

## MASTER AUDIT PROGRAM

<b>Activity Code 19417</b>	<b>Compliance Audit CAS 417</b>
<b>B-1 Planning Considerations</b>	<b>Version 8.4, dated Dec 2025</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 417 establishes the criteria for the measurement of the cost of money attributable to capital assets under construction, fabrication, or development as an element of the cost of those assets.  FAR 52.230-2, Cost Accounting Standards, requires the contractor to comply with the CAS 417 criteria (48 CFR 9904.417). FAR 31.205-10 makes CAS 417 applicable to all contracts, even contracts which are not CAS-covered or subject only to modified CAS coverage. Auditors should ensure that proposed or claimed cost of money costs, when significant, are in compliance with the provisions of CAS 417.	
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 417. The audit steps in the program should reflect a documented understanding between the auditor and the CAS technical specialist and/or 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 whether the contractor is subject to the CAS coverage. FAR 31.205-10(b) allows cost of money for capital assets under construction, whether or not the contract is otherwise subject to CAS. If the standard is not applicable to the contractor, the audit should be cancelled.	
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.	

## MASTER AUDIT PROGRAM

Activity Code 19417	Compliance Audit CAS 417
3. Once it is determined that the standard is applicable and material to the Government, the auditor should assess which provisions of the standard are significant to the contractor; assess control risk; and the results of relevant other audits (e.g., results of prior compliance audits, Disclosure Statement revisions, 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 8.4, dated Dec 2025</b>	
1. Research and Planning	
a. Read and become familiar with the criteria in CAS 417. Identify any changes in the CAS 417 standard since the last examination.	
b. Evaluate recent forward pricing or incurred cost proposals to determine whether total costs subject to CAS 417 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.	
c. An important consideration for assessing risk for capital assets under construction is the adequacy of the contractor's accounting system. The auditor should determine whether the contractor's accounting system adequately records costs by project or asset and design a transaction testing plan accordingly. If the accounting practices for recording capital assets under construction have changed since the last CAS 417 compliance audit, increased risk may result.	
d. Evaluate related parts of the contractor's Disclosure Statement to become familiar with the disclosed accounting practices. Determine if the contractor's accounting system has remained unchanged since the last CAS 417 compliance audit. If changes have occurred, adjust audit scope accordingly.	
e. Examine the FAO permanent files, 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.	

## MASTER AUDIT PROGRAM

B-1 Preliminary Steps	WP Reference
<p>f. 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> <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. (GAGAS 7.13)</p> <p>(2) Document the results of the inquiry and the impact of the corrective actions to the subject matter.</p>	
<p>g. 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> </ul> <p>(3) Document the results of the determination in writing.</p> <ul style="list-style-type: none"> <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>	

## MASTER AUDIT PROGRAM

B-1 Preliminary Steps	WP Reference
<p>(4) 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>(5) Document the results of the inquiries including the response received from the 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>(6) Determine if additional audit procedures are needed to respond to identified risk.</p>	
<p>h. If appropriate, coordinate with the FAO technical specialist, CAD, and/or regional specialist on matters of interpretation and policy.</p>	
<p>i. Contact the contracting officer to ascertain any known concerns that will impact the audit and adjust the audit scope and procedures accordingly.</p>	
<p>j. 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>2. Entrance Conference and Preparation</p>	
<p>a. Arrange and conduct an entrance conference covering the areas highlighted in CAM 4-302, with particular emphasis on:</p>	
<p>(1) Requesting the contractor's explanation of the internal control structure.</p>	
<p>(2) Any changes since the last CAS 417 audit.</p>	
<p>(3) The contractor's monitoring process.</p>	
<p>(4) 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>b. If relying on the work of others follow the procedures in CAM 4-1000.</p>	

## MASTER AUDIT PROGRAM

B-1 Preliminary Steps	WP Reference
c. Issue a notification letter to the contractor regarding the audit in accordance with CAM 4-302.3.	
3. Risk Assessment	
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.	
b. Management Inquiries  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.	B-05
c. Fraud Risk Indicators  Using the framework in WP B-09, discuss the fraud risk indicators with the audit team.	B-09
4. 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 compliance testing to be performed.	
5. Update the information in the permanent files as needed.	

C-1 Construction-In-Process	WP Reference
Version 8.4, dated Dec 2025	
1. Evaluate the contractor's construction-in-process accounts for assets for each cost accounting period (subsequent to the applicability date) to determine:	
a. Whether the assets are subject to cost of money (COM). The auditor should assure that:	
(1) The asset is being constructed, fabricated, or developed for a contractor's own use. COM for CAS 417 purposes are included in the acquisition costs of the constructed assets only when the assets will be for a contractor's own use.	
(2) The allowability or unallowability of costs of the asset under construction as related to its intended purpose is considered before any COM is allowed under CAS 417.	

## MASTER AUDIT PROGRAM

C-1 Construction-In-Process	WP Reference
<p>b. Determine whether the construction projects include all direct and indirect costs properly allocable to such projects.</p> <p><i>Note: One element of such properly allocable costs is a share of the COM computed in accordance with CAS 414 for the investment in facilities which are already in service. Illustration of this requirement is included in CAS 417.60(a).</i></p>	
<p>2. Evaluate the contractor's supporting documentation for the COM to be included in the acquisition cost of assets, for each cost accounting period.</p>	
<p>a. Determine that such computation is based on a representative investment amount which gives appropriate consideration to the rate at which the costs of construction are incurred (CAS 417.50(a)(2)).</p>	
<p>(1) When the costs are incurred at a fairly uniform rate throughout the period, the mean average beginning and ending balances of the cost accounting period can be used to determine the representative investment amounts. See CAS 417.60(b) for an illustration of this criterion.</p>	
<p>(2) When major fluctuations are expected in the rate of cost incurrence during the cost accounting period, the use of the mean average for the beginning and ending balances (see Step 2.a.(1) above) will not produce a representative investment amount. In this case, determine that one of the following alternative methods are used:</p>	
<p>(a) Average the month-end-balances for the cost accounting period, or</p>	
<p>(b) Make separate calculations, using an appropriate investment amount and COM rate, for each month. See CAS 417.60(a) for an illustration of these criteria.</p>	
<p>b. Determine that the representative investment amount computed under step 2.a. above is factored by the applicable Secretary of the Treasury COM rate to calculate the cost of money dollars that are added to the construction-in-process account (CAS 417.50(a)(1)).</p>	
<p>(1) The COM rates to be used for each cost accounting period are the same rates published by the Secretary of Treasury for use in CAS 414 COM calculations.</p>	
<p>(2) When more than one COM rate is applicable to a cost accounting period, their time-weighted average will be used as the rate to be applied to the representative investment amount for each asset. See CAS 417.60(a) and (b) for an illustration of this criteria.</p>	

## MASTER AUDIT PROGRAM

C-1 Construction-In-Process	WP Reference
(3) Where separate calculations for the COM are made each month (as provided in step 2.a(2) above), the sum of the monthly amounts may be entered into the construction-in-progress account once each cost accounting period.	
c. Determine that the COM dollars computed for a cost accounting period are included in the subsequent period's dollar balances used to calculate the representative investment amounts in accordance with 2.a(1) and (2) above. [See CAS 417.60(a) and (b) for an illustration of this requirement.]	
3. If the contractor uses a permitted alternate method, determine that the result does not differ materially from the amount calculated using the COM rate per Steps 1 and 2 above (CAS 417.50(a)(3)).	
4. Determine that the COM is not capitalized when substantially all the activity necessary to get the asset ready for its intended use are discontinued. [However, the capitalization may still continue when discontinuance arises out of causes beyond the control and without the fault or negligence of the contractor.]	
5. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	

A-1 Concluding Steps	WP Reference
<b>Version 8.4, dated Dec 2025</b>	
1. Summarize and document the results of audit.	

## MASTER AUDIT PROGRAM

A-1 Concluding Steps	WP Reference
<p>2. Discuss the audit results with the supervisor and, if applicable the technical specialist. The auditor should only report those noncompliances which are considered material. 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 the 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. 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>	
<p>3. Prepare a 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.</p>	
<p>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 the 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.</p>	
<p>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.</p>	

## MASTER AUDIT PROGRAM

A-1 Concluding Steps	WP Reference
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 data-bbox="251 460 878 492">• Prepare audit lead workflows, as applicable.</li><li data-bbox="251 492 985 523">• 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.	