

# MASTER AUDIT PROGRAM

<b>Activity Code 19410</b>	<b>Compliance Audit CAS 410</b>
<b>Version 9.4, dated Dec 2025</b>	
<b>B-1</b>	<b>Planning Considerations</b>
<b>Type of Service - Attestation Examination Engagement</b>	
<b>Audit Specific Independence Determination</b>	
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.	
<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>	
<b>Purpose and Scope</b>	
1. The purpose of CAS compliance auditing is to determine if the contractor's policies, procedures, and practices used to estimate, accumulate, and report costs on Government contracts and subcontracts comply with the requirements of CAS. CAS 410 establishes criteria for the identification and allocation of general and administrative (G&A) expenses to final cost objectives. It also establishes that G&A expenses shall be allocated on a cost input base which best represents the total activity of the business. FAR 52.230-2, Cost Accounting Standards, requires the contractor to comply with the CAS 410 criteria.	
2. The scope of this audit should be limited to the last completed contractor fiscal year. For efficiency, CAS compliance testing, if possible, should be performed concurrently with tests for compliance with FAR and contract terms.	
3. This program is intended to provide for the proper planning, performance, and reporting on the contractor's compliance with CAS 410. The audit steps in the program should reflect a documented understanding between the auditor, the technical specialist and the supervisor as to the scope required to comply in an efficient and effective manner with generally accepted auditing standards and DCAA objectives. The program steps are intended as general guidance and should be tailored as determined by audit risk.	
<b>Other Planning Considerations</b>	
1. Before beginning any CAS compliance audit, the auditor should first determine the contractor is subject to the CAS coverage. If the standard is not applicable to the contractor, the audit should be cancelled.	

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2. Materiality (see 48 CFR 9903.305) and audit risk assessment are integral parts of the planning process and should be considered in developing the extent of CAS compliance tests.
3. Once it is determined that the standard is applicable, the auditor should assess which provisions of the standard are significant to the contractor; assess control risk; and the results of other relevant audits (e.g., results of prior compliance audits, Disclosure Statement examinations, etc.). The decision to not test whether the contractor is complying with specific provisions of the standard should be documented.
4. Prior to commencing the audit, review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.

B-1	Preliminary Steps	WP Reference
<b>Version 9.4, dated Dec 2025</b>		
1. Research and Planning		
a. Read and become familiar with the criteria in CAS 410. Identify any changes in the CAS 410 standard since the last examination.		
b. Evaluate Parts IV of the contractor's Disclosure Statement to become familiar with the disclosed accounting practices. Determine if the contractor's accounting practices have remained unchanged since the last CAS 410 compliance audit. If changes have occurred, adjust the audit scope accordingly.		
c. Evaluate recent forward pricing or incurred cost proposals to determine whether total G&A costs are material. Consider contractor's sales mix (i.e., CAS-covered Government contracts vs. non-CAS-covered and commercial) when determining materiality of costs subject to this standard. Materiality should be a consideration only in determining the extent of substantive testing.		
d. Examine FAO permanent file data, relevant audit leads in EPIC, and prior relevant audit work packages to determine what data are available, what audit steps were done in the past, and the results from those steps. This will identify areas of high risk and/or areas where limited or no compliance testing is necessary. Document results.		

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<p>e. Review permanent file to determine if previous audits included findings and recommendations that impact 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> <p>(1) 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.</p> <p>(2) Document the results of the inquiry and the impact of the corrective actions to the subject matter.</p>	
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<p>f. 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> <p>(1) 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:</p> <p>(2) If the review of the perm file or the contractor identifies relevant internal audits:</p> <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 of the determination in writing.</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> <p>(3) 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>(4) 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>(5) Determine if additional audit procedures are needed to respond to identified risk.</p>	
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<p>g. If appropriate, coordinate with the FAO technical specialist, CAD, and/or regional specialist on matters of interpretation and policy.</p>	
<p>h. Contact the contracting officer to ascertain any known concerns that will impact the audit and adjust the audit scope and procedures accordingly.</p>	
<p>i. Notify the appropriate contracting officer 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><b>2. Entrance Conference and Preparation</b></p>	
<p>a. Arrange and conduct an entrance conference covering the areas highlighted in CAM 4-302 with particular emphasis on:</p>	
<p>(1) The contractor's organizational structure.</p>	
<p>(2) The contractor's explanation of the internal control structure as it relates to CAS 410.</p>	
<p>(3) Any changes since the last audit.</p>	
<p>(4) The contractor's monitoring process, including copies of internal audit reports on CAS.</p>	
<p>(5) Any identified weaknesses which may have been reported and related follow-up actions. If applicable, include a follow up with contractor management on:</p> <ul style="list-style-type: none"> <li>• corrective actions that address previous DCAA audit findings and recommendations,</li> <li>• other studies or audits that impact the subject matter.</li> </ul>	
<p>(6) Contractor's products, including how they are made (i.e., make vs. buy, GFM, etc.), and customers.</p>	
<p>(7) Any new developments with G&amp;A implications, e.g., joint ventures, teaming arrangements, partnerships, etc. (Chapter 37 of the Selected Areas of Cost Guidebook).</p>	
<p>b. Review permanent files and prior audit assignments (e.g., forward pricing, incurred cost audits) to determine whether the contractor is involved in any off-balance sheet financing activities. If the contractor has off-balance sheet activity, determine the impact of the activity on the home office cost allocation bases (see CAM 9-703.4d).</p> <ul style="list-style-type: none"> <li>• If the contractor is publicly held, off-balance sheet financing activities will be identified in the Liquidity and Capital Resources section of the</li> </ul>	

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<p>contractor's quarterly and annual SEC 10K and 10Q filings (see CAM 3-2S1 of the SEC filings has not been performed in a prior audit for the period(s) covered by the CAS audit, review the SEC filing. Quarterly and annual SEC filings can be accessed via the Securities and Exchange Commission website at <a href="http://www.sec.gov">http://www.sec.gov</a>.</p> <ul style="list-style-type: none"><li>• If the contractor is not publicly held, review the contractor's last audited financial statements to determine if the contractor provided written confirmation that its financial statements include disclosure of all off-balance sheet arrangements and related party transactions. If the contractor has not provided the written confirmation, request the contractor to provide this documentation.</li></ul>	
<p>(1) If the business unit receives any home office allocations or performs any home office functions.</p>	
<p>(2) Any Special Allocation(s) from its G&amp;A expense pool (CAS 410.50(j))</p>	
<p>c. If relying on the work of others follow the procedures in CAM 4-1000.</p>	
<p>d. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3.</p>	
<p>3. Risk Assessment</p>	
<p>a. 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>b. Determine high-risk areas by evaluating the most recent incurred cost or forward pricing proposal. Specifically examine the most current year for the following information:</p> <ul style="list-style-type: none"><li>(1) Significant G&amp;A accounts.</li><li>(2) Nomenclature of accounts that do not meet the definition of G&amp;A.</li><li>(3) Comparative Analysis of Prior Years &amp; Budgets and Forward Pricing Forecasts</li><li>(4) Determine provisions of the standard that are material.</li></ul>	
<p>c. 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-05, document the contractor's response, and identify areas of risk and the impact to the audit scope.</p>	B-05

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d. Fraud Risk Indicators  Using the framework in WP B-09, discuss the fraud risk indicators with the audit team.	B-09
e. From the information gathered in the preceding steps and using the materiality criteria in 48 CFR 9903.305, assess the audit risk and determine the scope of audit and extent of transaction testing to be performed to determine the contractor's compliance with CAS 410.	
f. Update the information in the permanent files as needed.	

C-1	Evaluation of the Contractor's Organization and Operations	WP Reference
<b>Version 9.4, dated Dec 2025</b>		
1. Obtain current organization charts, product descriptions, description of operations, department descriptions, and other data describing the functions, activities and responsibilities of the various contractor operations.		
2. Using the data gathered in Step 1, determine if the contractor has correctly identified the business unit as defined in CAS 410.30(a)(2).		
3. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.		

D-1	Evaluation of G&A Expense Pool	WP Reference
<b>Version 9.4, dated Dec 2025</b>		
1. From the contractor's most recent incurred cost claim or Forward Pricing Rate Proposal (FPRP), obtain the following data:		
a. cost input base,		
b. breakdown of G&A expenses, including any expenses which do not meet the definition of G&A,		
c. computation of the G&A expense rate.		
2. Determine if G&A expenses are grouped in a separate pool and allocated only to final cost objectives (CAS 410.40(a)) or if the G&A expenses are combined with other expenses, the G&A expenses can be separately identified (CAS 410.50(b)).		
3. Determine if the expenses included in the G&A expense pool meet the definition of G&A expense in CAS 410.30(a)(6).		
a. Obtain a detailed breakdown of the actual costs or departmental budget and organization charts for the selected categories of expense(s) /department(s).		

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b. Interview managers and determine if the activities in this area benefit the business unit as a whole.	
c. Verify manager's assertions about department or organization activities. Evaluate department descriptions, position descriptions, signature authority, policies & procedures, correspondence, etc.	
d. Expenses which do not meet the CAS 410 definition of G&A, but which have been classified as G&A, may remain in the G&A expense pool unless they can be allocated on a better base than the selected G&A base (CAS 410.40(d)). Additionally, if the costs are insignificant in amount, the expenses may be included in the G&A expense pool even if they do not fit the definition of G&A (CAS 410.50(c)).	
e. If a single element or value-added cost input base is used, verify that the G&A expense pool is purified of "direct material" and "subcontract" related expenses.	
4. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	

E-1	Business Unit G&A Expenses Allocated from the Home Office	WP Reference
<b>Version 9.4, dated Dec 2025</b>		
1. Determine if home office expenses received by a segment are allocated to the segment's cost objectives as follows:		
a. Evaluate the following types of home office expenses allocated to the business unit to determine if costs are related to the unit as a whole. If so, the costs shall be included in the unit's G&A pool (CAS 410.50(g)(1)):		
(1) Residual expenses		
(2) Line management expenses		
(3) Directly allocated G&A type expenses		
b. Evaluate separately allocated home office expenses that are significant in amount to determine if the costs can be allocated to segment cost objectives in proportion to a beneficial/causal relationship between the cost objectives and the expense. The expense may be included in the G&A pool where the beneficial or causal relationship between the expense and segment cost objectives are not identifiable. (CAS 410.50(g)(2)).		
2. Determine if G&A expenses of a segment incurred by another segment are removed from the incurring segment's G&A pool and allocated to the benefiting segment on a beneficial or causal relationship. (CAS 410.50(a))		

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3. When a segment performs home office functions and also performs as an operating segment, determine if the expense of the home office functions are segregated and allocated on a causal/beneficial relationship to all causing or benefiting segments (CAS 410-50(h))	
a. Determine the effect organizational changes or reorganization have had on G&A allocation by examining organization charts; and	
b. Discuss those divisions, product departments, plants, or other subdivisions of the organization that have responsibility for profit and or producing a product or service with the contractor.	
4. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	

F-1	G&A Allocation Base	WP Reference
<b>Version 9.4, dated Dec 2025</b>		
1. Using the data obtained from the contractor's incurred cost claims or FPRPs:		
a. Determine the type of G&A base used by the contractor, i.e., total cost input, value added or single element. (CAS 410-50(d))		
b. Request the contractor's rationale for using a particular cost input base.		
c. Obtain the composition of the contractor's cost input base. To the extent practicable, obtain the composition by contract by cost element, etc.		
2. Determine if G&A expenses are allocated to final cost objectives by means of a cost input base representing the total activity of the business unit for the cost accounting period (CAS 410.40(b)(1)).		
a. Evaluate the contractor's rationale for using a particular cost input base.		
b. Evaluate if "direct material" and "subcontracts" cause a distortion in the allocation of G&A expense.		
3. Evaluate the allocation base in relation to the pool expenses (ref. WP D-1, Step 3) considering the following:		
a. Do the G&A expenses have a causal/beneficial relationship to the cost objectives in the G&A allocation base? (CAS 410-20)		
b. Does the contractor's base selected best represent the total activity of the business unit? (CAS 410-40(b)(1))		

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<p>4. Determine if all costs of the applicable cost input base are included in the computation of the G&amp;A allocation base. The cost input base used shall include all significant elements of that cost input which represents the total activity of the business unit. Cost input shall include those expenses which by operation of this standard are excluded from the G&amp;A expense pool and are not part of a combined pool of G&amp;A expenses and other expenses allocated using the same allocation base (CAS 410.50(d)(1),(2), and (3)).</p>	
<p>a. When computing a value-added base, care should be taken when deducting “direct material” and “subcontract” costs from total costs. Determine if the contractor made appropriate inclusions and/or exclusions from the value added base:</p>	
<p>(1) Determine if the contractor has properly classified purchased direct labor as “direct labor” and not as a “subcontract.”</p>	
<p>(2) Determine if other expenses in Other Direct Costs are properly classified.</p>	
<p>b. If applicable, evaluate cooperative arrangements (partnerships, teaming arrangements or collaboration agreements) which may limit or avoid the allocation of G&amp;A expenses that are normally allocated to subcontracts:</p>	
<p>c. Evaluate written agreements carefully to see if the characteristics of joint control and management usually associated with joint ventures are evident. If the characteristics of joint control and management are not evident, then the terms of the business arrangement should be evaluated to see if a prime contractor/subcontractor relationship exists and should be included in the G&amp;A allocation base.</p>	
<p>d. Determine if the contractor has included all applicable costs, including unallowable costs, in the G&amp;A allocation base.</p>	
<p>5. Evaluate whether a special allocation of G&amp;A to a particular final cost objective is required. (CAS 410-50(j)) For a given final cost objective to qualify for special treatment, a significant difference in its beneficial or causal relationship to G&amp;A expense, as compared with the relationship of other final cost objectives to G&amp;A expenses, should be apparent and supported. Because G&amp;A expense, by definition, is for the general management and administration of the business unit as a whole, special allocations should generally be limited to unusual circumstances outside the normal operations and activities of the business. The special allocation should be identified to a particular final cost objective. A need for special allocation to a class of contracts or type of situation would indicate that the allocation base being used is not representative of the total activity of the business unit during a typical cost accounting period.</p>	
<p>(See CAS 410 Preambles.)</p>	

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<p>a. Determine if (1) the particular final cost objective is different from the normal operations and activities of the business, and (2) that the particular final cost objective, in relation to other final cost objectives, receives significantly more or less benefit from G&amp;A than would be reflected by an allocation using the selected G&amp;A base.</p>	
<p>b. Evaluate whether the significant disproportionate allocation of G&amp;A reflects a noncompliance with other CAS 410 requirements rather than a need for special allocation. Special allocations should only be used in exceptional cases to resolve situations where equitable allocation cannot be achieved by normal methods. Common questions to consider are:</p> <p>(1) Does the base selected best represent the total activity of the business unit (CAS 410-50(d))?</p> <p>(2) Does the G&amp;A expense pool include expenses that may be allocated to cost objectives more directly than over the selected G&amp;A cost input base?</p>	
<p>c. If the contractor uses a special allocation, determine if the amount of the special allocation is equitable and verify that the contractor excluded the special allocation from the G&amp;A pool.</p>	
<p>d. If the contractor uses a special allocation, verify that the particular final cost objective's cost input has been excluded from the G&amp;A base. (CAS 410.50(j))</p>	
<p>e. If the contractor uses a special allocation, verify that the special allocation is adequately described in the Disclosure Statement.</p>	
<p>f. If the auditor identifies a need for a special allocation, or needs technical assistance to evaluate the contractor-proposed special allocation, coordinate with a CAS technical specialist and the regional RST team to ensure consistent audit treatment in similar circumstances across contractors.</p>	
<p>6. Determine that the cost input for items produced for stock or product inventory, if any are included in the G&amp;A base for the period incurred (CAS 410.50(i)(1)).</p>	
<p>7. For allocating G&amp;A to items produced for inventory, one of two methods may be used. However, the method selected must be consistently applied:</p>	
<p>a. G&amp;A for the period in which the items are produced may be inventoried (CAS 410.50(i)(2)); or</p>	
<p>b. G&amp;A rate for the period in which items are issued to final cost objectives may be used to determine the G&amp;A expenses applicable to issues of stock or product inventory items-(CAS 410.50(i)(3)).</p>	

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8. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
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A-1	Concluding Steps	WP Reference
	<b>Version 9.4, dated Dec 2025</b>	
1.	Summarize and document the results of audit	
2.	<p>Discuss the audit results with the supervisor and, if applicable the technical specialist. The auditor should only report those noncompliances which are considered significant. Coordinate significant or unusual issues with the CFAO, FAO Manager, and if applicable, with the CAD network (see CAM 8-302.4 and 8-302.6). Coordination should be both before and after discussion of audit results with the contractor. The CFAO should be apprised of noncompliance matters at the earliest possible date.</p> <p><i>Note: If a noncompliance is considered less than material, but could become material if circumstances change, notify the contractor and contracting officer in writing, as appropriate (e.g., in a memorandum, via e-mail, or in the report appendix). The written notification will include a Statement of Condition and Recommendation (SOCAR) and provide those charged with governance (the contractor and contracting officer) with sufficient information to understand the condition and the severity of the CAS noncompliance. The only exception to issuing a memorandum is if the audit report includes a material noncompliance(s). When a material noncompliance is reported, the less than material noncompliance will be reported in a separate appendix to the report titled "Noncompliance that Warrants Attention of Those Charged with Governance." Reference to the appendix for the less than material noncompliance will be in the Executive Summary, but will not be included in the Basis of Opinion section, as it is not a material noncompliance.</i></p>	
3.	Prepare draft audit report (and memorandum, if applicable). If the audit scope was limited to a certain area(s) of the contractor's accounting practices, modify the subject matter stated in the Report On (from WP A01) and Opinion (from WP A) section of the report, as necessary, so that they clearly identify the limited areas audited.	
4.	If a material weakness or system deficiency is detected during this audit, ensure that the findings have been fully developed to determine if a material weakness or system deficiency in compliance with DFARS 252.242-7006 Accounting System, DFARS 252.215-7002 Estimating System, or DFARS 252.242-7004 Material Management and Accounting System 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.	

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5. Hold an exit conference with the contractor and provide a draft report (and memorandum, if applicable) to the contractor for comments in accordance with CAM 4-304. Obtain supervisory review, and management review if required, of the working papers and draft audit results section of the audit report (and memorandum, if applicable) before discussion with the contractor.	
6. Finalize audit report (and memorandum, if applicable) incorporating the contractor's reaction and auditor's response, if applicable.	
7. Complete the administrative working papers.	
8. 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>	
9. Submit the working paper package and draft report (and memorandum, if applicable) to the supervisor/manager for final review and processing.	