

DCAA Compliance News: *Insights and Practical Advice*

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President's Corner—With Fred Kline



Welcome to the premier issue of *DCAA Compliance News: Insights and Practical Advice!*

Our entire staff is excited about our newsletter. We decided to be different, yet again, in our marketing by introducing a good, old fashioned printed newsletter to enhance our communication with you. We hope you like our newsletter and, more importantly, that you'll share it with your staff. Feedback and ideas welcome!

As proud as I am of our new newsletter, I am doubly proud of our staff and their dedication to their profession. With two former DCAA auditors on staff, and with the significant experience of the entire team we consistently win the Best of Nashua award for accounting firms, even though we do business nationally. We are living proof that working at an accounting firm can be both fun and exciting, as our company culture endeavors to support yet rest assured we take your accounting systems and procedures very seriously. The longevity of our staff, each with a 'whatever it takes' attitude, supports our commitment to doing the best we can to help each client achieve their goals.

The world of the DCAA has shifted in recent years, with an emphasis on strictly auditing contractors for compliance. The days of DCAA auditors educating contractors are long gone, and now you have the extra task of keeping up with the FAR and best business accounting practices for federal contractors. That's where we come in, as you are likely well aware! Please know that Kline & Company, CPA, PC is here to fulfill both roles; to educate our clients on best practices, and to serve our clients with exceptional DCAA compliance services. When you engage us to support you, you are adding us to your team, in which we take great pride. We greatly appreciate the trust and confidence.

Enjoy this issue. If you have any questions about DCAA accounting, simply pick up the phone or email me directly at fkline@klineco.com

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We're still proud of this!

Kline & Company, CPA, P.C. has been voted Nashua's #1 Accounting Firm for 10 consecutive years! (2006-2016)



Calculating Indirect Cost Rates

Are you preparing a proposal or meeting with the government to determine an adequate accounting system?

When it comes to properly calculating indirect cost rates, understanding the DCAA requirements for your business is essential. It is one of the most critical areas of accounting compliance yet it is seldom done correctly. The Department of Defense (DoD) has asked the DCAA to apply greater scrutiny to federal contracts, which explains the increase in audits over the past few years, bringing greater attention to indirect cost calculations.

We encourage you to read the full article at our web site: Calculating an Indirect Cost Rate, in the DCAA Government Contractor Guidance section, written by our staff member, Mac Young. From the article: "Indirect costs are those costs incurred that are not directly identifiable to a single contract or customer. ... The indirect cost rate is



Visit www.Klineco.com and select "DCAA Government Contractor Guidance" for more information about calculating indirect costs.

simply an arithmetic calculation of dividing a pool of expenses (numerator) by an allocation base (denominator) such as direct labor cost or total direct costs plus overhead." Please call us at 603.881.8185 if you have any questions about this, or any other DCAA topic!

"Indirect cost rates are a critical component to your DCAA compliance. We'll help you prepare proper incurred cost submissions to the federal government and we can help you correct an already submitted proposal."

-Fred Kline, President

Client Defined

Merriam-Webster defines a client as:

noun, cli·ent \ 'klī-ənt \

a person who engages the professional advice or services of another. At Kline & Company, we view you, our client, as 'one who is under our care' when it comes to DCAA Compliance and business accounting services.

Your Incurred Cost Submission Preparation is a Year Round Effort for the Kline Team

A DCAA incurred cost audit is due six months after your fiscal year end, and is designed to determine a federal contractor's actual allowable costs on an annual basis. Accuracy is critical, and numerous factors must be considered, then refined through the year to ensure compliance goals are met. Said another way, the purpose of the submission is to establish final indirect rates and identify direct contract costs.

We have identified sixteen points to keep in mind throughout the year when it comes to incurred cost preparation, which you'll find at our web site, in the DCAA Government Contractor Guidance section. Please read them in the article: *Preparing an Incurred Cost Submission!*

Government contractors with cost reimbursable and certain other contract types must submit an adequate incurred cost submission within six months after the end of their fiscal year, per the FAR Clause 52.216-7. If you have been recently notified of an inadequate proposal, or if you have been procrastinating we recommend you make this a priority. We're here for you!

Are You Taking The DCAA Timekeeping Compliance Requirements Seriously?



Are you following the DCAA requirements for timekeeping compliance? Federal timekeeping policies are contained in the Federal Acquisition Regulation.

Establishing accurate timekeeping allows for a clear, detailed audit trail and will enable easier DCAA compliance. As a federal contractor you must establish acceptable timekeeping procedures and a reporting system that allows you to track daily labor costs on a project basis. The government wants to make sure taxpayer funds awarded to contractors are being applied efficiently, without waste or fraud, and that careless accounting of labor is avoided.

As we explain to all Kline & Company clients:

- An approved accounting system is an essential requirement before a Government Cost Reimbursable Contract can be awarded. An Adequate Time Keeping System is one of the primary cost elements of a compliant accounting system that will be Reviewed by DCAA for adequacy before and after contract award.
- Compliant timekeeping systems utilized by Government Contractors are required to demonstrate accurate labor distribution to both general ledger control accounts and to related Government Contract tasks. This is an essential requirement for both the accounting and billing systems.
- Deficiencies noted by DCAA in the labor reporting, accounting or billing systems may cause unnecessary delays in the award of Government Contracts or the inability to award subject contracts. Deficiencies found after award can result in delays in processing public vouchers or disapproval of a contractor's entire Billing System.

Accurate timekeeping starts with the right culture about tracking time, so that the company reports time properly and measures all aspects of your government contracts, as well as managing project costs!



There are many adequate electronic timekeeping solutions on the market today. One of the software products we like is Tsheets, from a company with the same

name. Many of our clients use Quickbooks with Tsheets for tracking and allocating employee time. This combination of software can help you ensure that you are compliant with the federal government's requirements. Call us if you have any questions or visit www.tsheets.com.

Timekeeping Tips



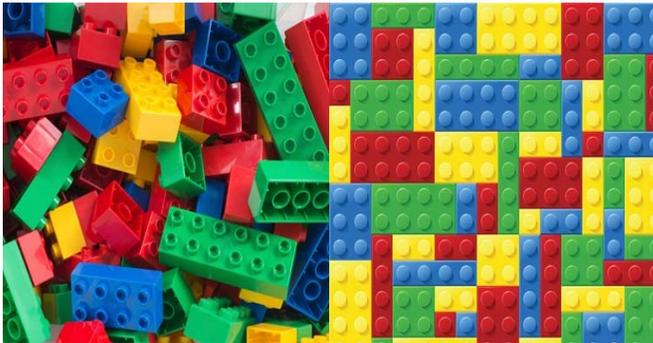
Timekeeping is always a hot button for DCAA Auditors. Compliance is non-negotiable as stringent guidelines must be followed!

There is a learning curve involved in getting all employees up to speed! Here are a few basic tips to help ensure that you are following best practices:

- Adequate timekeeping policy in place and signed by all employees
- All employees must record their time each day, in ink, or use an electronic system
- Employee maintains control of their own timesheet
- All vacation, sick, holiday and other leave time must be recorded accurately
- All employee time worked must be recorded and approved by their supervisor
- Timekeeping training must be conducted annually
- Proper project names and job codes must be included in employee timekeeping
- Testing accuracy of timekeeping procedures and controls regularly



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When It Comes to DCAA Accounting System Setup We Give Order to Chaos

One of our clients said it best, when he was describing the value of what we did for his contracting firm. He referred to a box of Legos, and said what Kline and

Company did was bring order to his accounting system, just like assembling building blocks in a way that made sense for him; solid, and in proper order.

When it comes to your accounting system, whether you are a new contractor needing an adequate system for DCAA compliance, or if you have a system in place that needs improvement, our team of seasoned industry experts are ready to help ensure that your accounting system and business practices meet DCAA requirements for adequacy. As our current clients are well aware, once a system has been created or improved, our team will train your team in using the new system to ensure compliance.

We will ensure that your system runs effectively and provides you with the timely management and program reports you need to run your business. Let's take a look...together. Call us at 603.881.8185