a), encompasses accounting methods and techniques used in defining the components of cost, determining the basis for cost measurement, and establishing criteria for use of alternative cost measurement techniques. The determination of the amount paid or a change in the amount paid for a unit of goods and services is not a cost accounting practice. Examples of cost accounting practices which involve measurement of costs are -  <ul style="list-style-type: none"><li>(1) The use of either historical cost, market value, or present value;</li><li>(2) The use of standard cost or actual cost; or</li><li>(3) The designation of those items of cost which must be included or excluded from tangible capital assets or pension cost. ”</li></ul>

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B-1 Preliminary Steps	WP Reference
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<p>1. Document that the contractor is required to submit a Disclosure Statement (48 CFR 9903. 202). Consider whether the contractor was awarded a “trigger contract” or is a home office or segment that is required to submit a disclosure statement because it allocates costs to, or has costs in, a CAS covered contract/subcontract held by another segment. Use the CAS Coverage flow chart in CAM Chapter 8 (Figure 8-1-1) as a tool to help make this determination.</p>	
<p>2. If the organization being examined is a joint venture, teaming arrangement, or contractor wholly owned subsidiary or division, read Chapter 37 of the Selected Areas of Cost Guidebook. Determine the need for a CAS Disclosure Statement in accordance with Chapter 37 of the Selected Areas of Cost Guidebook.</p>	
<p>3. Evaluated the Disclosure Statement for adequacy. A disclosure statement is “adequate” if the disclosed cost accounting practices are current, accurate and complete. (FAR 30. 202-7(a))</p> <ul style="list-style-type: none"> <li>• <b>Current:</b> A disclosure statement is current if it describes the cost accounting practices the contractor intends to use for estimating, accumulating, and reporting costs on Federal contracts and similar cost objectives. Existing audit files, if available, should be reviewed to determine if the cost accounting practices described in the disclosure statement are, in fact, the contractor’s current practices.</li> <li>• <b>Accurate:</b> A disclosure statement is accurate if the described cost accounting practices are consistent with the policies and procedures the contractor uses to estimate, accumulate, and report costs on Federal contracts and similar cost objectives. Vague, ambiguous, and contradictory descriptions of the contractor's cost accounting practices may hinder subsequent compliance audits.</li> <li>• <b>Complete:</b> A disclosure statement is complete if it describes all significant cost accounting practices that the contractor uses, and provides enough information for the Government to fully understand those cost accounting practices.</li> <li>• Determine if the contractor followed the General Instructions in completing the form. WP B-04 contains the “Conformity of Disclosure Statement with General Instructions” tool to assist in making this determination.</li> <li>• Determine if the contractor was consistent in completing the items of the Disclosure Statement. WP B-05 contains the “Internal Consistency of Disclosed Practices in a Disclosure Statement” tool to assist in making this determination.</li> </ul>	

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B-1 Preliminary Steps	WP Reference
<ul style="list-style-type: none"> <li>Coordinate with the contractor to provide a walkthrough of the Disclosure Statement to gain an understanding of the basis of the described practices in the Disclosure Statement and obtain other information needed to complete the risk assessment.</li> </ul> <p>Document the audit team's conclusion about the adequacy of the Disclosure Statement. Discuss the audit team's conclusions on the adequacy or inadequacy of the Disclosure Statement with the CFAO and confirm your discussion by memorandum. Prior to the start of the compliance audit, we need to obtain a determination of adequacy from the CFAO. At this point it does not have to be a formal memorandum. However, prior to issuance of the report, we need to obtain a formal memo of adequacy from the CFAO.</p>	
<p>4. Coordination with Cognizant Federal Acquisition Official (CFAO):</p> <ol style="list-style-type: none"> <li>If this is a requested audit, review the audit request to determine the nature and objective of the audit. Note any specific information requested and special requirements. Contact the requestor to obtain clarifications of the request and discuss any specific concerns or special requirements they may have and adjust the audit scope and procedures accordingly.</li> </ol>	
<ol style="list-style-type: none"> <li>If self-initiated, contact the CFAO to discuss any specific concerns or special requirements they may have and adjust the audit scope and procedures accordingly.</li> </ol>	
<p>5. Notify the appropriate CFAO of the commencement of the risk assessment and that the expected completion date will be provided in the formal acknowledgement once the risk assessment is complete. The acknowledgement process should be performed in accordance with CAM 4-104.</p>	
<p>6. If necessary, coordinate with the Home Office(s) auditors to determine the status of the audit of Part VIII, and Part V, VI, and/or VII (if the Home Office establishes either practices or procedures for the types of costs covered by these parts or incurs and then allocates these types of costs to its segments). If part of a CAD network, discuss exceptions that have been identified by other offices to consider as part of this audit.</p>	
<p>7. Perform a cursory review of the Disclosure Statement to identify practices, which appear to be obviously noncompliant with an applicable Cost Accounting Standard or FAR Part 31, including agency supplements, to be considered in the scope of the audit.</p>	
<p>8. Review EPIC for audit leads that directly relate to the subject matter under audit and document the impact on the scope of the current assignment.</p>	

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B-1 Preliminary Steps	WP Reference
<p>9. Review permanent file to determine if previous audits included findings and recommendations that relate to the subject matter. If there were findings material to the subject matter, document this information in the risk assessment and perform the following procedures:</p> <ol style="list-style-type: none"> <li>Ask contractor management if corrective actions were taken to address findings and recommendations reported in previous DCAA audits (e.g., questioned costs, business system deficiencies, CAS audits) that are relevant to the subject matter of audit. If yes, have contractor explain corrective actions taken and determine if additional audit procedures should be included in the fieldwork to test the corrective actions.</li> </ol> <p>(GAGAS 7. 13)</p> <ol style="list-style-type: none"> <li>Document the results of the inquiry and the impact of the corrective actions to the subject matter.</li> </ol>	
<p>10. Review permanent file to determine if the contractor has previously provided other studies or audits (e.g., summary listing of internal audits or external audit reports) that directly relate to the subject matter. If there are no other studies or audits, document that information in the working papers and perform the procedures below.</p> <ol style="list-style-type: none"> <li>Ask contractor management if internal audits were performed. If yes, request contractor provide a summary listing of the internal audits that would assist us in understanding and evaluating the efficacy of the internal controls relevant to the subject matter of the audit.</li> <li>If the review of the perm file or the contractor identifies relevant internal audits: <ul style="list-style-type: none"> <li>Determine if access to these reports is necessary to complete the evaluation of the relevant internal controls to support the risk assessment or audit procedures related to the subject matter of the audit. There must be a nexus between the internal audit reports and the scope of this specific assignment.</li> <li>Document the results within the working papers.</li> <li>If assignment is at a major contractor location, coordinate with the CAD or FAO point of contact (POC) for internal audit reports to request the contractor provide access to the reports.</li> <li>If assignment is at a non-major contractor and the FAO does not have a designated POC, the auditor should request the contractor provide access to the internal audit reports.</li> <li>The request should include information on how the internal audit report is relevant to the DCAA audit. Place a copy of the request in the assignment administrative working papers.</li> </ul> </li> </ol>	

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B-1 Preliminary Steps	WP Reference
<p>c. If the review of the perm file or the contractor identifies relevant other audits or studies:</p> <ul style="list-style-type: none"> <li>Obtain publicly available information for the relevant other Government agency audits (e.g., websites for DoD IG or other IGs, service audit agencies, etc.).</li> <li>Make appropriate adjustments to your risk assessment and planned procedures based on the reported findings.</li> </ul> <p>d. Document the results of the inquiries including the response received from contractor for any request for access to internal audit reports. (If access was not granted this should include the contractor's rationale or justification for not granting access).</p> <p>Determine if additional audit procedures are needed to respond to identified risk.</p>	
<p>11. Identify the cost accounting practices expected to have a material effect on the flow of costs to Government contracts. Materiality is a prime consideration in determining the extent of disclosure and degree of audit effort needed to assure compliance. If an area is not being audited in depth because of materiality considerations, the working papers should document this decision.</p>	
<p>12. Management Inquiries</p> <p>During the entrance conference or other appropriate meeting make the GAGAS required inquiries of contractor management. Using the framework of WP B-06, document the contractor's response, and identify areas of risk and the impact to the audit scope.</p>	B-06
<p>13. Fraud Risk Indicators</p> <p>Using the framework in WP B-09, discuss the fraud risk indicators with the audit team.</p>	B-09
<p>14. Obtain and document an understanding of contractor internal controls relevant to the audit. Auditors may obtain a significant portion of this understanding during the walkthrough.</p>	
<p>15. Request assist audit(s), if needed. A condition that may warrant an assist audit is when a segment Disclosure Statement contains Parts V, VI, and/or VII that was prepared by the home office and the home office is not currently or has not previously audited these Parts.</p>	
<p>16. Review and discuss with your supervisor (or if appropriate, the audit team) the overall results of the risk assessment and reach an agreement on the:</p> <p>a. planned audit scope, including the detailed audit steps (-01 working papers) to be performed,</p>	

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B-1 Preliminary Steps	WP Reference
<ul style="list-style-type: none"> <li>b. timeframe for completing the audit including the proposed delivery date, which will be discussed with the requester and mutually agreed-to, and</li> <li>c. zero-based budget. Make any further adjustment to the audit program steps necessary to obtain sufficient evidence to provide a reasonable basis for the conclusion that will be expressed in the audit report.</li> </ul>	
17. Obtain and document supervisory approval of the risk assessment and the planned scope of examination in working paper B and -01 working papers.	
18. Conduct an entrance conference. Confirm the team's understanding of the cost accounting practices being audited and supporting data. Discuss the availability of required data and personnel necessary to timely support the audit. If applicable, include a follow up with contractor management on: <ul style="list-style-type: none"> <li>a. corrective actions that address previous DCAA audit findings and recommendations,</li> <li>b. other studies or audits that impact the subject matter.</li> </ul>	
19. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302. 3.	
20. Issue a final acknowledgment memorandum to the CFAO to communicate our audit scope and the agreed-to due date.	
21. Update the information in the permanent files as needed.	

C-1 Evaluation of Compliance	WP Reference
<b>Version 7.3, dated Dec 2025</b>	
1. Prepare a list of CAS applicability dates for each standard affected by the audit used to evaluate compliance of the contractor's disclosed cost accounting practices (CAM 8-301c).  <i>Note: The applicability date marks the beginning of the period when the contractor's accounting and reporting systems must comply with a new or revised standard. Most standards are applicable at the beginning of the next fiscal year after receipt of a contractor's first CAS-covered contract. CAS 418 and 420 are applicable at the beginning of the second fiscal year, and CAS 401, 402, 405, and 414 are applicable immediately. Use the list to determine if the Cost Accounting Standard is applicable, based on the date of applicability, before citing a CAS noncompliance.</i>	

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C-1 Evaluation of Compliance	WP Reference
<p>2. Determine the applicable cost accounting standards and FAR Part 31 regulations that will be included in the scope of audit established in the risk assessment. Compare the disclosed practice to the requirements of the relevant standards and regulations and document whether the practice complies with the standard and regulation. Limit the scope of the audit to compliance of disclosed practices with the standard and applicable FAR Part 31 cost principle. Compliance of actual practices is tested in other routine audits (i.e. forward pricing, incurred cost, CAS compliance audits, etc.). Document findings and conclusions in sufficient detail to enable an experienced auditor to understand the extent and results of the procedures performed to determine if the disclosed practices is compliant with CAS and FAR Part 31.</p>	
<p>a. <i>Add Tailored Steps from Planning and Risk Assessment (B) here</i></p>	
<p>b.</p>	
<p>c.</p>	
<p>3. Obtain and incorporate results of assist audit(s), if requested.</p>	
<p>4. Coordinate significant or unusual issues with the supervisor and/or the FAO technical specialist.</p>	
<p>5. If part of a CAD or home office network, obtain feedback on similar audit issues within the network.</p>	
<p>6. If a CAS and/or FAR Part 31 noncompliance is identified:</p>	
<p>a. Document the auditor's discussion with the CFAO regarding the CAS/FAR noncompliance in accordance with CAM 4-105 and 8-302. 4.</p>	
<p>b. Draft the Condition (condition, criteria, cause, and effect) and Recommendation of the SOCAR (CAM 10-211. 2c).</p>	
<p>i. Document the type of CAS/FAR noncompliance.</p> <p><i>Note: An estimating noncompliance is one where the contractor used a noncompliant practice to price contracts/subcontracts, and an accumulating noncompliance is one where the contractor used a noncompliant practice to allocate incurred costs to contracts/subcontracts. Contractors may fail to comply with a CAS requirement, FAR regulation or its own disclosed/established practice.</i></p>	
<p>ii. The actual or estimated time the noncompliance has existed. Also, if the contractor implemented corrective action to correct the noncompliance, does the CFAO consider the action sufficient to reduce the future potential impact to the Government.</p>	
<p>iii. The significance (CAM 8-302. 7) and/or rough order of magnitude (ROM) of the materiality if possible (48 CFR Part 9903. 305</p>	



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C-1 Evaluation of Compliance	WP Reference
Materiality). While the cost impact is the contractor's responsibility, clearly communicating the effect on CAS-covered contracts increases the persuasiveness of the SOCAR and the need for the CFAO to require the contractor to take corrective action.	
7. After management review and approval, send the draft SOCAR to the contractor and request a formal written response. (CAM 4-304. 6(b) transmittal letter)	

A-1 Concluding Steps	WP Reference
<b>Version 7.3, dated Dec 2025</b>	
1. Summarize and document the results of audit. If applicable, incorporate results of assist audit request.	
2. Discuss results with the supervisor and, if applicable, the technical specialist.	
3. Prepare the draft audit report.	
4. Obtain supervisory review, and management review if required, of the working papers and draft audit results section of the audit report before discussion with the contractor. Hold an exit conference with the contractor and provide a draft report to the contractor for comments in accordance with CAM 4-304.	
5. Brief the CFAO on significant and/or complex findings/issues and document the communications in the working papers.	
6. If not already received, obtain from the CFAO's a formal determination of adequacy of the Disclosure Statement sent to the contractor.	
7. Finalize audit report by incorporating the exit conference details, contractor's reaction and auditor's response, if applicable.	
8. Complete the administrative working papers.	
9. Complete the following steps: <ul style="list-style-type: none"> <li>• Prepare audit lead workflows, as applicable.</li> <li>• Update the contractor permanent file, as appropriate.</li> </ul>	
10. Submit the working paper package and draft report to the supervisor/manager for final review and processing.  <i>Note: The audit report should not be issued until the CFAO's determination of adequacy is received (FAR 30. 202-7(b)(1)).</i>	
11. If a material weakness or significant internal control deficiency is detected during the course of this audit, ensure that the findings have been fully	

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A-1 Concluding Steps	WP Reference
developed to determine if a significant deficiency in compliance with the DFARS 252. 242-7006 criteria exists. If so, open a Business System Deficiency assignment (Activity Code 11090) to report the deficiency and submit it to the contractor for comment.	