



[REDACTED]
DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
[REDACTED]

IN REPLY REFER TO

[REDACTED]

[REDACTED]

SUBJECT: DCAA Formal Request for Information on [REDACTED]
Control Environment for [REDACTED]

Dear [REDACTED],

As discussed on [REDACTED], we are providing our formal request for information regarding [REDACTED] Control Environment. Obtaining an understanding of the management control environment at every major contractor is an essential part of our annual audit plan.

This request for information is based on the DCAA Internal Control Matrix identifying the key internal controls required for assessment of the Control Environment. We have categorized our request for data as listed in the matrix. The list below is based on a reduced scope and limited to [REDACTED] control environment for Contractor Fiscal Year (FY) [REDACTED].

We ask that the information identified in each item below be consolidated and presented to us for discussion and sampling at a meeting, at a time and place of your choice, within the next two weeks. The information in this letter will need to be provided annually during the first quarter of each year. For this reason we suggest you keep this information current and up to date on an ongoing basis.

INTEGRITY AND ETHICAL VALUES

1. We are required to evaluate [REDACTED] policies, procedures, training, and compliance with policies and procedures related to conveying integrity and ethical values.

Our examination of [REDACTED] Integrity and Ethical Values will consist of the following:

a. Verifying the existence of [REDACTED] written codes of conduct/ethics. We will selectively test the codes of conduct to determine if they adequately cover expected standards of

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conduct affecting significant internal and external business and employee relationships. Please provide most recent codes of conduct/ethics for our discussions.

- b. Verifying that policies and procedures provide for an ethics training program for all employees. We will selectively test this control by evaluating completed training records for the last 12 months in accordance with FAR 52.203-13(c)(1). Therefore, please provide a list of ethics training provided its employees during the last 12 months, agendas for the training provided, and a list of employees who attended the training.
 - c. Verifying that the written codes of conduct (i) are periodically communicated to all employees, (ii) are formally acknowledged, and (iii) cite consequences for violations. We will selectively test this control by evaluating records of the acknowledged communications and documentation of management actions related to monitoring compliance as well as actions related to violations that have occurred within the last 12 months. Please provide most current written code of conduct; the policies/procedures related to communication, acknowledgement, and consequences for violating the code; a list of employees who acknowledged receipt of the code during the past 12 months.
 - d. Verifying that performs periodic reviews of the company business practices, procedures, and internal controls for compliance with standards of conduct as stated in FAR 52.203-13(c)(2)(ii)(C) and provides appropriate disclosure to the government of information needed to fulfill its responsibilities. We define adequate disclosure as disclosure to DCAA and the ACO of all findings that significantly impact government contracts within 5-10 days of identification; disclosure of the corrective actions in process or planned by the company; and disclosure of adjustments to government contract costs and improvements to underlying business systems. Please provide a list of violations to the code of conduct/ethics which occurred in the past 12 months.
2. We will evaluate self-governance activities, as well as the reporting to and cooperation with the Government.

Our examination of self-governance activities will consist of the following procedures:

- a. Verifying that has a system to identify/report noncompliances with codes of conduct and pursue corrective actions. should have a mechanism, such as a hotline, by which employees may report suspected instances of improper conduct in accordance with FAR 52.203-13(c)(2)(ii)(D). Please provide documentation of mechanism (e.g. hotline program, ombudsman program, etc.) for employees' use in identifying and reporting noncompliances. Further, provide a list of reported noncompliances during the past 12 months.

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- b. We will determine the extent to which [REDACTED] participates in self-governance programs, such as Coordinated Audit Planning, Defense Industry Initiative, DoD Hotlines, or any procedure for reporting suspected irregularities. Please provide [REDACTED] policies/procedures related to self-governance programs, specifically identifying the nature and extent of the programs.
 - c. Verifying [REDACTED] reporting to Government officials. We will review [REDACTED] policies and procedures and determine if they provide for timely reporting to appropriate Government officials of any suspected violation of law in connection with Government contracts or any other irregularities in connection with such contracts in accordance with FAR 52.203-13(b)(3) and FAR 52.203-13(c)(2)(ii)(F). Please provide [REDACTED] policies/procedures detailing the steps for timely reporting to appropriate Government officials of any suspected violation of law in connection with Government contracts.
 - d. Verifying that [REDACTED] policies and procedures provide for cooperation with any Government agencies responsible for an investigation involving any suspected violation of law per FAR 52.203-13(c)(2)(ii)(G). Please provide us with a company-wide list of any current open investigations.
 - e. Verifying that [REDACTED] has properly displayed the DoD Hotline Poster prepared by the DoD Office of the Inspector General in accordance with FAR 52.203-14. Provide a list of areas in which the DoD Hotline Poster is placed within [REDACTED] facilities (please specify contractor site/locations).
3. We will evaluate [REDACTED] management intervention and/or overrides.

Our examination of [REDACTED] management intervention and/or overrides will consist of the following:

- a. We will determine whether [REDACTED] policies and procedures address the situations and frequency of management intervention, require documentation and approval of intervention, and the strict prohibition of any management overrides. Please provide [REDACTED] policies and procedures related to management intervention, the required documentation and approval of intervention, and required documentation of the intervention. Please provide a listing of labor and material transfers for the last 12 months.
 - b. We will selectively evaluate documentation of management interventions or overrides and assess compliance with [REDACTED] policies and procedures.
4. We will evaluate [REDACTED] internal and external audit functions and efforts related to its current accounting system.

Our examination of [REDACTED] internal and external audit functions will consist of the following:

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- a. We will determine whether [REDACTED] system of management controls provides for internal and/or external audits. Please provide a listing showing all of the management reviews and internal audits conducted in the last 12 months.
 - b. Provide us with the external CPA's report of material weaknesses of internal controls and/or management letter for the most recently audited year.
 - I. If there were any identified weaknesses of internal control, demonstrate that the appropriate corrective action has been taken to correct the item.
 - II. We require documentation to verify that the external CPA does not provide accounting services to [REDACTED].
5. We will review [REDACTED] annual report (or 10K report) for SEC registrants for an internal control report, if applicable. Please provide a copy of the annual report and internal control report and brief us on significant disclosures/issues that impact or could possibly impact government contracts/costs. The internal control report should include an assessment of the effectiveness of the internal control structure and procedures for financial reporting and the independent auditor must attest to and report on the [REDACTED] assessment.
- a. If applicable, we will determine whether [REDACTED] has taken corrective actions in response to any identified internal control weaknesses.

ADVANCE AGREEMENTS

6. Please provide the policy and procedure for ensuring compliance with and for periodically reviewing advance agreements.
7. Provide a listing of all current advance agreements between [REDACTED] and the government. The listing should identify the agreement number (if applicable), subject, applicability, effective date, and duration (reference FAR 31.109(b)).

Should you have any questions about the information requested, please feel free to call
[REDACTED]