

# DCAA Compliance News: Insights and Practical Advice

Fall 2020

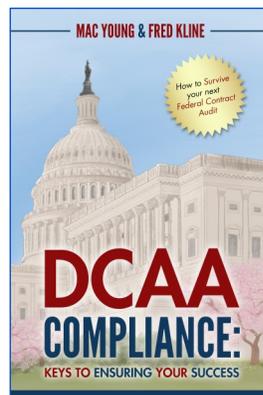
## President's Corner—With Fred Kline, CEO



Can you believe how fast 2020 seems to be flying by, these past few months especially? This has been a challenging year for the entire world and everyone is doing their best to adapt to change that we did not anticipate, nor did we welcome! All of us at Kline and Company hope that you, your family and fellow employees are doing as well as possible in these times. And, we hope that you are continuing to thrive with the new business models and remote workforce environment that has been

thrust upon us. We are easing back to the office while continuing to utilize a 'work from home office' routine as needed. We have not skipped a beat when it comes to the accounting services we provide for your business!

I am very excited to share the news that my collaborating co-author, Mac Young, and I have published a book! *DCAA Compliance: Keys To Ensuring Your Success* is about, for the most part, preparing for a federal contractor's next DCAA Audit. As you'll see inside this issue, Mac has just celebrated his ten year anniversary here at Kline and Company. Together, we think we've put together a nice companion guide to help even the seasoned federal contractor. It's available on Amazon Kindle now. The paperback will be mailed to you, simply for the asking!



I want to remind you of the importance of your data security, given the new times in which we live and work. Network integrity and IT compliance regulations are at a greater risk of compromise and aside from affecting your business, we want to make sure your accounting data is safe and secure. Make sure Accounting and IT departments are focused on maintaining a secure environment, as required by Uncle Sam!

Be safe. Follow the FAR, and stay focused on serving the needs of our country.

*Fred Kline, CEO and Founder*



### Inside this issue

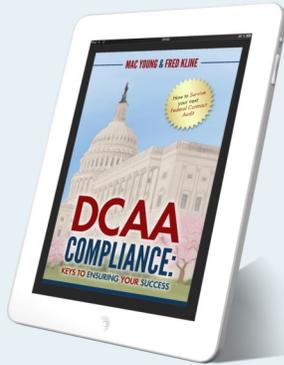
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### Count on Kline

- Accounting Services
- Tax Planning and Preparation
- DCAA Compliance Advisory Services



## Inside Scoop: The DCAA Audit Process



In the book, we answer several commonly asked questions about the DCAA audit process.

**Question:** We just founded our company and have completed our first proposal. Because we do not yet have an accounting system set up, we are using rates from my former employer. Is this okay?

**Answer:** Every company's rates are different. It is never okay to use rates established for another firm. Often people leave large contractors to start their own firm. Typically, rates are much different. Your rates should be calculated based on a budget set up for your business.

**Question:** What is required for sales activities to be an allowable cost, per the FAR?

**Answer:** If the sales activity is intended to sell a particular product or service to a particular customer, the sales costs are allowable.

Just prior to publishing our new book, we decided to add a chapter addressing the DCAA's audit processes regarding fraud detection. As a client (or prospective client reading this newsletter), it's imperative that you develop an appreciation for following the FAR in all manner and aspects. Doing otherwise could result in fines or worse. At the very least, it could jeopardize current and future federal contracts awarded to your company.

### Put on Your DCAA Auditor Hat

Pretend you are preparing for an audit of your own company by putting yourself in the shoes of an auditor. Know the proper audit process. Know your rights. Know what to expect in an audit, including what it is the auditor is inspecting. And, you should know about the Contract Audit Fraud Scenarios and the DOD's Comprehensive Listing of Fraud Indicators, found at their website, with a focus on the integrity of your internal controls. Under the Contract Audit Fraud Scenarios topic, you may select "Scenarios with an Emphasis on Internal Controls" for further information. Federal contractors large and small have a responsibility to account for funds received and are held accountable for properly managing their contract awards. The federal government (DoD) requires oversight through the DCAA, and penalties and fines may be levied based on the DCAA's findings.



*As we do for all important milestones, the team gathered in early September to celebrate Mac Young's 10-year anniversary at Kline and Company! Congratulations, Mac!*

## COO Corner: CARES ACT Section 3610



*Sheree M. DeFeo  
Chief Operating Officer*

There are many adjectives to describe 2020; unpredictable, swamped, devastating, creative and determined. As citizens of the world we are all faced with a world that is vastly different from the one we occupied on January 1, 2020. Despite these changes, some things remain the same, like our personal and business taxes. The IRS may change the timeline for filing our 2020 taxes, but the deadline to make decisions that will impact our 2020 taxes remains December 31, 2020. Business clients should use the next few weeks to ensure their books are up to date and make conservative projections to determine potential net income. Government contractors are familiar with Section 3610 under the CARES act and one component is the treatment of PPP loans and the impact these loans have on government contracts. Most companies, including government contractors who have applied and received forgiveness on their

PPP loans are required to “repay” the government using credits. Although “credits” were mentioned as early as May 2020, there is still no clear guidelines advising contractors on how these credits should be applied. The Kline team is working with other government accountants, DCAA and DCMA to ensure the process we adopt is in line with government standards. From a personal note, my kids started their freshman year of college and are both living on campus! We are so excited they get an opportunity to live “independently” even if this means, school classes are mainly online. Plus, we have less laundry, the kitchen remains clean and there is ice cream available when I want it.

### Co-Author’s Profile: Malcolm (Mac) Young, Former DCAA Auditor

Mac Young recently celebrated two important events here at Kline and Company! In early September, Mac marked his 10-year anniversary at the company, and a week later, his co-authored book, *DCAA Compliance: Keys to Your Success*, was published on Amazon!

As our web site presents: Mac is a veteran of the United States Navy, having served for four years in the Meteorological Service and for over twenty years in civil service operations at the Portsmouth Naval Shipyard. After his service at the shipyard, Mac joined the Defense Contract Audit Agency (DCAA) serving Government Contractors in Maine and New Hampshire. Mac attained the status of DCAA Senior Auditor during his eight year tenure and also served as guest instructor at the Defense Contract Audit Institute in Memphis, TN. Mac has government audit experience within many different size contractors in various industries but particularly enjoys working with companies within the science and technology fields. Prior to Mac’s joining DCAA, Mac held the credential as an Enrolled Agent with the Internal Revenue Service. Mac holds his undergraduate degree in Accounting from Franklin Pierce University.

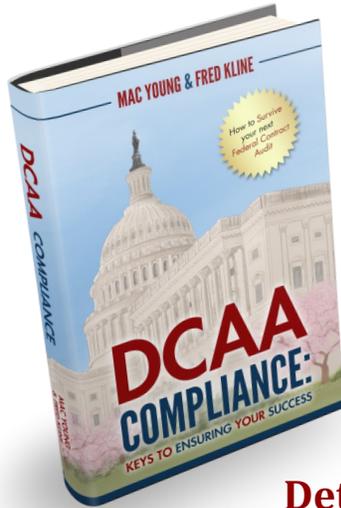


*Malcolm (Mac) Young  
Federal Government  
Accounting Specialist*

“Collaborating on this book with Fred was both a privilege and a great opportunity to document the areas of prime emphasis regarding the DCAA audit process,” said Mac. “We’re already looking at hosting a webinar in 2021, after tax season. Who knows, there may even be another book in the offing!”



## We're Excited! Our New Book is Here!



**Details Inside!**

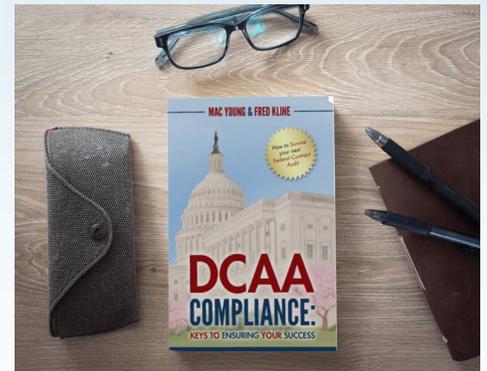


## The Book is Like A Private DCAA Consultation Session...

As the back cover explains...

### Proudly Serving Those Who Serve the Warfighter

Welcome to the world of federal contracts accounting and the Department of Defense Contract Audit Agency, or DCAA, the agency that oversees the accounting of federal contract awards. All Federal Contractors awarded contracts by the US Government have an obligation to follow the Federal Acquisition Regulation (FAR). **This book is written for the Federal Contractor wanting to better understand and navigate through the DCAA Compliance audit process.** Topics include setting up an adequate accounting system, preparing the annual incurred cost submission and gearing up for the eventual DCAA audit. Additional topics include unallowable and allowable costs and guidelines used by the DCAA. With more than 26 years in business, the company enjoys a solid reputation among clients, the Department of Defense, the IRS, and the DCAA.



You can grab a copy of *DCAA Compliance: Keys to Your Success* at Amazon.com. You can request a free copy by sending an email to [cpa@klineco.com](mailto:cpa@klineco.com)!