PGI 242.75 -CONTRACTOR ACCOUNTING SYSTEMS AND RELATED CONTROLS

Parent topic: PGI Part 242 - CONTRACT ADMINISTRATION

PGI 242.7502 Policy.

(d) *Disposition of findings*.

(2) *Initial determination*.

(ii)(A) Within 30 days of receiving the report, if the contracting officer makes a determination that there is a material weakness, the contracting officer should provide an initial determination of material weaknesses and a copy of the report to the contractor and require the contractor to submit a written response.

(C) *Evaluation of contractor's response*. Within 30 days of receiving the contractor's response, the contracting officer, in consultation with the auditor or cognizant functional specialist, should evaluate the contractor's response and make a final determination.

(3) *Final determination*.

(ii)(A) *Monitoring contractor's corrective action*. The contracting officer, with the assistance of the auditor, shall monitor the contractor's progress in correcting material weaknesses and deficiencies. If the contractor fails to make adequate progress, the contracting officer shall take whatever action is necessary to ensure that the contractor corrects the material weaknesses and deficiencies. Actions the contracting officer may take include: disapproving the system; bringing the issue to the attention of higher level management, as applicable; and for material weaknesses, implementing or increasing the withholding in accordance with 252.242-7005, Contractor Business Systems.

(B) *Correction of* material weaknesses.

(*1*) When the contractor notifies the contracting officer that the contractor has corrected the material weaknesses, the contracting officer shall request that the auditor review the correction to determine if the weaknesses and deficiencies have been resolved.

(*2*) The contracting officer shall determine if the contractor has corrected the material weaknesses.

(*3*) If the contracting officer determines the contractor has corrected the material weaknesses, send the contracting officer's notification to the auditor; payment office; appropriate action officers responsible for reporting past performance at the requiring activities; and each contracting and contract administration office having substantial business with the contractor as applicable.

(g) *Mitigating the risk of* material weaknesses and *system deficiencies on specific proposals*.

(2) In the event that a contractor's accounting system contains material weaknesses or deficiencies, even if it has been disapproved, a cost reimbursement contract is not prohibited if the contracting officer determines that the contractor's accounting system is adequate for determining costs applicable to the contract or order.