

2010 Government Contracting Update Seminar

Hosted by Strategic Business Solutions
and Deltek

8:30 am to 4:30 pm

Doubletree Inn-Oak Ridge

September 23, 2010

Maintaining Compliance

- Primarily with FAR
 - Be aware of contractual requirements
- Review DCAM-but adhere to FAR
 - DCAA guidance (and some auditor interpretations) not always the same as FAR

New Threshold Changes

- Effective October 1st
 - Cost and Pricing data from \$650,000 to \$700,000
 - Floor for subcontracting plan from \$550,000 to \$650,000
 - Simplified Acquisition Threshold from \$100,000 to \$150,000

Primary Accounting System Requirements per FAR

- Costs Segregated by Contract
- Provide Data for Repricing
- Account for Specifically Unallowable Costs
- Provide Data for Follow-on-Pricing

Adequate Accounting System

- Software
- Record Costs by Contract
 - Timekeeping and Labor Distribution
 - Accounts Payable
 - Employee Travel Reports
- Record Indirect Costs by Account
- Segregation of Unallowable Costs
- Written Policies
- Provide Data for Repricing
- Provide Data for Follow-on-Pricing
- Provide Data for Invoicing

Approved Accounting System

- Current on Incurred Cost Submissions
- Incurred Cost Questionnaire
 - Addresses Unallowable Costs
 - Reasonable, Allocable, Compliant with CAS and GAAP, Compliant with Contract Terms and Not Deemed Unallowable by FAR Part 31
- Accounting System Survey
 - Factual Data on System and Business

Other Direct Costs

- Contractor Establishes Categories
- Examples--Computer Costs, Overtime Premium, Travel and Per Diem, Consultants, Copying, Outside Services, Special Tooling,...

Estimating Indirect Costs

- Time-Phased Direct Costs
- Forecast or Budget by Year versus
 - Historical Rate Data
 - Year-to-Date Rates
 - “Audited” Rates
 - Elimination of Unallowable Costs
 - Impact of Volume
 - Corporate Allocation

Costing Subcontracts

- Prime Contractor's Responsibilities
 - Obtain Cost or Pricing Data
 - Conduct Cost/Price Analysis
 - Update Cost or Pricing Data
 - Disclose Results of Cost/Price Analysis
- Decrement Factors

Excessive Pass-Through Costs

- Government Concern
 - Multi-Tiered Contracting
 - No Value Added...Just More Costs
- What is a Pass-Through Cost?
 - Indirect Cost, G&A of Sub Adm.
 - Profit
- Issues
 - What is Excessive?
 - Retroactive Application

Audit Attitudes

- Rejection of All Forward Pricing Rate Agreements
- No Meaningful Exit Conferences
- An Accounting Software Change invalidates an Approved Accounting System
- Quality of Audits Stressed v. Quantity of Audits
- Impact on Management and Supervisors

Working with DCAA

- 1. Escalate Issues if Appropriate
- 2. Use DCAA's Independence Argument when Requested to Prepare Their Work Papers
- 3. Prepare White Papers on DCAA Issues for Contracting Officers
- 4. Insist that CO's Consult with Their Legal Advisors
- 5. Use the 44 Cent Appeal

DCAA Issues

- Indirect Cost Budgets for only 1 Year
- Historical Indirect Cost Data not Available
- Unsupported Costs
- Insufficient Support for Labor Rates

Mandatory Ethics Program

- Internal Controls
 - Vague
- Overpayments
 - Even if Caused by Government
 - Payment Recapture Audits
- Reporting Wrongdoing
 - Creditable Evidence
 - No Optional Reporting

Internal Controls/Written Procedures

- Separation of Authority
- Internal Reviews
- Periodic Reconciliations
- Management Approvals
- Budget System
- Productivity Measures
- Organization Charts
- In-House Hotline

Suggested Policies and Procedures

APP-01	Direct Costs	Must have
APP-02	Indirect Cost Structure	Must have
APP-03	Job Cost Records	Should have
APP-04	Timekeeping	Must have
APP-05	Intercompany Transfers	Must have if you have transfers
APP-06	Interim Invoicing CR Contracts	Must have if you have cost type contracts
APP-07	Indirect Cost Submission	Must have if you have cost type contracts
APP-08	Final Invoicing CR Contracts	Must have if you have cost type contracts
APP-09	Capitalization and Depreciation	Should have
APP-10	Contract Briefs	Must have if you have cost type contracts
APP-11	Transaction Documentation	Should have
APP-12	Employee Bonus Plan	Should have
APP-13	Paid Absences	Should have
APP-14	Professional and Consulting Costs	Must have
APP-15	Travel and Expense Reports	Must have
APP-16	Monitoring Indirect Costs	Should have
APP-17	Employee Benefit Programs	Should have
APP-18	Limitation of Cost Clause	Must have if you have cost type contracts
APP-19	Accounting for Unallowable Costs	Must have

EPP-01	Estimating Indirect Cost Rate	Should have
EPP-02	Price Proposal Preparation	Should have
EPP-03	Estimating System	Should have
EPP-04	Budgetary Process	Should have

MPP-01	Government Property	Must have if you have cost type contracts
MPP-02	Employee Compensation Reviews	Nice to have
MPP-03	Anti-Nepotism	Nice to have
MPP-04	Visitor Logs and Badges	Must have if you have classified contracts
MPP-05	Termination Notices	Nice to have
MPP-06	Smoking on Premise	Should have
MPP-07	Record Retention	Should have
MPP-08	Employee Orientation Checklist	Nice to have
MPP-09	Purchasing	Should have
MPP-10	Sexual Harassment Policy	Should have
MPP-11	Education Benefits	Nice to have
MPP-12	Comp Time	Nice to have
MPP-13	Drug Free Workplace	Must have
MPP-14	Drug Free Work Force	Must have if you have classified contracts
MPP-15	Company Code of Ethics	Should have
MPP-16	Job Descriptions	Should have
MPP-17	Maternity Disability and Paternity Paid Leave of Absence	Should have
MPP-18	Overtime	Must have

Open Session

- Your Questions.

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