

Good morning, Chairwoman Hartzler, Ranking Member Moulton, and committee members. I am John Panetta and have worked in Government contracting in various roles for 37 years. I have provided a copy of my bio in the attachments to this testimony to further elaborate on my experience. I currently work as the Senior Director of Government Accounting at Raytheon Company in Waltham, Massachusetts, but am here today on behalf of Financial Executives International's Committee on Government Business (FEI-CGB).

The CGB appreciates the invitation and opportunity to speak today on the topics of defense contract auditing, including the pace and schedule of audits, costs, and Defense Contract Audit Agency (DCAA) standards and processes.

FEI is a professional association representing the interests of approximately 10,000 individual chief financial officers, treasurers, controllers, tax directors, and other senior financial executives from over 5,700 major companies throughout the United States and Canada. FEI represents both the providers and users of financial information. CGB formulates policy opinions on government contracting issues for FEI in line with the views of the membership. I am here today representing the views of the CGB.

Background

The issues surrounding defense contract auditing have been a matter of concern and discussion both in the private sector and the Government for several years. We have been pleased to see a number of recent initiatives implemented to address issues with respect to the timeliness of DCAA's incurred cost audits and the increasing backlog of contracts awaiting close out. Specifically, the CGB believes that the language in Section 836 of the Fiscal Year (FY) 2017 National Defense Authorization Act (NDAA) that permits close out of contracts awarded prior to FY 2000 without completion of a reconciliation audit as well as the instruction in Section 820 section f for DoD to accept the results of independent outside auditors without performing additional audit procedures were steps in the right direction. However, to achieve any meaningful reduction in the backlog of contracts awaiting close out not affected by that

legislation, significant improvements must be made to the acquisition audit and contract administration process. For example, contractors want incurred cost proposals to be audited in a timely fashion upon submission to enable the determination of final indirect cost rates “*as promptly as practical*” as is required under current contract clauses and Federal Acquisition Regulations (FAR) [FAR 52.216-7(d)((2)(ii)]. While direct contract costs are billed as incurred, Contracting Officers (COs) most often will decrement indirect cost billing rates (e.g., overhead and G&A rates) so full reimbursement of these costs will not occur until audits are completed, rates are finalized and contracts are closed. Not only does this situation impact contractor cash flow for years, it generates non value added administrative cost and inefficiency in the acquisition system (i.e. continued maintenance of old systems, records, and documentation needed for untimely audits and the final negotiation of rates).

In many cases, congressionally appropriated funds assigned to specific contracts expire waiting for final rate settlements. As such, the service branch then is required to request the use of current year funds appropriated for ongoing missions to pay prior period costs. If DCAA continues to lag behind this is something that will need to be addressed.

Audit validated incurred costs and indirect rates play an important part in establishing agreed to bidding rates used in negotiating follow-on and new contracts. The absence of recent years’ finalized rates causes the Government and contractors to expend more resources (administrative and bid and proposal support costs) in executing contracts. This in turn slows down the delivery of goods and services to the warfighter.

The CGB believes reducing the audit backlog of incurred cost rates and contracts awaiting close out will require implementation of efficient audit management practices focused on risk mitigation and materiality. At the same time, the acquisition community requires a cultural change in how the success of an audit and oversight is measured to effect real and beneficial change.

How Did We Get Here?

Due to a series of reports from the Government Accountability Office (GAO) and DoD Inspector General (DODIG), critical of DCAA's audit practices and adherence to professional standards, it resulted in negative repercussions for the acquisition community.

As a result, we observed DCAA changing its focus almost exclusively to performance of "quality" audits by "independent" auditors. There were additional internal DCAA management reviews of audits prior to their publication. DCAA also stood up an enhanced internal quality organization to review audits and practices, among other things. From our perspective, DCAA had difficulty determining how to measure audit quality. How much testing was needed and how much documentation was required for the audit to be "perfect"? The standards of quality seemed to be constantly changing and auditors often didn't know what was expected. They started an audit using one audit program, but before completing the assignment, a revised audit program would be issued causing audits to be sent back for rework. Working grade auditors (many of whom needed additional training and oversight) were increasingly empowered at this time while managers were correspondingly hindered in their efforts to supervise staff so that individual auditors would not be "stifled" from reporting "findings" that they perceived to be issues. Any semblance of considerations for materiality vanished from within the agency.

Audit time and budgets became seemingly unlimited, due dates virtually disappeared, and basic program/schedule management practices were abandoned. Coupled with the constantly changing quality standards, very few incurred cost audit reports were issued and the backlog grew to the unmanageable level that we are faced with today¹. Any reports that were issued were generally incredibly long and packed with minutia.

At the same time that DCAA was experiencing its audit performance difficulties, the FAR Council (at DCAA's urging) expanded the definition of an adequate incurred cost submission in the Allowable Cost and Payment Clause (FAR 52.216-7(d)) by identifying a list of 15 mandatory schedules and 15 supplemental data elements required for audit². Even though many of the schedules were not relevant to the review of the indirect rates, DCAA used the FAR change as

¹ Reference DCAA's most recent report to Congress page 7- http://www.dcaa.mil/DCAA_FY2015_Report_to_Congress.pdf

² See Attachment listing 30 items added to regulation.

a justification to retroactively reject contractors' previously submitted and accepted incurred cost proposals. This action served to further delay the settlement of final rates by causing contractors to needlessly create complicated informational schedules.

The use of multi-year audit techniques has helped, however we are not where we need to be. Not only does more work need to be done in this area, contractor resources have been strained supporting these multi-year audits and that is not a sustainable model over the long run.

Implementing Efficient Audit Management Practices

Understanding how the incurred cost proposal backlog grew to the level it is today isn't merely interesting historical information; it's the key to understanding how DCAA must change its approach to auditing and its philosophy of risk avoidance to one of risk management in order to succeed. Risk management is the foundation for implementation of an efficient audit or any oversight management process. Simply stated, risk management is the identification, assessment, and prioritization of risks, followed by the coordinated and economical application of resources to minimize the impact of those risks. A perfectly documented audit that validates every dollar claimed but takes years to complete has no value to the acquisition community. For audit advice to be useable, to have value and meaning, it must be available at the time decisions are being made.

Risk management is not a new concept. In fact, under the regulations outlining Performance Standards in the FAR (FAR 1.102-2(c)(2)) it states:

“To achieve efficient operations, the System must shift its focus from ‘risk avoidance’ to one of ‘risk management’. The cost to the taxpayer of attempting to eliminate all risk is prohibitive. The Executive Branch will accept and manage the risk associated with empowering local procurement officials to take independent action based on their professional judgment.”

For assistance in implementing this process, DCAA only needs to look as far as the established practices of public accounting firms, in accordance with the American Institute of CPAs (AICPA)

rules and oversight by the PCAOB (Public Company Accounting Oversight Board of the SEC) and incorporate the critical considerations of:

Materiality Thresholds – Establishment of quantitative levels of what will vs. will not affect the decisions of the users of the information. In this case, the Defense Contract Management Agency (DCMA) COs are tasked with the individual responsibility of settling final indirect rates.

Mitigation – Consider the specific measures designed to reduce the extent of exposure to a risk by reducing the severity of consequences or reducing the probability of the risk’s occurrence. Today’s integrated financial systems are designed with key controls that are tested/validated to meet the company’s audits of Sarbanes-Oxley Act (SOX) requirements and for Securities Exchange Commission (SEC) financial reporting audits for annual financial statements. Given these evaluations, the Government must consider the probability of certain types of irregularities occurring (e.g. phantom employees generating phantom costs or the depreciation of fictitious assets) and limit audit scope accordingly.

Work of Others – The Public Company Accounting Oversight Board (PCAOB) has recommended that external auditors “*rely on the work of others*” to reduce the costs of compliance with Section 404 of the Sarbanes-Oxley Act. The concept of reliance on the work of others is relevant within Government auditing. The GAO’s Government Auditing Standards (i.e., Yellow Book) state that determinations should be made whether other auditors have conducted, or are conducting, audits that could be “relevant” to the current audit objectives. It also includes guidance on procedures that may be performed to use the work, thereby avoiding duplication of efforts (and expense).

Unfortunately, DCAA’s practices and guidance within its Contract Audit Manual³ restrict the parameters for reliance. It is only when the other party performed exactly the same audit steps planned by the individual DCAA auditor can the results of the other audit work be accepted or relied upon. DCAA’s guidance further mandates that before reliance is placed on the other audit work, the DCAA must review the other organizations’ audit programs, working papers, tests of

³ Link to DCAA’s Contract Audit Manual (CAM) <http://www.dcaa.mil/cam.html>

compliance and conclusions reached, including performing its own tests of the documentary evidence contained in the other parties' working papers.

These practices and guidance actually prevent the synergies that generally accepted government auditing standards envision. DCAA's excessive implementation and ground rules for "reliance on the work of others" results in the performance of non-value added, redundant steps during incurred cost and other DCAA audits. DCAA asserts that its purpose for evaluating an incurred cost proposal is not identical to that of the external auditor's evaluation of a company's financial statements; therefore the audit steps performed will rarely be exactly the same. That does not diminish the fact that the external auditors performed sufficient testing to obtain reasonable assurance that the financial statements were free of material misstatement due to error or fraud.

Even when the audit steps performed by the external auditors are different than those planned by DCAA, they relate to the same type of risk within the same accounting system under review by DCAA and, thus, clearly serve to mitigate risk exposure. Audit steps such as validation of employee existence, proof of payment, and systemic testing are all re-performed by the DCAA.

Firmly Established Due Dates – Efficient audit management is particularly consequential for DCAA. Today, performing and supporting DCAA contract audits requires significant investment of both Government and contractor resources.

Due to the age of the incurred cost proposals both under audit and still awaiting audit, contractors are forced to maintain discontinued business systems and store records that are no longer in use. As time passes, individuals who were most knowledgeable of the systems, practices and transactions under review often have left the company. This is also true for the responsible Government auditors and COs. New individuals must conduct research, including retrieving files from off-site storage facilities, to obtain an understanding of the issues at hand before responding to audit inquiries, all of which makes the task of supporting audits more difficult, time consuming and costly. Only through the establishment of a risk-based, time-phased audit process with a firm schedule, milestones and due dates will it be possible for DCAA to be successful addressing the current backlog and preventing a reoccurrence as well.

Implementation of efficient audit management practices cannot be solely focused on timely completion of the old incurred cost proposals. It should be based on DCAA performing audit activities on a concurrent basis throughout the year.

DCAA's Mandatory Annual Audit Requirements (MAARs) recognize that certain basic core audit steps must be accomplished on a real-time basis to be efficient and effective. Unfortunately, in recent years DCAA has moved away from these fundamentals. A good example is DCAA's annual labor floor checks or interviews to test the reliability of employee time reporting records. Think how difficult it is years later to attempt to speak to an employee who is now no longer with the company. Even when an employee is still with the company, DCAA auditor interviews address work activities performed five years earlier are not very effective. The same is true for the evaluation of purchased materials to determine if they were properly ordered, received, and used in the delivered product. How do you demonstrate to an auditor that the consumable items received several years ago existed in the long since delivered and deployed products that have perhaps already been used by our warfighters? When DCAA fails to perform these types of routine evaluations on a real-time basis, considerable resources are wasted during the subsequent incurred cost audits.

DCAA attempts to create the basis of a "quality" audit using alternative procedures to compensate for the lost opportunity of having not performed the necessary concurrent steps. All of this leads to unreasonable and unnecessary levels of "assurance" by DCAA (i.e. selecting inflated sample sizes). Additionally, DCAA establishes expectations that contractors will retain extensive non-financial supporting data such as resumes, detailed job descriptions, acquisition approvals, and statements of work, to support their alternative steps, adding to Contractors' cost to support these untimely audits.

Another frustrating situation for contractors is DCAA's interpretation of the regulatory records retention requirements (FAR 4.703). The FAR outlines the time periods that contractors must retain books and records (e.g., financial and cost accounting records, documents, accounting procedures, and other supporting data) to satisfy contract negotiation, administration and audit

requirements. Different types of records have different retention periods. However, FAR 4.703(c) clearly states that:

“Nothing in this section shall be construed to preclude a contractor from duplicating or storing original records in electronic form unless they contain significant information not shown on the record copy. Original records need not be maintained or produced in an audit if the contractor or subcontractor provides photographic or electronic images of the original records...”

That section of FAR includes the requirement that the contractor/subcontractor have established procedures to ensure the imaging process preserves accurate images of the original records and that an effective indexing system is maintained to permit timely access to the imaged records. FAR further instructs that contractors/subcontractors must retain the original records for one year after imaging to permit periodic validation of the imaging systems.

In today’s environment, not only are records such as receipts and invoices routinely imaged, they often only exist in an electronic format (e.g., e-receipts and e-invoices). DCAA’s guidance instructs auditors to perform necessary tests of the records imaging process in the current year covering the prior 12-month period so that reliance may be placed on the electronic records.

Given the nature of today’s business environment and e-commerce, CGB doesn’t understand why this is even considered a risk or something that should be subject to an audit.

Nevertheless, since DCAA has not uniformly performed (and continues to not perform) these real-time reviews at many contractor locations, it now directs its auditors to request contractors to provide the original documents as part of the audit of the old incurred costs proposals. While the rest of the economy is moving to “the Cloud”, DCAA is asking for the paper.

If a contractor has preserved some or all of the originals, regardless of whether these documents are past the FAR prescribed retention periods, DCAA insists that the documents be provided so that it may test to the scanned images as part of the current audit. If a contractor refuses to

provide the originals, DCAA deems such refusal “a denial of access to records” with the potential undesirable consequences (DODIG subpoenas) that may follow.

If the contractor did not preserve the original documents past the one year period required by FAR, DCAA auditors are instructed to review the DCAA permanent files for risk factors and if no obvious risk is identified, then complete the audit with the scanned images and, at a minimum, qualify the report.

If DCAA truly believes that there is significant risk of contractors manipulating or falsifying source records (even after those contractors have completed extensive CPA/SOX audits), then it should perform real-time evaluations so that any issues may be raised, discussed, and resolved while all relevant data and information are readily available.

Considering the amount of effort DCAA and Contractors invest in performing image audits, from a risk and common sense perspective, CGB believes the Government should consider not performing scanned image audits at Contractors that are subject to the Sarbanes-Oxley Act or similar oversight rules (i.e. U.K. fraud laws).

Measurement of a Successful Audit

For the contract auditing process to truly improve, Government Audit and Contract Administration functions will need to reassess and change what constitutes a successful audit. If DCAA’s annual report to Congress is the guide, the measure of success is the dollar value of costs questioned in relation to the costs to perform the audits. This is a misleading metric because it does not reflect the reality that only a small percentage of DCAA questioned costs are determined by COs as legitimate findings during negotiations with contractors. This can be seen by examining DCMA negotiation results at individual contractors. It also works against a fundamental rule of auditor independence which is audit fees cannot be based on the outcome of an audit engagement. Measuring the success of an audit engagement by the dollar value of findings motivates auditors to “find” or manufacture problems.

There are numerous instances, some of which have been the subject of recent court decisions that serve as clear examples of audit reports with significant “findings” that the courts have soundly rejected. For example, the Armed Services Board of Contract Appeals ([ASBCA Cases #59508 & 59509](#), dated December 20, 2016) overturned a CO final decisions that the contractor owed the government \$116,789,631. In that case, the Board ruled that the CO had gone forward with a claim of over \$100 million against a contractor based on “*a plainly invalid legal theory*” “*originated by an auditor*” (DCAA).

In another recent example, a contractor was driven to seek relief in court for a \$53 million Government demand for payment that stemmed from a DCAA auditor’s creative application of statute and regulations ([ASBCA #56701, dated March 31, 2011](#)). In that decision the Judge “*found no merit*” in the DCAA arguments and went on to state “*...the Government (DCAA) arguments appear to be addressed to the wisdom and policy of the statute and regulation. Our role, however, is to apply the statute and regulations and not determine whether some other approach would be better.*” These examples support the CGB’s concern that the current measure of the success of an audit by the dollar value of its findings is incentivizing DCAA to maximize questioned costs, instead of performing an impartial evaluation of compliance with regulations that reflect current policy requirements established through statute.

There are a series of ASBCA cases addressing DCAA audits of employer compensation practices that present further examples where DCAA persists in reporting questioned costs even after the court determined that “*the methodology used by DCAA was fatally flawed statistically and therefore unreasonable*” ([ASBCA 56105 & 56322, dated January 18, 2012](#)) and that the analyses performed to support its conclusions were “*misleading,*” “*unproven,*” and “*highly questionable,*” ([ASBCA Nos. 56624, 56751 & 56752, dated June 4, 2012](#)).

There are many more examples outside of the published court and Board decisions where audit findings worth millions of dollars are resolved after protracted legal intercession that could have been avoided if the DCAA audits had been performed as part of a properly executed, unbiased, risk management framework.

CGB understands that contractors will make errors that will be discovered during audits and valid differences of opinion on FAR and Cost Accounting Standards (CAS) requirements will need to be addressed as part of the process. However, more and more, the routine “findings” that appear in DCAA’s audit reports are identified as “unsupported” costs or a “noncompliance” with FAR documentation requirements. DCAA views costs as “unsupported” when contractors cannot locate exactly the precise type or volume of corroborating evidence the auditor wants. The alleged “noncompliance” with FAR cost principles evolves from DCAA’s expansive and unwarranted interpretation of the documentation required for a given type of expense. In CGB’s experience, there is little motivation or effort by DCAA to objectively assess if the documentation or evidence that has been provided is sufficient or appropriate to provide reasonable assurance supporting the claimed cost. Instead, sweeping judgments are made and entire categories of expense are questioned, which ultimately shifts the burden on evaluating the allowability and reasonableness of the expense to the responsible CO or to the Courts for resolution.

The success of an audit is more appropriately judged by whether the audit is provided in a timely manner, in conformance with professional standards, and meets the needs of the requestor, namely the CO.

FAR Part 42, Contract Administration and Audit Services, Subpart 42.1 Contract Audit Services, makes it clear that the auditor is responsible for: *“Submitting information and advice to the requesting activity, based on the auditor’s analysis of the contractor’s financial and accounting records or other related data as to the acceptability of the contractor’s incurred and estimated costs”*. This is an important role within the acquisition process, but not one that usurps the vested authority of the warranted COs, nor one that can be allowed to hinder the requirement of finalizing rates and closing out contracts.

CGB members have had experience with representatives from DCAA inhibiting CO attempts to reach fair settlements on cost issues and indirect rates, including escalation by multiple appeals through the DCMA chain of command and unwarranted referrals to the DODIG Hotline. Unfortunately, as the examples above demonstrate, this can lead to situations where resolution is protracted for many years and finally wind up in court. It is unclear whether these situations

result from DCAA's overly conservative interpretations, a policy of risk avoidance, or an ill-founded attempt to fulfill its mission statement of performing as "*dedicated stewards of taxpayer dollars.*"

What is very clear is that to fulfill its role as a key member of the Government acquisition team, ensuring that warfighters get what they need at fair and reasonable prices, DCAA has to embrace efficient time-bounded audit management practices in line with those of other oversight organizations (i.e. CPA firms) and reevaluate its measurement of success.

Conclusion

For the reasons outlined above, CGB recommends that direction and training be provided to DCAA to adopt the materiality and risk management practices common to the public accounting profession.

CGB supports initiatives to utilize independent public accounting firms to supplement performance of contract audit requirements, as is currently being done in other Government agencies (e.g., NASA and DOE). These public accounting firms can assist in the elimination of the significant backlog of open incurred cost proposals and ensure that the Government is able to remain current in their required audit activities. CGB also believes that use of independent public accounting firms for the evaluation of contractor business systems will introduce additional efficiencies into the acquisition process and provide an alternative for contractors and Contracting Officers who are currently awaiting DCAA audits.

Furthermore, CGB believes that the introduction of competition to perform audit services regarding Government contract costs will serve as a catalyst to motivate DCAA to evolve from a culture of "risk avoidance" to one of "risk management" so that DCAA can fulfill its role as a member of the acquisition team.

These approaches, in concert with other recent legislative policies designed to streamline and increase the efficiency and effectiveness of the acquisition process, should serve to increase

understanding, reduce administrative operating costs and remove barriers and the unfavorable perceptions with respect to entry into US Government contracting markets.

Thank you for the opportunity to speak with you today and I look forward to answering any questions you may have.

Raytheon

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Biography

John Panetta is the Senior Director of Government Accounting for Raytheon Company. In this role he is responsible for company interactions with the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA) on matters of financial compliance with the Cost Accounting Standards (CAS) and the Federal Acquisition Regulations (FAR Parts 30 & 31).

Raytheon Company (NYSE: RTN), with 2016 sales of \$24 billion, is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. With headquarters in Waltham, Mass., Raytheon employs approximately 63,000 people worldwide.

John started with Raytheon Company in 1980 as part of the Financial Management Development Program (FMDP). Over the ensuing years he has held a variety of positions with increasing responsibility as part of the Raytheon Company finance organization.

Previous positions held by John at Raytheon Company include; Deputy Director of Raytheon Company Government Accounting 2005-2008, Manager of Business Governance Raytheon Integrated Defense Systems 2000-2005, Manager of Financial Planning & Analysis at Raytheon Engineers & Constructors (RE&C) 1999, Manager of Budgets & Government Accounting at RE&C 1994-1999, Budgets and Planning at Raytheon Missile Systems Laboratories 1986-1993, Raytheon Internal Audit 1982-1986, FMDP 1980-1982.

John is a member of the Aerospace Industries Association Cost Principles Committee (AIA-CPC Chair 2010, Vice Chair 2009). Additionally he sits on the Financial Executives International Committee on Government Business (FEI-CGB Chairman 2013, Vice Chair 2011) and is currently serving on the National board of directors as Secretary for the Financial Executives International (FEI).

John has a bachelor's degree from Babson College (Wellesley, Massachusetts) where he graduated in 1980 as an accounting major with honors.

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The text below was added to the Federal Acquisition Regulation contract clause (52.216-7) for the submission of final indirect rates by contractors by the DCAA in May of 2011.

“(iii) An adequate indirect cost rate proposal shall include the following data unless otherwise specified by the cognizant Federal agency official:

(A) Summary of all claimed indirect expense rates, including pool, base, and calculated indirect rate.

(B) General and Administrative expenses (final indirect cost pool). Schedule of claimed expenses by element of cost as identified in accounting records (Chart of Accounts).

(C) Overhead expenses (final indirect cost pool). Schedule of claimed expenses by element of cost as identified in accounting records (Chart of Accounts) for each final indirect cost pool.

(D) Occupancy expenses (intermediate indirect cost pool). Schedule of claimed expenses by element of cost as identified in accounting records (Chart of Accounts) and expense reallocation to final indirect cost pools.

(E) Claimed allocation bases, by element of cost, used to distribute indirect costs.

(F) Facilities capital cost of money factors computation.

(G) Reconciliation of books of account (i.e., General Ledger) and claimed direct costs by major cost element.

(H) Schedule of direct costs by contract and subcontract and indirect expense applied at claimed rates, as well as a subsidiary schedule of Government participation percentages in each of the allocation base amounts.

(I) Schedule of cumulative direct and indirect costs claimed and billed by contract and subcontract.

(J) Subcontract information. Listing of subcontracts awarded to companies for which the contractor is the prime or upper-tier contractor (include prime and subcontract numbers; subcontract value and award type; amount claimed during the fiscal year; and the subcontractor name, address, and point of contact information).

(K) Summary of each time-and-materials and labor-hour contract information, including labor categories, labor rates, hours, and amounts; direct materials; other direct costs; and, indirect expense applied at claimed rates.

(L) Reconciliation of total payroll per IRS form 941 to total labor costs distribution.

(M) Listing of decisions/agreements/approvals and description of accounting/organizational changes.

(N) Certificate of final indirect costs (see 52.242-4, Certification of Final Indirect Costs).

(O) Contract closing information for contracts physically completed in this fiscal year (include contract number, period of performance, contract ceiling amounts, contract fee computations, level of effort, and indicate if the contract is ready to close).

(iv) The following supplemental information is not required to determine if a proposal is adequate, but may be required during the audit process:

- (A) Comparative analysis of indirect expense pools detailed by account to prior fiscal year and budgetary data.
- (B) General organizational information and limitation on allowability of compensation for certain contractor personnel. See 31.205-6(p). Additional salary reference information is available at http://www.whitehouse.gov/omb/procurement_index_exec_comp/.
- (C) Identification of prime contracts under which the contractor performs as a subcontractor.
- (D) Description of accounting system (excludes contractors required to submit a CAS Disclosure Statement or contractors where the description of the accounting system has not changed from the previous year's submission).
- (E) Procedures for identifying and excluding unallowable costs from the costs claimed and billed (excludes contractors where the procedures have not changes from the previous year's submission).
- (F) Certified financial statements and other financial data (e.g., trial balance, compilation, review, etc).
- (G) Management letter from outside CPAs concerning any internal control weaknesses.
- (H) Actions that have been and/or will be implemented to correct the weaknesses described in the management letter from subparagraph (G) of this section.
- (I) List of all internal audit reports issued since the last disclosure of internal audit reports to the Government.
- (J) Annual internal audit plan of scheduled audits to be performed in the fiscal year when the final indirect cost rate submission is made.
- (K) Federal and State income tax returns.
- (L) Securities and Exchange Commission 10-K annual report.
- (M) Minutes from board of directors meetings.
- (N) Listing of delay claims and termination claims submitted which contain costs relating to the subject fiscal year.
- (O) Contract briefings, which generally include a synopsis of all pertinent contract provisions, such as: Contract type, contract amount, product or service(s) to be provided, contract performance period, rate ceilings, advance approval requirements, pre-contract cost allowability limitations, and billing limitations."