

Dealing with DCAA
Pre-Award Accounting System Survey – What to Expect

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Dealing with DCAA

- Hot Topics
- What is meant by “DCAA Approved”
- Difference between Auditor Opinion vs. DCAA Manual
- DCAA does not recommend “software” – You are NOT DCAA Compliant!
- What are “good” rates?
- Myth Busting!
 - The government will not let you do.....
 - You can't lose money on a Cost Type Contract
 - Can't Pay Executive more than the Compensation Cap

Pre-Award Accounting System Survey

- **What will they ask for?**
 - Internal Control Questionnaire (may ask you to turn it around in 24 hours)
 - Standard Form 1408
 - Trial Balance
 - General Ledger
 - Accounts Payable Register
 - Accounts Receivable Register
 - Job Cost Report
 - Detailed Indirect Rates
 - Chart of Accounts
 - Timesheet Example
 - Labor Distribution Report
 - Timekeeping Policies and Procedures
 - Accounting Policies and Procedures
 - Calculation of Indirect Rates, most recent period closed

Pre-Award Accounting System Survey

- **What will they do with the information?**
 - Test your assertions in the accounting system
 - Ask you to show them the Job Cost Ledger in the accounting system
 - Ask you to drill down to cost within a particular contract/task
 - Ask you to show a payroll check for cost in the job ledger
 - Trace that cost to contract billing
 - Trace the payroll check hours to the timesheet for that payroll cycle
 - Ask you to show them a live timesheet and explain how time is entered
 - Possibly select a random employee and ask you to produce
 - Timesheet for a specific period
 - Paycheck associated to the timesheet
 - Contract Billing associated to a timesheet line item
 - Ask you about treatment of Subcontractors
 - Compare the current indirect rates to the proposal rates

Pre-Award Accounting System Survey

- **Other Possible Questions?**

- What process, if any, does the company have in place for employees to report fraud, waste, or abuse?
- Has management been alerted to any suspected fraud that might compromise the accounting systems ability to properly record and allocate costs as required by government contract accounting?
- What internal controls, if any, have been specifically designed to mitigate the risk of fraud in the accounting system? If specific internal controls have not been put in place, what controls are in place that management relies on to ensure fraud, waste, or abuse does not affect the design of the accounting system as it relates to government contract accounting.
- Does management have a clear understanding of the risks of fraud relevant to the design of an accounting system acceptable for government contract accounting?

Pre-Award Accounting System Survey

- **What Happens when it's over?**
 - You should have an exit conference, usually by phone
 - They may return within the year for a Post-Award Accounting Audit
 - You will **not** get a “letter of approval” from DCAA
 - DCAA issues a report to the ACO

Pre-Award Accounting System Survey

- **Examples of Policies they would expect to see**
 - Accounting System Overview
 - Invoice and Billing Policy
 - Accounting for Direct vs. Indirect
 - Accounting for Unallowable Costs
 - Labor Recording and Timekeeping
 - Treatment of Subcontractors
 - Description of Indirect Rates