

Master Document – Audit Program

Activity Code 11060		Control Environment
Version 1.1 dated June 2012		
B-01	Planning Considerations	
Purpose and Scope		
<p>1. This assignment is a sub-assignment to the 11070 Accounting System Audit controlling assignment, which will report on the contractor’s compliance with all 18 DFARS 252.242-7006 system criteria. The objective of this audit is to examine the contractor’s compliance with the system criteria at DFARS 252.242-7006(c)(1), which requires the contractor’s accounting system to provide for a sound internal control environment, accounting framework, and organizational structure. As a part of that objective auditors will:</p> <ul style="list-style-type: none"> • Obtain and document an understanding of the contractor’s control environment as it relates to the contractor’s attitudes, behaviors, and actions toward ensuring compliance with applicable laws and regulations, that accounting data is reliable, risk of misallocations and mischarges are minimized and contract allocations and charges are consistent with billing procedures. <p><i>GAGAS and the ATs require auditors to obtain an understanding of internal control that is material to the subject matter of the audit in order to plan the audit. AT 601.45 states “The auditor should obtain an understanding of relevant portions of internal control (e.g., control environment) over compliance sufficient to plan the audit and to assess control risk for compliance with specified requirements. In planning the audit, such knowledge should be used to identify types of potential noncompliances, to consider factors that affect the risk of material noncompliances and to design appropriate tests of compliance.”</i></p> <ul style="list-style-type: none"> • Report any significant deficiencies/material weakness identified during the audit related to the contractor’s compliance with the criterion at DFARS 252.242-7006(c)(1) (e.g., absence of or inadequate “hotline process” for employees to report on a confidential basis any known or suspected fraudulent activity). 		
<p>2. In obtaining and understanding of the entity’s control environment, the auditor should consider the control environment elements (i.e., integrity and ethical values, commitment to competence, management’s philosophy and operating style, organizational structure, assignment of authority and responsibility, human resource policies and procedures and participation of those charged with governance) and how those elements are incorporated into the contractor’s processes and contribute to a sound control environment.</p>		
<p>3. Auditors should add, delete, or modify the standard audit program steps as necessary to obtain sufficient evidence and support the conclusion reached in the audit.</p>		
<p>4. Although, the objective of this audit is to determine the contractor’s compliance with the DFARS criteria and to report significant deficiencies based on the DFARS definition of a significant deficiency, GAGAS require auditors to include in the audit report material weaknesses based on the auditing standards definitions. A significant deficiency based on the DFARS definition will also generally represent a material weakness in internal control as</p>		

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defined in the auditing standards. Therefore, the term significant deficiency/material weakness as used throughout the audit program refers to a deficiency meeting the DFARS definition of a significant deficiency and the auditing standards definition of a material weakness.

5. GAGAS also requires auditors to report, based on the work performed, deficiencies, or a combination of deficiencies, in internal control that are less severe than material weaknesses (and, hence, also less severe than a significant deficiency as defined by the DFARS), yet important enough to merit the attention of those charged with governance (i.e., responsible contractor management officials). Auditors are not required to design audit procedures to identify these less severe deficiencies. However, if they are disclosed during the audit they must be reported and should be included in the MFR so that they can be reported in the audit report on the contractor's accounting system (under the 11070 controlling assignment). The control environment audit MFR shell includes the appropriate language and presentation. Since these less severe deficiencies do not materially affect the Government's ability to rely on the information produced by the system, they do not need to be reported in real-time deficiency reports issued during the course of in-process business system audits or at the completion of a business system sub-assignment. However, they are important enough to warrant the attention of the responsible management officials; therefore, they should be communicated to those contractor officials in a timely manner. When and how to communicate such matters is a matter of auditor judgment in consultation with the supervisor, however, the communication must be documented in the work papers. When these less severe deficiencies are communicated early to responsible management officials, GAGAS require that they still be included in the 11070 controlling assignment audit report.
6. This audit should generally be performed every three years or more often if risk warrants. Upon **completion** of this audit the results will be summarized in a memorandum for record (MFR) to be reported as a part of the audit of the contractor's accounting system, which will report on the contractor's compliance with all 18 DFARS 252.242-7006 system criteria (the 11070 Accounting System Audit controlling assignment). If significant deficiencies/material weaknesses are identified as a result of this audit, auditors generally should not wait for the completion of the Accounting System Audit to report the deficiencies unless that report is expected to be issued in the near future. Instead a deficiency report should be issued under the Control Environment Audit assignment number using the deficiency report shell which can be added in APPS through the Library Access. (A deficiency report does not replace the MFR. The overall results of the audit should be documented in an MFR even when a deficiency report is issued.)
7. Because of the importance of timely communication of deficiencies, it also may be appropriate in some cases to issue a deficiency report on a significant deficiency/material weakness on a real-time basis **prior to completion** of this audit. In those cases, the deficiency report will not be issued under the Control Environment Audit assignment number. Instead a separate assignment will be set up using the Deficiency Report activity code. The Deficiency Report Assignment should not be established until there is sufficient evidence that a significant deficiency/material weakness exists and the elements of a finding for the deficiency are fully developed in this assignment (see CAM 10-409). Whether to issue the deficiency report during the course of the audit or at the completion of the audit is a matter of auditor judgment, depending on the specific circumstances.

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References
CAM 5-300, Audit of Internal Controls – Control Environment and Overall Accounting Controls
FAR 52.203-13, Contractor Code of Business Ethics and Conduct
FAR 52.203-14, Display of Hotline Poster(s)
DFARS 252.242-7006 Accounting System Administration

B-01	Preliminary Steps	W/P Reference
Version 1.1 dated June 2012		
1.	<p>Research and Planning</p> <p>The audit report on the 11070 Accounting System Audit controlling assignment (which will incorporate the results of this audit) will report on the contractor’s compliance with the system criteria <u>during a period of time</u>, consistent with the attestation reporting standards (AT 601.55b). The period covered for this audit should be planned in coordination with the 11070 controlling assignment and transactions selected accordingly. The period covered should be selected so as to limit the elapse of time between the period of transactions tested and the issuance of the report on 11070 Accounting System Audit 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.</p>	
	a. Read CAM guidance and FAR/DFARS identified in reference section above and relevant open audit guidance on the DCAA intranet.	
	b. Review permanent file and document:	
	(1) Audit leads impacting this assignment and fraud referrals (DCAA Form 2000) which have been made or are in process.	
	(2) Other relevant information to include environmental factors, the nature of the entity, and changes from the prior period. This information may be available in the contractor’s annual Form 10-K report, quarterly Form 10-Q report, Interim Form 8-K reports (if applicable - to cover special material events that occur between 10-K and 10-Q filings), and its annual report to shareholders.	
	c. Contact the contracting officer(s) and discuss the purpose of the audit. Document any concerns he or she has regarding the contractor’s control environment. (See section B-01 Planning Considerations Steps for the purpose and scope of audit.) The FAO	

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<p>should also invite the contracting officer to the contractor system demonstrations.</p>	
<p>d. Electronically transmit an acknowledgement/notification letter to the appropriate contracting officer notifying them of the commencement of the audit and expected completion date. The acknowledgement/notification letter should be issued in accordance with the procedures in CAM 4-104.</p>	
<p>e. Document results and impact on this examination of prior audits of the control environment. Also, document any relevant results and their impact on this examination of audits of the accounting system and other related assignments (e.g., labor, material, indirect and other direct costs, etc.).</p>	
<p>2. Team discussion</p>	
<p>a. Hold a preliminary planning meeting with the audit team (e.g., RAM, Manager, Supervisor, Auditors). Topics to discuss should include:</p> <ul style="list-style-type: none"> (1) relevant environmental factors and information related to the nature of the entity; (2) how to obtain and document the control environment understanding; (3) the objectives of the audit (compliance with DFARS 252.242-7006(c)(1)); (4) coordination needed with other DCAA offices (e.g., CAC, Corporate offices, or offsite). <p>b. The team should also discuss the risk of fraud and other noncompliances with applicable laws and regulations that could have a material effect on the contractor’s accounting system as it relates to the compliance with the system criterion at DFARS 252.242-7006(c)(1). The discussion should include relevant prior audit experience (e.g., questioned cost, relevant reported accounting system deficiencies), relevant aspects of the contractor’s environment (e.g., the extent of incentives, pressures and opportunities that would present a heightened risk for fraud), possible kinds of fraud or other material noncompliances or errors that could take place considering the contractor and business (for example, unethical business dealings, etc.). The team should also review and discuss the general and other relevant sections of the IG Handbook on Fraud Indicators for Contractors as well as the relevant fraud indicators in CAM Figure 4-7-3. See “Principal Sources of Fraud Indicators” below. Based on the team discussion and other risk assessment procedures the team should document on W/P B, the risk factors/indicators identified and design audit procedure to meet the audit objectives and provide reasonable assurance of detecting</p>	

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<p>fraud and other noncompliances with applicable laws and regulations that could have a material effect on the audit (i.e., add/delete/modify the audit steps).</p> <p>Communication among audit team members about the risk of material noncompliance due to fraud should continue as needed throughout the audit.</p> <p><i>Principle Sources of Fraud Indicators:</i></p> <ul style="list-style-type: none"> • Handbook on Fraud Indicators for Contract Auditors, (IGDH 7600.3, APO March 31, 1993) located at: http://www.dodig.mil/PUBS/igdh7600.doc. • CAM Figure 4-7-3. <p>(To access the fraud handbook, copy and paste the web address shown above into the address block in Internet Explorer.)</p>	
<p>3. Entrance Conference and System Demonstrations</p>	
<p>a. Preparation of the Contractor Notification letter. Draft the Contractor Notification letter using the shell at working paper 11b. The proforma Contractor Notification letter contains a list of information needed from the contractor to perform the audit and identifies the key areas of the control environment that should be addressed during system demonstrations.</p>	
<p>b. Entrance Conference. The purpose of this meeting is to:</p> <ol style="list-style-type: none"> (1) Provide the Contractor Notification letter and discuss the information being requested from the contractor; (2) Discuss the purpose of the audit and expectations such as the demonstration requirements, the level of detail that should be covered in the demonstrations, who should participate in the meetings, the length and location of the meetings, and other pertinent information; (3) Have the contractor provide a general overview of its control environment; and (4) Set up the dates for demonstrations on the key processes. The demonstrations should be held within approximately two weeks of the entrance conference. 	
<p>c. System Demonstrations/Documenting an Understanding of the Contractors compliance with the system criteria at DFARS 252.242-7006(c)(1). The entire team should attend the demonstrations if possible.</p> <p>The purpose of the contractor demonstrations is to obtain and document an understanding of the contractor’s control environment</p>	

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<p>and how the contractor ensures compliance with the system criterion at DFARS 252.242-7006(c)(1). Some of the information and evidence needed for the audit procedures in section C-01 will be obtained during the system demonstrations. Therefore, the audit team should review the detailed procedures prior to attending those demonstrations. During the demonstrations the audit team should make detailed notes on the contractor’s system description, policies, and procedures, etc. as needed to document their understanding of the control environment and should take full advantage of the demonstrations to ask questions to ensure that they have a sufficient understanding. The documentation will be finalized in section B-01 step 6 below.</p> <p>Note - <u>Inquiry alone is not sufficient to obtain an understanding of the contractor’s internal controls.</u> Procedures to obtain an understanding of internal controls include inquiries of contractor personnel, observing the application of specific controls, inspecting documents and reports, and performing walk-throughs of the system (including tracing transactions through the various processing steps).</p> <p>The contractor should provide and walk the audit team through the information requested in the notification letter, and demonstrate for each of the following key areas how the contractor ensures compliance with DFARS 252.242-7006(c)(1) system criteria.</p> <ul style="list-style-type: none"> (1) Communication and Enforcement of Integrity and Ethical Values (2) Management’s philosophy and operating style, commitment to competence and human resources policies and practices (3) Organizational Structure/Assignment of Authority and Responsibility (4) Participation of those Charged with Governance <p>Note: It may be necessary to conduct additional one-on-one demonstrations with the process owners at their work site to gain a full understanding of the processes.</p>	
<p>4. Document any risks the audit team identified during the entrance conference and system demonstrations.</p>	
<p>5. Finalizing/Summarizing the Understanding of the Control Environment</p>	
<p>This step will complete the accomplishment of the second item under the Planning Considerations/Purpose and Scope section of B-01. It is critical since the documented understanding will serve as a basis for planning the audit; designing audit procedures to test contractor compliance with DFARS 252.242-7006(c)(1); to identify types of potential noncompliances; and to consider factors that affect the risk of material noncompliances.</p>	
<p>a. Using the information obtained during the entrance conference and system demonstration, finalize and summarize the documentation of</p>	

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<p>your understanding of the contractor’s control environment and how the contractor ensures compliance with the system criterion at DFARS 252.242-7006(c)(1) in W/P B-02. The documented understanding should contain a summary (which will be provided to the contractor for confirmation of accuracy), cross referenced 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>b. After the understanding of contractor’s control environment has been documented and reviewed by your supervisor, obtain a written confirmation from the contractor that the understanding is accurate. A draft confirmation letter is located at working paper 11c.</p>	
<p>c. Summarize the high risk areas identified during the demonstrations and other preliminary steps and finalize the period to be covered by the audit if not already established.</p>	
<p>6. Initial Risk Assessment. Tailor the detailed audit program steps and/or develop additional steps to address areas of risk identified above. (Note: The accounting system internal control matrix (available on the DCAA Intranet) identifies audit procedures related to the control environment and may assist in the preparation of detailed audit program steps.)</p>	

C-01	Control Environment	W/P Reference
Version 1.1 dated June 2012		
	<p>The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. In the steps below, the auditor will be considering specific elements of the contractor’s control environment and whether the contractor’s practices related to these elements contribute to a sound control environment.</p>	
1.	<p>Communication and Enforcement of Integrity and Ethical Values</p>	
	<p>Management must convey the message that integrity and ethical values cannot be compromised, and employees must receive and understand that message through continuous demonstration of words, actions, and commitment to high ethical standards.</p>	
a.	<p><u>Contractor Code of Business Ethics and Conduct</u> - Perform procedures to address the requirements in FAR 52.203-13, Contractor Code of Business Ethics and Conduct.</p>	

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<p>(1) Verify the existence of a written code of conduct and review the contents to ensure it addresses ethical business practices, conflicts of interest, and expected standards of ethical and moral behavior. The code should cover dealings with customers, suppliers, employees, and other parties (See CAM 5-306.1). (FAR 52.203-13(b)(1)).</p>	
<p>(2) Obtain evidence that the code of conduct was made available to each employee (FAR 52.203-13(b)(1)).</p>	
<p>(3) Verify that written codes of conduct (a) are periodically communicated to all employees, (b) are formally acknowledged, and (c) cite consequences for violations.</p>	
<p>b. <u>Business Ethics Awareness and Compliance Program</u> - Perform procedures to address the requirements in FAR 52.203-13, Contractor Code of Business Ethics and Conduct, and FAR 52.203-14, Display of Hotline Poster(s).</p>	
<p>(1) Verify that the contractor’s policies and procedures provide for a business ethics awareness and compliance program (FAR 52.203-13(c)(1)).</p>	
<p>(2) Verify that the business ethics awareness and compliance program includes an ethics training program for all principals and employees, and as appropriate, the contractor’s agents and subcontractors (see CAM 5-306.2). Selectively test this control by evaluating training program materials and training records of completion (FAR 52.203-13(c)(1)). The training program should cover the contractor’s code of business ethics and conduct (see CAM 5-306.1).</p>	
<p>(3) Verify that the manager responsible for the ethics program reports to a high level official (e.g., vice president/CFO).</p>	
<p>(4) Contractors should not appoint, as a principal (e.g., officer, director, partner), an individual who previously engaged in conduct that conflicts with the contractor’s code of conduct (FAR 52.203-13(c)(2)(ii)(B)). Test the procedures to verify that the contractor exercises due diligence in identifying such conduct (e.g., require background checks before appointing principals of the company) and that the steps have been taken when applicable.</p>	
<p>(5) Verify that the contractor performs periodic reviews (i.e., at least annually) of company business practices, procedures, and internal controls for compliance with the contractor’s code of business ethics and conduct and special requirements of Government contracting, including the specific requirements in FAR 52.203-13(c)(2)(ii)(C). Review the results of the recent reviews and assess any impact on this audit and design additional audit procedures if necessary.</p>	
<p>(6) Verify that the contractor has an internal reporting mechanism , such as a hotline, which allows for anonymity or confidentiality, by which employees may report suspected instances of improper</p>	

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<p>conduct, and instructions that encourage employees to make such reports FAR 52.203-13(c)(2)(ii)(D).</p>	
<p>(7) Verify that the contractor’s policies and procedures provide for appropriate disciplinary action for improper conduct, or failing to take reasonable steps to prevent or detect improper conduct (FAR 52.203-13(c)(2)(ii)(E)). Review the contractor’s assessment of whether disciplinary action was needed related to the incidences of improper conduct, and the action that was taken (if applicable) (see CAM 5-306.3).</p>	
<p>(8) Verify that the contractor’s policies and procedures provide for timely disclosure to the agency Office of Inspector General (OIG), with a copy to the contracting officer, when there is credible evidence of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity, or a violation of the civil False Claims Act in connection with Government contracts (see CAM 5-306.3) (FAR 52.203-13(c)(2)(ii)(F)). Request a copy of any disclosures made and verify that the contractor complied with their policies and procedures. If deficiencies are identified related to the requirements in FAR 52.203-13(c)(2)(ii)(F), the DCAA Justice Liaison Auditor (DCAAHQJLA@dcaa.mil) will be included on the distribution for the audit report.</p>	
<p>(9) Review any disclosures obtained in step 8 above. Ascertain if the contractor has taken the necessary corrective actions to protect the Government’s interests. (For some of the disclosures, this may have been covered in separate assignments under activity code 17920. Working papers from applicable assignment should be incorporated or referenced. Auditors should perform and document any additional work needed to obtain sufficient evidence.) If the contractor has not taken the appropriate corrective action, the auditor should report this as an internal control deficiency.</p>	
<p>(10) Verify that the contractor’s policies and procedures provide for cooperation with any Government agencies responsible for audits, investigations, or corrective actions (FAR 52.203-13(c)(2)(ii)(G)). Confirm that there are no outstanding access to records issues or subpoenas that may indicate a lack of cooperation.</p>	
<p>(11) Select subcontracts and test to determine if the substance of FAR 52.203-13 and 52.203-14 are included in those subcontracts that should contain the clauses (FAR 52.203-13(d)(1) and FAR 52.203-14(d)).</p>	
<p>2. Management’s philosophy and operating style, commitment to competence, and human resource policies and procedures</p>	
<p>a. <u>Management’s Philosophy and Operating Style.</u> The philosophy and operating style of management normally have a pervasive effect on an entity. Management’s philosophy and operating style encompass a</p>	

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<p>broad range of characteristics. Such characteristics may include the contractor’s approach to taking and managing business risks, frequency of interaction between senior management and operating management, and attitudes and actions toward maintaining adequate and reliable accounting data that complies with applicable laws and regulations in its business systems. These are intangibles; however, the inquiries and other risk assessment procedures performed during the entrance conference and system demonstrations regarding these areas (see item 2a and 2d of the Control Environment Audit Information Request included with the announcement letter (W/P 11b)) may have provided positive or negative signs. For example, a possible negative indicator regarding management’s philosophy and operating style is excessive turnover. Steps regarding that area are included below. Auditors should consider any other negative indicators that were identified during the entrance conference/demonstrations and add or tailor audit steps below if further procedures are needed.</p>	
<p>(1) Determine if there has been excessive turnover of management or supervisory personnel in key functions, such as operations and program management, accounting, or internal audit, etc. Request a listing of management or supervisory personnel in those areas that have either retired, quit, or been terminated.</p>	
<p>(2) If the turnover appears to be excessive, obtain from the contractor an explanation of the reason for management or supervisory personnel leaving the organization. Discuss any areas of concerns with the audit team and develop additional audit procedures as needed.</p>	
<p>b. <u>Commitment to Competence and Human Resource Policies and Procedures.</u> Commitment to competence includes management’s consideration of the competence levels for a particular job and how those levels translate into the required skills and knowledge. Human resources policies and procedures are central to recruiting and retaining competent employees and include policies and practices related to recruitment, orientation, training, evaluating, counseling, promoting, compensating, and remedial actions.</p>	
<p>(1) Determine whether the contractor’s practices and procedures related to human resources and commitment to competence contribute to a sound control environment (e.g., that they have processes for ensuring business systems are supported and maintained by employees who are qualified, competent, and adequately trained and that employees are aware of their roles and responsibilities and the importance of complying with applicable laws and regulations; reporting reliable accounting data; ensuring risk of misallocations and mischarges are minimized and contract allocations and charges are consistent with billing).</p> <p>(2) Auditors may have obtained sufficient evidence through a</p>	

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<p>combination of inquiries and other risk assessment procedures (e.g., observation and inspection of documents) at the entrance conference and system demonstrations regarding these area (see item 2b, 2c, and 2d of the Control Environment Audit Information Request included with the announcement letter (W/P 11b)) and through consideration of the results related to other areas covered in this audit program (e.g., ethics).</p> <p>The auditor should reference in this section the working paper that documents sufficient evidence or add audit steps in this section to obtain the necessary evidence.</p>	
<p>3. Organizational Structure/Assignment of Authority and Responsibility</p>	
<p>a. The organizational structure provides the overall framework for planning, directing, and controlling operations. The assignment of responsibility and authority and establishment of related policies and procedures provide a basis for accountability and control, and set forth individual's respective roles.</p>	
<p>(1) Verify that policies and procedures exist which specifically state the limitation or delegation of authority.</p>	
<p>(2) Verify that there is a clear assignment of responsibility and delegation of authority to deal with such matters as goals, objectives, operating functions, and regulatory requirements.</p>	
<p>4. Participation of those charged with governance</p>	
<p>a. The Board of Directors and the Audit Committee should be sufficiently independent from management to constructively challenge management's decisions and act effectively on external audit communications and recommendations. The Board and Audit Committee should take an active role to ensure an appropriate upper management's commitment to ethical business practices and behavior. Auditors at contractor segments should request assist audits from the auditor cognizant of the corporate office to accomplish the applicable audit steps below. Auditors should add or tailor audit steps below if applicable.</p>	
<p>(1) Obtain a list of Board of Director and Audit Committee members. Determine their relationship to the business and assess their independence considering the factors discussed in CAM 5-307 and 5.307.1.</p>	
<p>(2) Review the minutes of the Board of Directors' meeting and all communications with the Audit Committee or body of similar authority to determine if the Board is taking an active role in significant management decisions.</p>	

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<p>(3) Review the minutes of the Audit Committee meetings to determine if the committee (and/or Board of Directors) is acting effectively on all audit matters, including internal and external audit recommendations.</p>	
<p>(4) Verify that the internal audit department is functionally and organizationally independent to achieve objectivity in the conduct of its audits (CAM 5-307.2).</p>	
<p>5. Summarize results of fieldwork and evaluate the noncompliances with the DFARS criteria identified during the audit if they are significant deficiencies/material weaknesses or are less severe than significant deficiencies/material weaknesses, but important enough to merit the attention of the responsible contractor management officials.</p>	

A-01	Concluding Steps	W/P Reference
Version 1.1 dated June 2012		
1.	Team discussion. Hold a meeting with the audit team (e.g., RAM, Manager, Supervisor, and Auditors) and discuss the assessment of the control environment, deficiencies identified during the audit and the impact on other audits.	
2.	Summary Steps	
a.	Summarize results and draft the memorandum for record (MFR). The MFR should include all significant deficiencies/material weaknesses, even those reported in deficiency reports issued on a real-time basis under a separate assignment number during the course of the audit. If there are deficiencies for which a deficiency report has not already been issued (i.e., under a separate deficiency report assignment number on a real-time basis while this audit was in-process), draft a deficiency report at the completion of this audit under this assignment number. Obtain supervisory review.	
b.	After obtaining DCAA management approval, conduct and document an exit conference with the contractor in accordance with CAM 4-304.	
c.	Finalize the MFR. If a deficiency report was drafted at the completion of this audit, finalize the deficiency report and incorporate the contractor's reaction and auditor's response. After management approval of the finalized MFR, it should be incorporated into the audit of the contractor's accounting system which will report on the contractor's compliance with all 18 DFARS 252.242-7006 system criteria. In most cases, the finalized MFR will not be provided to the contracting officer since any relevant findings from this sub-assignment will be provided in a deficiency report.	

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<p>d. Update the permanent file in accordance with CAM 4-405b. A copy of the documentation of the understanding of the control environment should be filed in the permanent file.</p>	
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