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# DCAA – Current Trends and Practices

SCS GovCon Seminar  
October 24, 2013

# What's Hot



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- Incurred Cost Submissions
  - Requirements
  - Common Deficiencies
- Closer Cost Scrutiny
  - Travel Costs
  - Restructuring Costs
  - Consultant Costs
- Current Practices
  - Real-time Labor Evaluations
  - Provisional Billing Rates
- Special Topic - Impact of Government Shutdown

# Incurred Cost Submissions



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- Who is required to submit an ICS?
  - Per the Allowable Cost and Payment Clause  
(FAR 52.216-7(d)(2))
  - Allowable cost and payment clause applies to cost-reimbursement type contracts (FAR 16.307)
  - Incurred cost claims are due six months after completion of the contractor's fiscal year end.

- **Common Deficiencies**

- Signed certification not included or not signed by at least a Vice President or CFO (schedule N)
- Lack of subcontractor information (schedule J)
- Not all intermediate allocations disclosed (sch. D)
- Unallowable costs not included on G&A schedule (B)
- IR&D/B&P not fully burdened (sch. B)
- Physically complete contracts not shown on sch. I & O
- Government participation not calculated for all final indirect rates (schedule H-1)

# Increased Cost Scrutiny



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- **Travel costs**
  - Includes travel costs of employees **and consultants/subcontractors**
  - Contractors must be able to obtain from consultants sufficient documentation if travel costs are reimbursed
- **Expectation of Extensive Documentation**
  - Documentation that airfare is lowest available
  - Screening and removal of unallowable costs
  - Justification for premium airfare

# Increased Cost Scrutiny



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- Restructuring costs
  - Typically unallowable (FAR §31.205-27)
  - DCAA closely reviews costs that may be related to restructuring, such as legal costs
  - If a restructuring has occurred, prepare to explain nature of legal costs and why certain costs were found to be allowable

# Increased Cost Scrutiny



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- Consultant Costs
- FAR §31.205-33: fees allowable only when supported by evidence of the nature and scope of the service furnished, including:
  - Details of all agreements, including rates and work requirements
  - Invoices submitted by consultants, including time and nature of services
  - Consultants' work product and related documents
- DCAA position is that costs are unallowable if:
  - No written agreement exists
  - Work product does not exist or is not provided

- **Labor Floorcheck**
  - Evaluating timekeeping procedures/internal controls
  - Employee interviews
    - ✦ Discussing the nature of work performed
    - ✦ Verifying proper cost objectives
    - ✦ Verifying recorded labor is fair representation
  - Analysis of employee timekeeping practices
  - Reconciliation of labor charges with subsequent payroll and labor distribution records



# Current Practices

- The auditor will concentrate on the following:
  - ✦ Employee's understanding of timekeeping procedures
  - ✦ Procedures for receiving work assignment charge numbers and descriptions
  - ✦ How often the employee completes his/her timesheet
  - ✦ Whether the employee includes all hours worked
  - ✦ Timesheet Submission/Approval Process
  - ✦ Employee's control of timesheet

# Current Practices

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- Common Deficiencies from Floorchecks
  - Timesheet not current
  - Employee is not aware of proper method for revising timesheet
  - Revisions not approved by Supervisor
  - Timesheet completed in advance
  - Time charges not representative of work performed

- Provisional Billing Rates

- Provisional Billing Rates are established to approximate the contractor's final year-end rates, as adjusted for any unallowable costs.
- Provisional Billing Rates are used for interim purposes until settlement is reached on the final indirect rates for the contractor's fiscal year.
- FAR 42.704-Billing Rates-provides procedures and guidance for establishing PBRs.

- What is included in Provisional Billing Rates Proposal?
  - Proposed billing rate calculations (Pool and Base) with brief rationale
  - Prior fiscal year (FY) pool and base
  - Current FY to date pool and base
  - Current FY budget pool and base, if available
  - Comparative analysis with explanation of any significant differences

# Current Practices

- PBRs should be monitored:
  - Throughout the year
  - Immediately after year-end
  - Upon submission of the final indirect rate proposal
  - PBRs may be adjusted by either party at any time to prevent substantial under or over payment – FAR 42.704(c).
  - If PBRs are adjusted, the contractor should submit adjustment vouchers accordingly.

- Impact of Government Shutdown on Contractors
  - Cash Flow
    - ✦ Most small businesses rely upon President's "Quick Pay" program to cover operating expenses
  - Backlog of Work
    - ✦ 2 week hiatus has created unrealistic deadlines on projects
  - Delayed Wages for Federal Workers
  - Issues Continue to Surface
    - ✦ Incurred interest expenses – allowable?
    - ✦ Impact on recoverable rates

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