


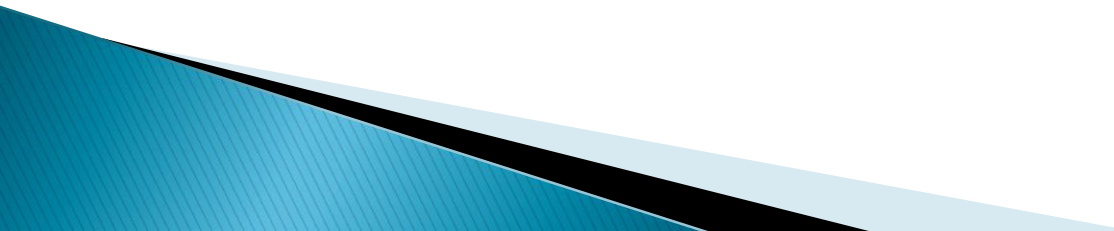
# INCURRED COST SUBMISSIONS

Submitting a Quality Report  
Presented by Laura Davis, Strategic  
Consulting Solutions, Inc.

# Strategic Consulting Solutions

- ▶ Started in 2004
  - ▶ Based in Oak Ridge, TN
    - Offices in Charleston, SC & Fayetteville, NC
  - ▶ Focus on Government Contracting from an Accounting and Compliance perspective
  - ▶ Deltek Partner
  - ▶ Services
    - Outsourced Accounting
    - Software Sales & Implementation
    - General Compliance (Price Proposals, Incurred Cost Submission, DCAA Audits)
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# Agenda

- ▶ Requirements for Incurred Cost Submission (ICS)
  - ▶ Format of ICS
  - ▶ Deadlines
  - ▶ Audits
  - ▶ Getting Started
  - ▶ Schedules
  - ▶ Submitting your ICS
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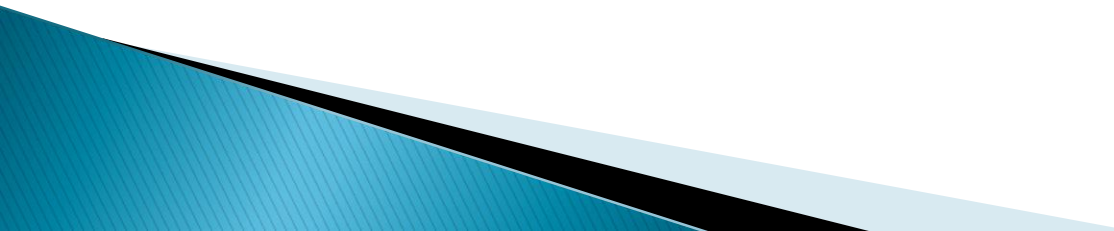
# Incurring Cost Submissions

- ▶ Allows the government to determine that they were billed appropriately
- ▶ Required for Cost Plus Contracts
- ▶ May be required for T&M Contracts
  - FAR Clause 52.216-7 (Allowable Cost and Payment)
  - Omission of this clause does not eliminate requirement
- ▶ Not generally required for Fixed Price Contracts

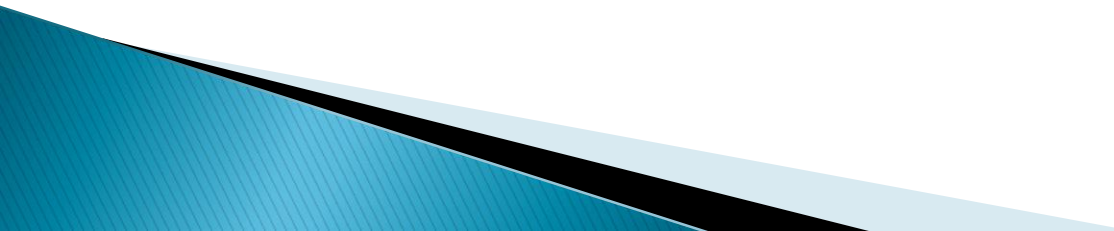
# Format

- ▶ Download DCAA's ICE model.
  - Can be downloaded at [www.DCAA.mil](http://www.DCAA.mil)
  - Modify to match your indirect rate structure
  - First year will take more setup time
  - Not all schedules may be used

# Due Date

- ▶ Report is due to DCAA within 6 months after end of fiscal year
  - ▶ Extensions must be approved by contracting officer
  - ▶ DCAA will probably not audit for a period of time
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# DCAA Audits

- ▶ DCAA will audit the submission
  - ▶ Based on previous audits and perceived audit risk, DCAA will budget estimated time
    - Previous audits with large number of findings will require more budgeted hours
    - Previous audits with fewer number of findings will require less budgeted hours
    - If previous audits have been favorable, DCAA will move to Desk Review, which involves less audit time
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# DCAA Audits

## ▶ T&M Contracts

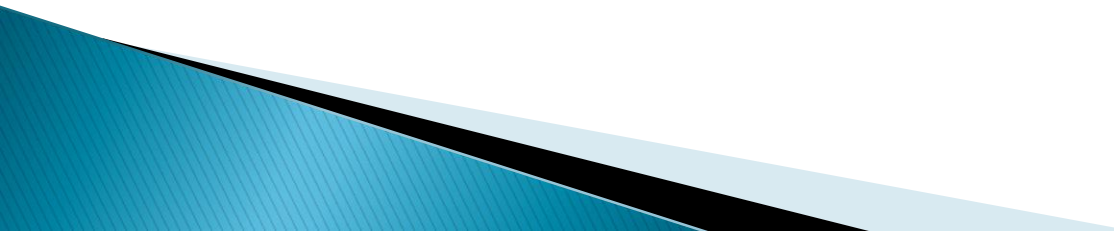
- Auditing G&A and/or Handling Pool rate calculations and verifying correct rates were used
- Verifying hours incurred match hours billed
- Verifying billing rates match the contract
- May verify that any non-labor costs are allowable and reasonable

## ▶ Cost-Plus

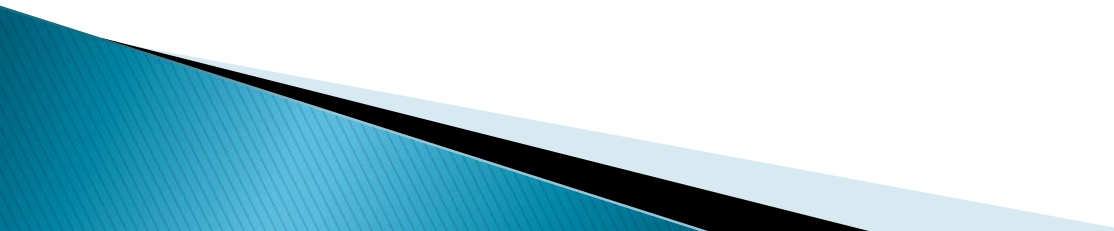
- Indirect Rate calculations and their application to the contract
- Direct costs for allowability and reasonableness
- Verifying contract provisions



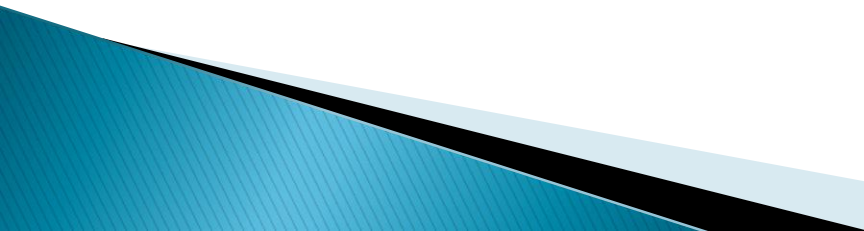
# Getting Started

- ▶ Verify that you can separate direct costs from indirect costs
  - ▶ Verify that you can separate direct costs by contract/task
  - ▶ Verify that you can separate indirect costs by indirect cost pool
  - ▶ Verify that you have reliable supporting documentation
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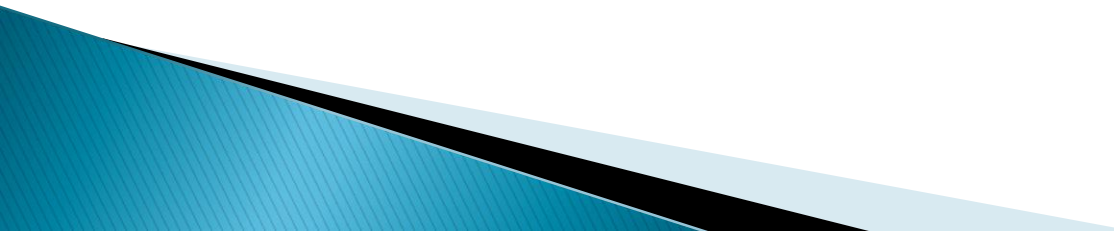
# Schedules

- ▶ Schedule A – Summary of Claimed Indirect Rates
  - ▶ Schedule B – G&A Expenses (Final Pool)
  - ▶ Schedule C – Overhead Expenses (Final Pool)
  - ▶ Schedule D – Occupancy Expenses (Intermediate Pool)
  - ▶ Schedule E – Claimed Allocation Bases
  - ▶ Schedule F – Facilities Capital Cost of Money
  - ▶ Schedule G – Reconciliation of Book to Claimed
  - ▶ Schedule H (Summary) – Summary of Schedule H direct Costs
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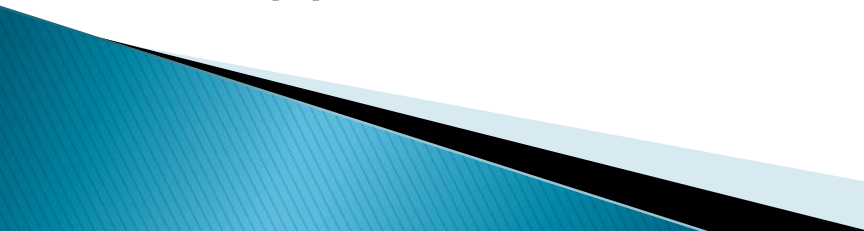
# Schedules (Cont'd)

- ▶ Schedule H – Summary of Direct Costs by Contract/Subcontract with Applied Indirects at Claimed Rates
  - ▶ Schedule H-1 – Government Participation in Indirect Pools
  - ▶ Schedule I – Schedule of Cumulative Direct and Indirect Costs Claimed and Billed
  - ▶ Schedule J – Subcontract Information
  - ▶ Schedule K – Summary of Hours and Amounts on T&M contracts
  - ▶ Schedule L – Reconciliation of Payroll to Labor
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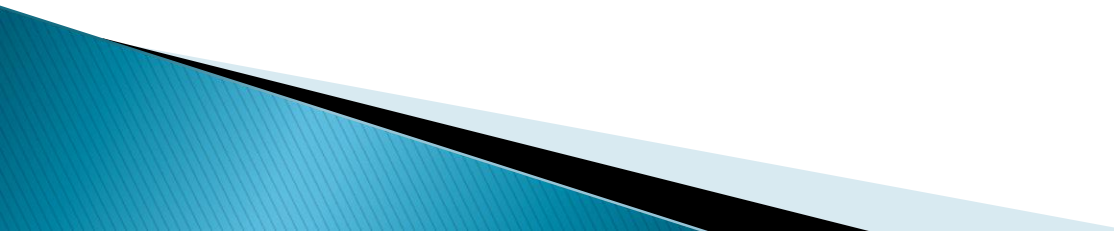
# Schedules (Cont'd)

- ▶ Schedule M – Listing of Decisions, Agreements, Approvals, and Description of Accounting/Org Changes
  - ▶ Schedule N – Certificate of Final Indirect Costs
  - ▶ Schedule O – Contract Closing Information
- 

# Optional Schedules

- ▶ Schedule F-1 – Calculate NBV for use of COM
  - ▶ Schedule G-1 – Additional reconciliation of GL to Job Cost
  - ▶ Supplemental A-1 through A-4 – Comparison to prior period
  - ▶ Supplemental B – General Organization Information and Top 5 Highly Compensated Executives
  - ▶ Supplemental C – Identification of Prime Contracts Under Which the Contractor Performs as a Subcontractor
  - ▶ Supplemental O – Contract Briefs
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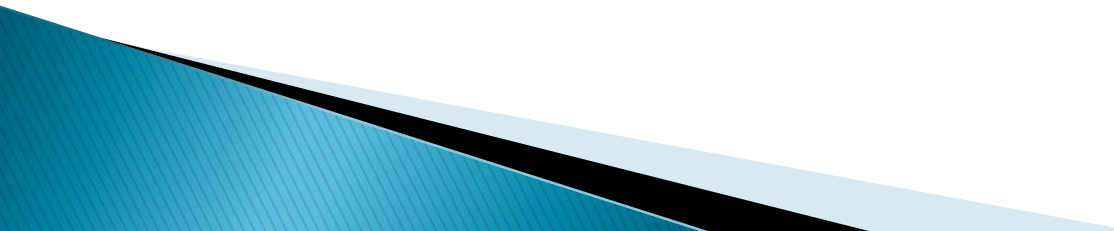
# Modification of Schedules

- ▶ Addition of Fringe pool as either final or intermediate pool
  - ▶ Material Handling Pool
  - ▶ Up to 5 Final Overhead Pools
  - ▶ Up to 6 Intermediate Pools
  - ▶ Up to 7 Cost of Money Rates
- 

# Schedule H

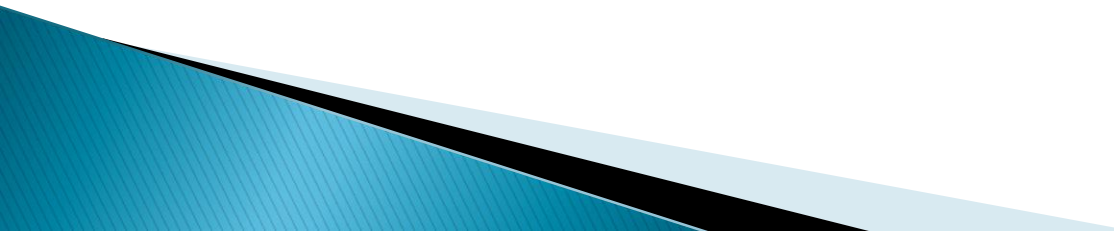
- ▶ Many of the other schedules pull from Schedule H
- ▶ Separate contracts by Cost Plus, T&M, FP, Commercial, B&P , and IR&D
- ▶ Should be able to reconcile to trial balance
  - Reconcile type of expense
  - Reconcile total allowable costs to trial balance
  - Verify that all indirect costs are fully allocated

# Schedule J

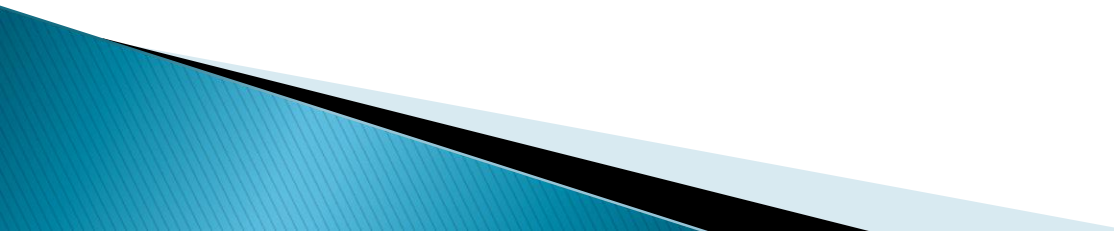
- ▶ Recap of Subcontract data
  - ▶ Required for contract types
  - ▶ Schedule should reconcile to total Subcontractor costs on trial balance and Schedule H
  - ▶ This schedule helps DCAA determine what lower level subcontractors should be audited
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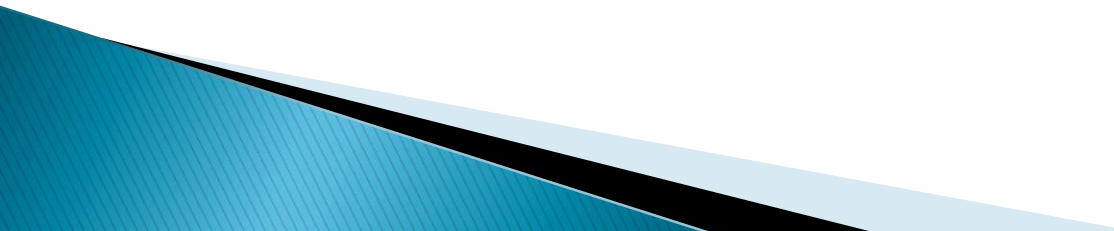
# Schedule K

- ▶ Recaps T&M Billing
  - ▶ Distinguish Employee Labor from Subcontractor Labor
  - ▶ Apply Material Handling/G&A to appropriate non-labor costs
  - ▶ Reconcile to Amount Billed in Fiscal Year
  - ▶ Schedule determines if correct hours, billing rates, and G&A were used
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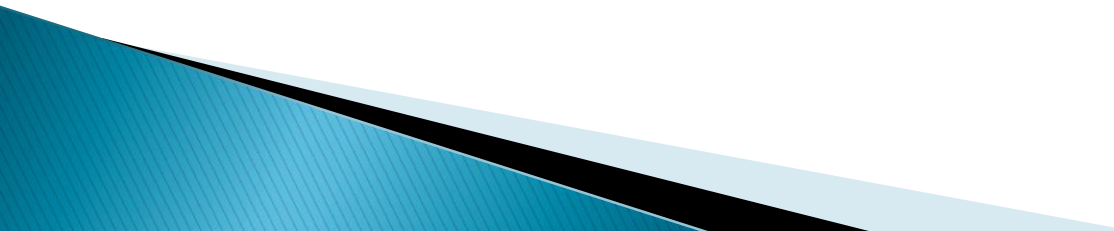
# Schedule L

- ▶ Reconcile labor to payroll (941's)
  - ▶ Accrued Wages/Vacation can cause variance
  - ▶ Pre-tax deductions must be considered
  - ▶ Third party sick pay can cause variance
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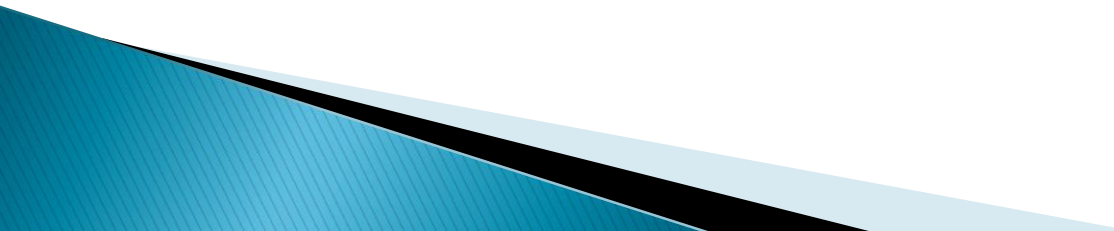
# Schedule N

- ▶ Certification Page
  - ▶ DCAA cannot audit without certification page being signed by company representative
  - ▶ Make sure date is changed in the text of this schedule
- 

# Contract Briefs

- ▶ Not required with ICE, but will request during audit
  - ▶ Prefers client to submit submissions with briefs
  - ▶ List contract information such as agency, periods of performance, contract/funded values, modification information, billing information, etc.
  - ▶ Use consistent format, but is not required to use ICE template
- 

# Reconciling the Schedules

- ▶ Verify that the total costs from Schedule H reconciles to the General Ledger
  - ▶ Reconcile Schedule H Subcontractor Costs to Schedule J
  - ▶ Verify that H-1 and Summary H balance
  - ▶ Verify that Schedule A has the correct indirect rates
  - ▶ Reconcile Schedule K to amount billed/incurred for fiscal year
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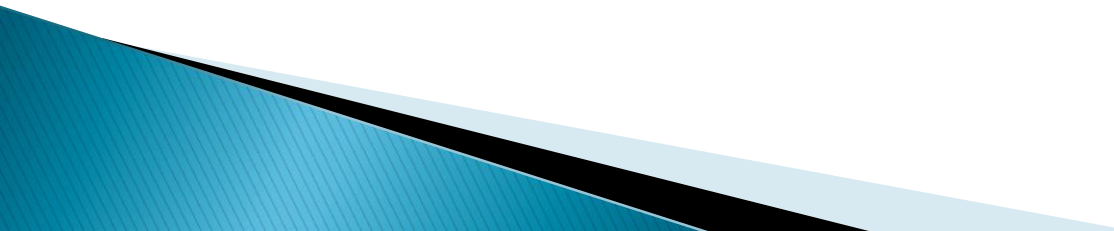
# Submitting to DCAA

- ▶ Due within 6 months after the end of fiscal year
- ▶ Can email
  - Make sure Schedule N has electronic signature or send scanned version of that schedule
- ▶ Regular Mail
  - Send hard copy with signature
  - Send CD with electronic file

# Submitting to DCAA

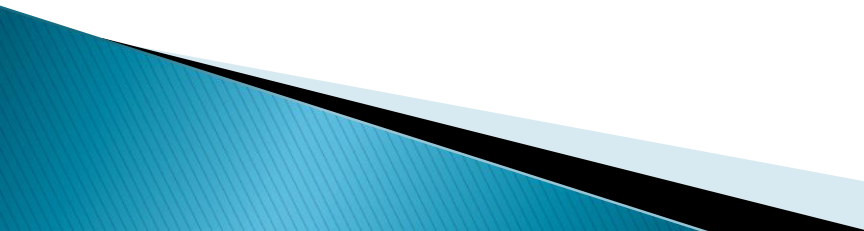
- ▶ What Goes With It?
  - Financial statements for fiscal year (audited/reviewed)
  - Tax returns for fiscal year
  - 941's for each quarter of the fiscal year
  - Trial balance

# Items Requested at Audit

- ▶ List of Work Sites and # of employees at each
  - ▶ Description of accounting system
  - ▶ Policy for handling unallowables
  - ▶ Minutes from Board of Director meetings
  - ▶ Internal Control Questionnaire
- 



# Conclusion

- ▶ Prepare the submission with complete and accurate data
  - ▶ Reconcile the schedules to each other and to the general ledger
  - ▶ Verify hyperlinks are active/working
  - ▶ Make notes to remember details when audited
  - ▶ Be able to find data when audited
  - ▶ Set a goal of future Desk Reviews
- 

# Questions

▶ ??

# Contact Information

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