

MASTER AUDIT PROGRAM

Activity Code 24010	Estimating System - Compliance with DFARS 252.215-7002 by Cost Element
Version 13.4, dated Jun 2025	
B-01 Planning Considerations	
Type of Service - Attestation Examination Engagement	
Audit Specific Independence Determination	
<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>	
Purpose and Scope	
<ol style="list-style-type: none"> 1. The objective of this audit is to examine the contractor's compliance with the system criteria for an acceptable estimating system as prescribed in DFARS 252.215-7002, Cost Estimating System Requirements. As a part of that objective, auditors will: <ul style="list-style-type: none"> • Obtain and document an understanding of relevant portions of the estimating system internal control over compliance sufficient to plan the audit and to assess control risk for compliance with the system criteria in DFARS 252.215-7002; • Perform testing across all DFARS criteria, with the extent of testing based on the associated risk of each DFARS criteria; • Determine if the contractor is compliant with the estimating system criteria prescribed in DFARS 252.215-7002; and • Report both material weaknesses and system deficiencies identified during the audit related to the contractor's compliance with the system criteria in DFARS 252.215-7002. 2. If the entity is a Non-profit, Federally Funded Research and Development Center (FFRDC) (excluding those operated by Educational Institutions), or State and Local Government, the auditor should modify the program to include specific procedures in accordance with the applicable OMB Circulars and 2 CFR 200. 	

MASTER AUDIT PROGRAM

B-01 Planning Considerations

3. This program is designed to use a teaming approach that includes discussions among the audit team members regarding, for example, potential kinds of fraud and other noncompliances, and the major aspects of the audit (e.g., major estimating areas, understanding of the system, etc.). These discussions should generally include auditors from the offsite locations. Due to the complexities of this audit, significant upfront coordination with the contractor is required. Therefore, the program also includes a planning meeting with contractor personnel prior to the formal entrance conference to notify the contractor of the upcoming audit, request a list of price proposals, and to inquire about the locations of the various estimating functions to determine if coordination with other DCAA offices is necessary. During the planning meeting, the audit team should schedule the entrance conference and request that the contractor provide a general overview of the system at the entrance conference. Another important aspect of this audit is that the contractor provides detailed walkthroughs and demonstrations of its system.
4. Timely communication of material weaknesses in compliance with the DFARS criteria to those charged with governance (the contractor and contracting officer) is essential to correcting internal control deficiencies. After discussion with your supervisor, it may be determined that a system deficiency report should be issued on a real-time basis, prior to completion of the audit. In those cases, a separate assignment should be set up using the System Deficiency Report activity code 11090. Establishment of this assignment should not occur until there is sufficient evidence that a material weakness exists and the audit team has fully developed the elements of a finding for the deficiency (see CAM Chapter 10). The decision to issue a deficiency report during the course of the audit is a matter of professional judgment.
5. Generally, performance of this audit should occur every four years or more often if risk warrants.
6. Audit teams may choose to use sample or judgmental selections when planning items to test for DFARS compliance. In instances where the audit team chooses to use judgmental selections, the team must ensure with this method that representative testing is performed and adequately documented. Whichever method is used, the audit team must determine whether the contractor's controls, processes, and procedures are in compliance with the DFARS criteria.
7. Contractors that do not have DoD contracts (i.e., contractors that are 100 percent reimbursable) are not contractually required to comply with the DFARS criteria. Nevertheless, the DFARS criteria are suitable standards to use in determining the acceptability of any Government contractor's estimating system. If this audit program is used for contractors that have only non-DoD contracts, the language in the audit report shell will be need to be tailored accordingly. FAOs needing assistance in tailoring the audit report should coordinate with the region and Headquarters PAC.

References

- DFARS 215.407-5-70, Disclosure, Maintenance, and Review Requirements (Estimating Systems)
- DFARS 252.215-7002, Cost Estimating System Requirements

MASTER AUDIT PROGRAM

B-01 Planning Considerations
• DFARS 215.408, Solicitation provisions and contract clauses
• CAM 5-106, Obtaining an Understanding of the Contractor Business Systems
• CAM 5-500, Audit of Compliance with DFARS 252.215-7002 Cost Estimating Requirements
• CAM 9-303, Contractor Estimating Methods and Procedures-Cost Estimates
• CAM 5-505, Business System Reporting

MASTER AUDIT PROGRAM

B-01 Preliminary Steps	WP References
Version 13.4, dated Jun 2025	
INITIAL PLANNING	
<p>1. Research and Planning</p> <p>The audit report will report on the contractor's compliance with the system criteria <u>during a period of time</u>, consistent with the attestation reporting standards. The period covered should limit the elapse of time between the period in which the estimates were developed and the issuance of the report to the extent possible. For example, the audit team may decide to wait until it has obtained and documented the understanding of the system before finalizing the period covered by the audit. Accordingly, the team may adjust the timing of some of the planning steps below.</p>	
<p>a. Review Agency guidance that may impact the audit and adjust the scope and procedures appropriately.</p>	
<p>2. Applicability</p> <p>Determine if the contractor is a business subject to estimating system disclosure, maintenance, and review requirements as defined in DFARS 252.215-7002(c), titled "Applicability".</p>	
<p>3. Coordination with Contracting Officers</p> <p>a. Notify the ACO of the commencement of the audit and that the expected completion date will be provided in the formal acknowledgement letter once the risk assessment is complete.</p>	
<p>b. Ask the ACO if the contractor disclosed its estimating system in writing. Request a copy of the contractor's estimating system disclosure.</p> <p><i>DFARS 252.215-7002(d)(1) requires the contractor to "disclose its estimating system to the Administrative Contracting Officer (ACO), in writing," and DFARS 252.215-7002(d)(3)(ii) requires the contractor to "disclose significant changes to the cost estimating system to the ACO on a timely basis."</i></p>	
<p>c. Ask the ACO if they have any concerns related to the contractor's estimating system and compliance with the DFARS criteria.</p>	
<p>d. Contact the ACOs and PCOs involved in major proposals during the past 12 months to discuss any concerns related to the contractor's estimating system and compliance with the DFARS criteria. Invite the ACO to the contractor system demonstrations. Document the results of this coordination and consider it in planning the audit.</p>	

MASTER AUDIT PROGRAM

<p>4. Draft the Contractor Notification Letter.</p> <p>The proforma Contractor Notification Letter contains a list of information needed to perform the audit and identifies the key areas of the estimating system addressed during system demonstrations.</p>	
<p>5. Initial Contractor Meeting</p> <p>Hold a planning meeting with the contractor to provide notification of the upcoming audit.</p> <ol style="list-style-type: none"> Inquire about the locations of the estimating departments to determine if coordination with other DCAA offices is necessary. Provide the Contractor Notification Letter and discuss the purpose of the audit and expectations; Discuss and schedule the entrance conference where the contractor will present a general overview of their system showing how it complies with the DFARS criteria; Discuss the information being requested from the contractor; Request a schedule of price proposals requiring cost or pricing data submitted to the government for the past 12 months (adjust the period, as necessary, depending on circumstances at the contractor). Request the contractor include the following information in their schedule of proposals: <ul style="list-style-type: none"> Customer Contract type Proposed amount for each major cost element 	
<p>6. Review of Permanent Files</p> <ol style="list-style-type: none"> Review permanent files for audit leads relevant to the subject matter under audit. Document the impact of the audit leads on the audit. 	
<ol style="list-style-type: none"> Review prior audits to determine if there were findings and recommendations that impact the subject matter under audit. <ul style="list-style-type: none"> At a minimum, review prior examinations of forward pricing price proposals, forward pricing rate proposals, Truth in Negotiation compliance, contractor business systems, and Cost Accounting Standards. Consider materiality/significance of prior findings, if findings are recurring/systematic or non-recurring/non-systematic, and if the findings have been resolved or remain 	

MASTER AUDIT PROGRAM

<p>c. If there were findings that affect the subject matter, ask contractor management if corrective actions were taken to address the specific findings and recommendations identified.</p> <p>Request the contractor explain corrective actions taken and determine if additional audit procedures should be included in the fieldwork to test the corrective actions.</p> <p>Document the results of the inquiry and the impact of the corrective actions to the subject matter under audit. (GAGAS 7.13)</p>	
<p>7. Request the contractor provide internal audits or management reviews related to the contractor's estimating system. Review the contractor's internal audits or management reviews. Identify risks related to estimating system processes, types of estimates, or cost elements.</p> <p><i>DFARS 252.215-7002(d)(4)(xii) requires management review, including verification of compliance with the company's estimating and budgeting policies, procedures, and practices.</i></p> <p><i>DFARS 252.215-7002(d)(4)(xiii) requires the estimating system to provide for internal review of, and accountability for, the acceptability of the estimating system, including the budgetary data supporting indirect cost estimates and comparisons of projected results to actual results, and an analysis of any differences.</i></p>	
INITIAL TEAM DISCUSSION AND PLANNING MEETING	
<p>8. Fraud Risk Indicators</p> <p>Using the framework in WP B-09, discuss the fraud risk indicators with the audit team.</p>	B-09
ENTRANCE CONFERENCE AND SYSTEM DEMONSTRATIONS	
<p>9. Hold an entrance conference.</p> <p>a. Obtain a general overview of the contractor's estimating system including its processes to ensure compliance with the DFARS criteria.</p> <p>b. Establish dated for the demonstrations of the key processes to ensure compliance with the DFARS criteria.</p> <p>c. Discuss the level of detail that should be covered in the demonstrations, who should participate in the meetings, the length and the location of the meetings, and other pertinent information.</p>	

MASTER AUDIT PROGRAM

<p>10. 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
<p>11. Attend System Demonstrations</p> <p>During the demonstrations, make detailed notes of the contractor's system descriptions, policies, and procedures in order to adequately document your understanding of the contractor's estimating system and how it complies with the DFARS criteria.</p> <p>Ask questions to ensure a sufficient understanding of the estimating system is obtained. (See CAM 5-106).</p> <p><i>Note: When responsible personnel (and processes) differ across significant areas, the demonstrations may occur as a series of separate walkthroughs provided by responsible contractor personnel. The demonstration should address each of the 17 DFARS.</i></p> <p><u><i>Inquiry alone is not sufficient to obtain an understanding of the contractor's internal controls.</i></u></p>	
<p>12. Determine if the contractor's written estimating system disclosure is acceptable.</p> <p><i>DFARS 252.215-7002(d)(2) states an estimating system disclosure is acceptable when the Contractor has provided the ACO with documentation that—</i></p> <p><i>(i) Accurately describes those policies, procedures, and practices that the Contractor currently uses in preparing cost proposals; and</i></p> <p><i>(ii) Provides sufficient detail for the Government to reasonably make an informed judgment regarding the acceptability of the Contractor's estimating practices.</i></p>	
<p>13. Summarizing the Understanding of the Estimating System</p> <p>This step is important since the documented understanding serves as the basis for planning the audit and identifying types of potential noncompliances and factors that affect the risk of material noncompliances to enable designing audit procedures to test contractor compliance with DFARS 252.215-7002.</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>	

MASTER AUDIT PROGRAM

<p>b. Using the information obtained during the entrance conference and system demonstrations, as well as the information you obtained inspecting policies and procedures and performing the preliminary risk assessment steps, document your understanding of the contractor's estimating system and cross-reference it to detailed descriptions and information obtained and documented during the contractor's demonstrations (e.g., flowcharts, policies and procedures, desk procedures, screenshots, etc.).</p>	
<p>c. Prepare a high-level summary of your understanding of the contractor's estimating system. After the detailed summary understanding has been documented and reviewed by your supervisor, provide the summary to the contractor and obtain written confirmation from the contractor that the understanding is accurate.</p>	
<p>d. Summarize the high-risk areas identified during the demonstrations and other preliminary steps so that they can be addressed during the team discussion below.</p>	
<p>SELECTION OF PROPOSALS AND BASIS OF ESTIMATE</p>	
<p>14. Proposal Universe Validation</p> <p>Review the universe of price proposals provided by the contractor for the period under audit, verify completeness and accuracy of selected proposed values (e.g., compare to price proposals audited list, verify with ACO/PCO records, etc.).</p>	
<p>15. Select representative price proposals for testing during fieldwork.</p> <ul style="list-style-type: none"> a. Identify price proposals in the universe that are subject to the estimating system clause (i.e. solicitations that require certified cost and pricing data, include or reference FAR 52.215-20 <i>Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data</i>). b. Determine the materiality of each proposed cost element including those based on cost estimating relationships or standards. c. For proposals that were audited by DCAA, for each cost element, summarize the approximate values for questioned and unsupported costs. d. Identify proposals that were determined to be inadequate (did not comply with requirements of FAR 15.408, Table 15-2) and briefly document the reasons. <p><i>Note: Include recently audited proposals that fall within the reporting timeframe, where we had findings that may be due to non-compliances with estimating system criteria.</i></p>	

MASTER AUDIT PROGRAM

<p>16. Select representative Basis of Estimates (BOEs) for testing during fieldwork.</p> <ul style="list-style-type: none">a. Obtain a universe of the BOEs for each material cost elements from the selected proposals.b. Based on identified areas of risk, select BOEs for detailed testing.c. Ensure BOEs represent selected proposals and document the rationale behind the selectiond. Obtain any additional detailed estimating files (not included in the proposal) supporting the contractor's estimates in selected BOEs to test the key processes and controls to determine if the contractor's estimating system complies with the system criteria in DFARS 252.215-7002. <p><i>Note: Include BOE(s) where we had prior audit findings that may be related to noncompliances with estimating system criteria in the selected proposals that were audited and selected from the validated universe.</i></p>	
RISK ASSESSMENT SUMMARY AND DISCUSSION	
17. Assess and document the need for technical or other audit assistance.	
<p>18. Evidence Obtained During Risk Assessment</p> <ul style="list-style-type: none">a. Based on the contractor's estimating system disclosure, system walkthroughs and demonstrations, and additional evidence gathered during the risk assessment, determine if the contractor's estimating system:<ul style="list-style-type: none">i. Establishes clear responsibility for preparation, review, and approval of cost estimates and budgets. (DFARS 252.215-7002(d)(4)(i), andii. Provide a written description of the organization and duties of the personnel responsible for preparing, reviewing, and approving cost estimates and budgets. (DFARS 252.215-7002(d)(4)(ii)b. If the audit team obtained sufficient, appropriate evidence during the risk assessment to conclude on the compliance with any other individual criterion, document the basis for the conclusions in the risk assessment working papers and on WP B-00.c. Determine and document the reliability of the information the audit team used to reach their conclusions on compliance with those specific criteria.	

MASTER AUDIT PROGRAM

<p>19. Risk Assessment and Scope of Audit Discussion</p> <p>Hold an interim planning meeting with the audit team (e.g., RAM, Manager, Supervisor, Technical Specialist and Auditors) and discuss results of preliminary planning, entrance conference information, risks identified, and the understanding of the system and areas of potential impact.</p> <ol style="list-style-type: none"> Discuss identified risks of noncompliance for each of the DFARS criteria. Discuss substantive audit procedures performed during the risk assessment. Discuss the audit scope for each audit area and planned substantive procedures. Make any further adjustments to the audit program steps necessary to obtain sufficient, appropriate audit evidence to provide a reasonable basis for the opinion that will be expressed in the audit report. Develop a milestone plan. Document supervisory approval of the risk assessment, and milestone plan. 	
<p>20. Electronically transmit an acknowledgement/notification letter to the appropriate Contracting Officer to formally notify them of the audit and expected completion date in accordance with CAM 4-104.</p>	

C-01 Monitoring and Management Reviews	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Perform the following procedures to determine if the contractor's estimating system provides for periodic monitoring (e.g., management reviews) of the system, as appropriate. (DFARS 252.215-7002(d)(4)(xii)):</p> <p><i>Note: The contractor's monitoring of its estimating system should include considering whether controls are operating as intended and that they are modified as appropriate for changes in conditions and may include many forms such as management reviews, internal audits, or personnel performing similar activities, which may be accomplished through ongoing monitoring activities built into the contractor's normal recurring activities, separate evaluations, or a combination of the two. Consider all monitoring activities in determining compliance with this DFARS. What is sufficient will depend on the circumstances (e.g., size and complexity of the contractor's operations). Ongoing monitoring activities of small and midsized contractors are more likely to be informal.</i></p>	

MASTER AUDIT PROGRAM

C-01 Monitoring and Management Reviews	WP Reference
a. Determine if the contractor's policies and procedures require periodic monitoring (e.g., management reviews) of its estimating system and if the timeframes and guidelines appear sufficient given the complexity and size of the contractor's operations to determine that controls are operating as intended and that they are modified as appropriate. (Generally, reference your observations and inquiry during the walkthrough.)	
b. Evaluate management review and other monitoring activities for the time period covered by the audit to determine if the contractor is performing reviews in accordance with the contractor's established time frames and guidelines.	
c. Evaluate documentation supporting the contractor's internal reviews of, and accountability for, the acceptability of the estimating system, such as comparisons of projected results to actual results, and an analysis of any differences. Determine if actual management review is consistent with the policy. (DFARS 252.215-7002(d)(4)(xiii))	
2. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
3. Discuss findings with the contractor.	
4. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

E-01 Estimating Direct Labor Rates	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the direct labor rate estimates. Identify the personnel responsible for calculating the direct labor rate estimates for the selected proposals. Verify that personnel have sufficient training, experience, and guidance to develop the estimates in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the base direct labor rate estimates and escalation. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the estimators appropriately considered historical experience (e.g., trend analysis of actual direct labor rates by category). Verify that the estimators appropriately integrated information from other management systems (e.g., payroll system, IT). (DFARS 252.215-7002(d)(4)(ix, x & xi))</p>	
<p>4. Determine if adequate supervision occurred throughout the development of the estimated direct labor rates (e.g., signature on worksheet(s), documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the estimating policies and actual practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals that include direct labor rates that were subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The direct labor rate calculation method and presentation complied with the solicitation and the FAR.</p>	
<p>b. The proposed direct labor rates are consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi & viii))</p>	

MASTER AUDIT PROGRAM

E-01 Estimating Direct Labor Rates	WP Reference
c. Appropriate steps were taken to ensure that proposed direct labor rates are reasonable and otherwise compliant with FAR 31.205-6.	
d. Reasonable steps were taken to ensure direct labor rate categories comply with CAS 418, if applicable.	
6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
7. Discuss findings with the contractor.	
8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

F-01 Estimating Direct Labor Hours	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the direct labor hour estimates. Identify the personnel responsible for calculating the direct labor hour estimates. Verify that personnel have sufficient training, experience, and guidance to develop the estimates in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the proposed direct labor hours and skill mix. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the estimators appropriately considered historical experience (e.g., evidence of search for relevant history). Evaluate the rationale for any significant departures from relevant history. Verify that the estimators appropriately integrated information from other management systems (e.g., accounting system, labor system, IT). (DFARS 252.215-7002(d)(4)(ix & xi))</p>	
<p>4. Determine if adequate supervision occurred throughout the development of the estimated direct labor hours and skill mix (e.g., signature on worksheet(s), documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the estimating policies and actual practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals that include direct labor hours that were subjected to audit, summarize the reported exceptions.</p> <p>For the remaining proposals, determine if the policies and practices provide reasonable assurance that:</p> <p>a. estimating methods and presentations comply with the solicitation and the FAR.</p>	

MASTER AUDIT PROGRAM

F-01 Estimating Direct Labor Hours	WP Reference
<p>b. proposed direct labor hours are consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi & viii))</p>	
<p>c. If relevant historical hours were used, the estimating team takes reasonable steps to ensure historical direct labor hours were reliable (e.g., periodic internal labor audits/floorchecks) and uses appropriate analytical methods for arriving at the estimated hours (e.g., improvement curve). Verify that the contractor took reasonable steps to properly identify and remove nonrecurring activities. (DFARS 252.215-7002(d)(4)(x))</p>	
<p>d. If relevant history was not available, the estimating method was reasonably sound and, when appropriate, adequately supported by an internal comparison of past projections using the chosen method and actual results. (DFARS 252.215-7002(d)(4)(xiii))</p>	
<p>e. Sound rationale was used to estimate the proposed labor skill mix.</p>	
<p>6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.</p>	
<p>7. Discuss findings with the contractor.</p>	
<p>8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.</p>	

MASTER AUDIT PROGRAM

G-01 Estimating Using Standards	WP Reference
Version 13.4, dated Jun 2025	
1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the standards. Identify the personnel responsible for preparing the standards for the selected price proposals. Verify that personnel have sufficient training, experience, and guidance to develop the estimates in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))	
2. Review the basis of estimate and the overall description of the standard-setting process. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing and updating the standard cost estimates. (DFARS 252.215-7002(d)(4)(iv))	
3. Verify that the standards are based on relevant historical experience. Evaluate the rationale for any significant departures from relevant history. Verify that the estimators appropriately integrated information from other management systems (e.g., accounting system, IT). (DFARS 252.215-7002(d)(4)(ix & xi))	
4. Determine if adequate supervision occurred throughout the development of the standards (e.g., review signature on worksheet(s), documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))	

MASTER AUDIT PROGRAM

G-01 Estimating Using Standards	WP Reference
<p>5. Determine if the policies and actual practices for establishing and updating standards are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For those proposals in which the standards were subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The frequency and method by which standards are evaluated and updated result in reasonably accurate standards that are responsive to the solicitation and compliant with the FAR. [Refer to CAM B-102 in determining whether to request specialist assistance, and if needed, to formulate the questions to be addressed by the specialist.]</p>	
<p>b. (2) The proposed standards are consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi & viii))</p>	
<p>c. (3) The estimated variances and actual variances are periodically compared and differences appropriately analyzed. (DFARS 252.215-7002(d)(4)(x & xiii))</p>	
<p>d. (4) The standard inputs are reasonably uniform across government and commercial contracts. If not uniform, design procedures to evaluate if standard inputs predominately used on commercial contracts are artificially low (i.e., standards for labor tasks predominately used for commercial contracts create an inequitable variance that is shared by all contract types).</p>	
<p>e. (5) The proposed standards match the prevailing published standards.</p>	
<p>6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.</p>	
<p>7. Discuss findings with the contractor.</p>	
<p>8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.</p>	

MASTER AUDIT PROGRAM

I-01 Estimating Interdivisional Work Orders (IWO)	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the IWO estimate. Verify that personnel have sufficient training, experience, and guidance to ensure the IWO estimate is in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Verify that the proposal clearly identifies the proposed value as having been derived from an interdivisional entity and that it is clear that it is either based on cost or price. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Determine if the estimating policies and actual practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals where IWOs were subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The proposed IWO is consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi & viii))</p>	
<p>b. If the IWO was not based on cost, the requirements of FAR 31.205-26(e) were met (i.e., it is the established practice of the transferring organization to price inter-organizational transfers at other than cost, and the item being transferred qualifies for an exception to the certified cost or pricing data requirement in FAR 15.403-1(b)). If pricing is based on adequate price competition, verify that the contractor referenced the competitive bids, or provided them with the proposal. If pricing is not based on adequate competition, verify that the contractor referenced appropriate sales data (i.e., excluding unrelated companies and sales to government), or provided appropriate sales data with the proposal.</p>	
<p>c. If the IWO was based on cost, the proposal included a separate breakdown of the IWO cost elements in accordance with Table 15-2 at FAR 15.408.</p>	
<p>d. The contractor appropriately demonstrated that the decision to make the item rather than procure the item in the competitive market results in a fair and reasonable price (see FAR 15.407-2).</p>	

MASTER AUDIT PROGRAM

I-01 Estimating Interdivisional Work Orders (IWO)	WP Reference
4. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
5. Discuss findings with the contractor.	
6. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

M-01 Estimating Direct Material	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the direct material estimate. Identify the personnel responsible for preparing the proposed direct material for the selected price proposals as well as the make/buy committee, if applicable. Verify that personnel have sufficient training, experience, and guidance to ensure direct material is proposed in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the proposed direct material prices, kinds and quantities, as well as any significant additive factors (e.g., scrap, rework, spoilage). (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the estimators appropriately considered historical experience (e.g., historical vendor pricing, historical scrap, learning curves). Verify that estimators appropriately integrated information from other management systems (e.g., accounting system, IT). (DFARS 252.215-7002(d)(4)(ix, x, & xi))</p>	
<p>4. Determine if adequate supervision occurred throughout the development of the estimated direct material costs (e.g., signature on worksheet(s), documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the estimating practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals that include direct material was subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The estimating method and presentation complied with the solicitation.</p>	

MASTER AUDIT PROGRAM

M-01 Estimating Direct Material	WP Reference
b. The proposed direct material is consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi))	
c. The proposal included a consolidated BoM in accordance with Table 15-2 at FAR 15.408.	
d. The Bill of Material (BoM) includes only material that is required for contract performance and provides protection against omitted material (e.g., contractor compiled BoM directly from the set of completed management-approved engineering drawings, employee not involved in BoM compilation traced a sample or judgmental selection of entries on BoM to approved drawings, etc.). (DFARS 252.215-7002(d)(4)(viii))	
e. The estimated direct material is fair and reasonable. Select a sample or judgmental selection of significant direct material items and perform the following.	
i Evaluate the rationale for make/buy decisions using the criteria at FAR 15.407-2.	
ii Determine if that the contractor considered existing inventory supplies.	
iii Determine if that the contractor performed appropriate market research to discover the extent of competition.	
iv Verify quote solicitations were sent to an appropriate number of viable vendors to ensure adequate price competition. Verify that quote solicitations stated the proper quantity range based on the needs of the solicitation and other contracts requiring the item during the same time period.	
v Identify any quote solicitations for which no bid was received and verify that the contractor appropriately followed-up in order to maximize competition.	
vi Determine if that the contractor properly identified all purchases with the same vendor and attempted to attain best pricing through volume and quantity discounts.	
vii Verify that the contractor timely identified the need for certified cost or pricing data for purchases exceeding the TINA threshold or not meeting an exemption at FAR 15.403.	
viii Determine if that the contractor reflected known or reasonably anticipated price reductions in the estimate when the contractor attempted to negotiate a price reduction.	

MASTER AUDIT PROGRAM

M-01 Estimating Direct Material	WP Reference
ix Verify the contractor performed commercial determinations for assertions made at the prime level or of its subcontractor's/suppliers for commercial items (e.g., sales to commercial customers, commercial pricing).	
6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
7. Discuss findings with the contractor.	
8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

N-01 Estimating Indirect Expenses	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the budget and the indirect rates. Identify the personnel responsible for preparing the budget and rates for the selected price proposals. Verify that personnel have sufficient training, experience, and guidance to develop the estimates in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the description of the budget process and the basis of estimate in the selected price proposals. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the proposed indirect expenses. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the personnel responsible for budget development appropriately considered historical experience (e.g., yearly trend analysis). Evaluate the rationale for any significant departures from relevant history. Verify that the contractor's budget team appropriately integrated information from other management systems (e.g., accounting system, IT). (DFARS 252.215-7002(d)(4)(ix, x & xi))</p>	
<p>4. Determine if adequate supervision occurred throughout the development of the budget on which the indirect estimates were based as well as the indirect rate calculation process (e.g., documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the budget/estimating practices are sound and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals in which indirect expenses were subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The proposed indirect expenses are consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi))</p>	

MASTER AUDIT PROGRAM

N-01 Estimating Indirect Expenses	WP Reference
b. Reasonable steps were taken to properly account for anticipated unallowable expenses in the budget and that unallowable expenses were properly accounted for in the rate calculations. (FAR Part 31)	
c. Reasonable steps were taken to protect against expense duplication and omission. (DFARS 252.215-7002(d)(4)(viii))	
i. Verify that the budget was reviewed to identify possible double counting and omissions (e.g., side by side comparison of expense accounts with most recently completed fiscal period's actual expense accounts).	
ii. Verify that reasonable steps were taken to ensure that indirect rate calculations matched the current operating budget.	
iii. Inquire about the contractor's method for determining the completeness of the significant allocation bases. Evaluate any supporting documentation based on risk.	
6. If relevant historical expenses were used to develop the budget, determine if the budget team used appropriate analytical methods for arriving at budgeted amounts. Verify that historical non-recurring activities and associated expenses were properly identified and removed. (DFARS 252.215-7002(d)(4)(x))	
7. Evaluate the contractor's internal review/monitoring of the operating budget, including comparisons of projected results to actual results, and the analysis of any differences. Review internal monitoring documentation at a point in time prior to price proposal development, and evaluate the rationale and conclusions. Verify that the conclusions were timely reflected in the proposed indirect rates. (DFARS 252.215-7002(d)(4)(xiii)) [This step may be completed in conjunction with Z-01, Step 1]	
8. If there was an impending organizational change at the time of proposal development, verify that the impact of the organizational change was properly and timely reflected in the proposed indirect rates. (DFARS 252.215-7002(d)(4)(xiv))	
9. Verify that personnel periodically evaluate the appropriateness of the indirect rate compositions (see CAS 410/418, etc.).	
10. Verify that proposed out-year rates are supported by appropriate trend and/or budgetary data (See FAR 15.408.II.C).	

MASTER AUDIT PROGRAM

N-01 Estimating Indirect Expenses	WP Reference
11. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
12. Discuss findings with the contractor.	
13. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

O-01 Other Direct Costs (ODC)	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the ODC estimate. Identify the personnel responsible for preparing the proposed ODC for the selected price proposals as well as the make/buy committee, if applicable. Verify that personnel have sufficient training, experience, and guidance to ensure direct material is proposed in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the ODC. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the estimators appropriately considered historical experience and used appropriate analytical procedures. Verify that the estimators appropriately integrated information from other management systems (e.g., accounting system, IT). (DFARS 252.215-7002(d)(4)(ix, x, & xi))</p>	
<p>4. Determine if adequate supervision occurred throughout the development of the ODC estimate (e.g., signature on worksheet(s), documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the estimating practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals in which ODC was subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The estimating method and presentation complied with the solicitation and applicable FAR.</p>	
<p>b. The proposed ODCs are consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi & viii))</p>	

MASTER AUDIT PROGRAM

O-01 Other Direct Costs (ODC)	WP Reference
6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
7. Discuss findings with the contractor.	
8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

P-01 Estimating Using Cost Estimating Relationships (CER) or Parametric Estimating	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the CER. Identify the personnel responsible for preparing the proposed CER for the selected price proposals. Verify that personnel have sufficient training, experience, and guidance to ensure the CER is proposed in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the CER. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the CER is based on relevant historical experience. Evaluate the rationale for any significant departures from relevant history. Verify that the estimators appropriately integrated information from other management systems (e.g., accounting system, IT). (DFARS 252.215-7002(d)(4)(ix & xi))</p>	
<p>4. Determine if adequate supervision occurred throughout the development and application of the CER (e.g., signature on worksheet(s)). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the practices for establishing and updating the CER are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals in which estimates based on CERs were subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The frequency and method by which the CER is evaluated and updated will result in reasonably accurate estimates for prospective contracts.</p> <p>[Refer to CAM B-102 in determining whether to request specialist assistance, and if needed, to formulate the questions to be addressed by the specialist.]</p>	

MASTER AUDIT PROGRAM

P-01 Estimating Using Cost Estimating Relationships (CER) or Parametric Estimating	WP Reference
b. The proposed CER is consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi))	
c. A comparison of projections using the CER and the actual results is periodically performed. (DFARS 252.215-7002(d)(4)(xiii))	
d. The estimating team used appropriate analytical methods to arrive at the CER (e.g., regression with sound correlation). Verify that historical non-recurring activities were properly identified and removed. (DFARS 252.215-7002(d)(4)(x))	
e. Reasonable steps were taken to ensure that the CER calculation does not result in a duplication of direct or indirect estimated costs included elsewhere in the proposal. (DFARS 252.215-7002(d)(4)(viii))	
6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
7. Discuss findings with the contractor.	
8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

S-01 Estimating Subcontract Costs	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for evaluating, reviewing, and approving the proposed subcontract costs. Identify the personnel responsible for price analysis, cost analysis, subcontract price negotiation, as well as the final review and approval of the subcontract estimate. Verify that personnel have sufficient training, experience, and guidance to ensure that subcontract costs are proposed in accordance with the established procedures. Consider whether training includes a periodic refresher on FAR 15.403 requirements for providing certified cost or pricing data, as well as Table 15-2 under FAR 15.408. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the proposed subcontract cost. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Determine if adequate supervision occurred throughout the price analysis, cost analysis (if required), and negotiation process (e.g., signature on worksheet(s), documented guidance discussions). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>4. Determine if the subcontract estimating practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals in which proposed subcontracts were subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine if the policies and practices reasonably ensure that:</p> <p>a. The proposed subcontract costs are consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi & viii))</p>	
<p>b. Reasonable attempts were made to award the subcontract based on adequate price competition.</p>	
<p>c. The price analysis was clearly documented and conclusions were based on sound rationale. Where appropriate, the price analysis applied analytical methods and/or relied on historical experience, including historical vendor pricing information. (DFARS 252.215-7002(d)(4)(ix & x))</p>	

MASTER AUDIT PROGRAM

S-01 Estimating Subcontract Costs	WP Reference
d. Cost analysis was clearly documented and conclusions were based on sound rationale. Determine if the evaluation method is structured to promote consistent application of estimating techniques. Verify that the contractor properly evaluated subcontractor proposed profit and that profit was reduced proportionate to any identified questioned costs. (DFARS 252.215-7002(d)(4)(vi))	
e. The price analysis and cost analysis was submitted with the proposal. If not, identify the contractor's pattern of accomplishment and the underlying reasons for not including the analyses with its proposals. (DFARS 252.215-7002(d)(4)(xv))	
f. The estimate reflected any known or reasonably anticipated price reduction due to continued negotiations with the subcontractor.	
5. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
6. Discuss findings with the contractor.	
7. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

T-01 Estimating Cost of Money (COM)	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Review and evaluate the assignment of responsibility for preparing, reviewing, and approving the proposed COM. Identify the personnel responsible for preparing the proposed COM for the selected price proposals. Verify that personnel have sufficient training, experience, and guidance to ensure the COM is proposed in accordance with the established procedures. (DFARS 252.215-7002(d)(4)(i, ii & iii))</p>	
<p>2. Review the basis of estimate in the price proposal. Determine if the description sufficiently identifies and documents the sources of data and the estimating methods and rationale used in developing the proposed COM. (DFARS 252.215-7002(d)(4)(iv))</p>	
<p>3. Verify that the personnel responsible for preparing the proposed COM appropriately considered historical experience (e.g., comparison to prior period actual COM factors). Verify that the estimating team appropriately integrated information from other management systems (e.g., accounting system, IT). (DFARS 252.215-7002(d)(4)(ix & xi))</p>	
<p>4. Determine if adequate supervision occurred during the preparation of the proposed COM factors (e.g., signature on worksheet(s), signature on CASB-CMF). Determine if errors were timely detected and corrected. If no errors were identified, determine whether errors would likely have been detected considering the extent of supervision and management review. (DFARS 252.215-7002(d)(4)(v & vii))</p>	
<p>5. Determine if the estimating practices are sound and are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price. (DFARS 252.215-7002(d)(4)(xvi & xvii))</p> <p>For proposals in which COM was subjected to audit, summarize the reported exceptions resulting from unsound estimating policies and/or practices.</p> <p>For the remaining proposals, determine that the policies and practices reasonably ensure that:</p> <p>a. The proposed COM is consistent with established/disclosed practices (CAS 401/CAS 402/FAR 31.202 and 31.203(a)). (DFARS 252.215-7002(d)(4)(vi))</p>	

MASTER AUDIT PROGRAM

T-01 Estimating Cost of Money (COM)	WP Reference
b. Steps were taken to ensure the proposed COM factors and bases were consistent with the CASB-CMF submission and that costs were properly classified for arriving at a profit objective via the Weighted Guidelines method.	
c. Steps were taken to protect against expense duplication and omission (e.g., employee(s) not involved in COM calculation performed reconciliation of selected amounts on CASB-CMB to budgetary amounts and general ledger recordings, as appropriate). (DFARS 252.215-7002(d)(4)(viii))	
d. Steps were taken to ensure that key data on the CASB-CMF were current and accurate, including the interest rate, net book values, and allocation bases.	
6. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
7. Discuss findings with the contractor.	
8. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

Z-01 Proposal Updates	WP Reference
Version 13.4, dated Jun 2025	
1. For proposals selected that have been negotiated, verify that significant estimates in the sampled or judgmentally selected proposals were based on a set of data and assumptions reasonably current given the date of actual negotiations. If not current, verify that the contractor provided an update to the Contracting Officer prior to concluding negotiations. (DFARS 252.215-7002(d)(4)(xiv))	
2. Determine and document the reliability of the information the audit team will use to reach their conclusions in this section.	
3. Discuss findings with the contractor.	
4. Document the audit evaluation and conclusions. Discuss with the audit team and obtain supervisory approval.	

MASTER AUDIT PROGRAM

A-1 Concluding Steps	WP Reference
Version 13.4, dated Jun 2025	
<p>1. Team discussion. Hold a meeting with the audit team (e.g., RAM, Manager, Supervisor, Technical Specialists and Auditors) and discuss non-compliances with the DFARS criteria identified in the audit, the impact (or potential impact) of the non-compliances, and whether non-compliances are:</p> <ul style="list-style-type: none"> a. Material Weaknesses, b. System Deficiencies, or c. Less than Material Non-compliances that Warrant the Attention of those Charged with Governance (contractor and contracting officer). <p>Determine the audit opinion.</p> <p><i>Note: When the audit procedures only identify system deficiencies, assess if the system deficiencies in aggregate represent a material weakness.</i></p>	
<p>2. Summarize results and draft the audit report. Include all material weaknesses and system deficiencies in the exhibits in the audit report.</p> <p>Also include deficiencies reported in business system deficiency reports that were issued under a separate assignment number during the course of the audit. <i>(Note the business system deficiency report number, date of the report and the status of the deficiencies in the condition statement.)</i></p> <p>Less than Material Non-compliances that Warrant the Attention of the those Charged with Governance (contractor and contracting officer) should be communicated in writing to those charged with governance (contractor and contracting officer) to obtain the contractor's response and included in the Appendix.</p>	
3. Obtain supervisory review of the working papers and draft the audit report.	
4. After obtaining DCAA management approval, conduct a final exit conference with the contractor to summarize the results of audit. Confirm previously provided responses to non-compliances are still accurate and request the contractor to provide any updates for inclusion in the report. Invite the contracting officer.	
5. Finalize the audit report and incorporate the contractor's reaction and auditor's response.	
6. Prepare any required audit lead sheets and submit to supervisor for approval. Update permanent files.	
7. If significant instances of CAS non-compliances are identified, coordinate and discuss with supervisory auditor and report under activity code 19200 in accordance with Agency guidance.	