

DCAA Compliance News: *Insights and Practical Advice*

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President's Corner—With Fred Kline



Let me start by extending a very warm holiday greeting to you. I love this time of year. Here in New Hampshire, the fall foliage has passed, the cold air has arrived and the winter weather is at our doorstep. I hope you had a wonderful Thanksgiving and that a Merry Christmas is on your horizon. Wherever you find yourself, I hope you'll pause to enjoy these last weeks of 2017, as you wrap up this year's business and start to focus on the year ahead.

We have had a terrific response to our new newsletter! Our plan is to publish it every two months, sharing insights and practical advice that augments the support we already provide to your company. Your feedback and content recommendations are certainly welcome. I hope you find each issue useful!

Our staff really enjoys the Christmas holidays. Their holiday spirit is as strong and contagious as their team spirit, which you can count upon year round! Here's a photo "from the archives" of part of the team, from our original group. We're growing so watch for a complete team photo in an upcoming issue!



As I am sure you are equally amazed, I cannot believe how fast this year has passed. While we do have a few weeks to go, we are getting down to the wire on closing out any 2017 accounting priorities. As you look ahead, it's important that you be aware of the business trends in federal contractor accounting. Specifically, I want to call attention to the trend of outsourcing all three of the major accounting areas of your business: DCAA compliance, tax and accounting.

As always, if you have any questions about DCAA accounting, simply pick up the phone and call me, or email me directly at fkline@klineco.com.

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*Merry Christmas
from All of Us at
Kline & Company*



It's About Our Team Approach

As a client, I am sure you have felt the impact of our team approach to serving your company. Some of the team work is behind the scenes, but it is integral to our success. Since the beginning, with a mission of helping you achieve your mission, we have worked hard to build a team of professional business accountants and tax consultants as well as a highly talented office support team that are true experts and who can all work and have fun together. A few decades ago Harvard University concluded that satisfied clients are only possible when the team that serves them is happy and satisfied as well. We ascribe to that philosophy.

We carry our internal team spirit to each and every one of our clients. We take very seriously the opportunity to be a member of your team and, in support of your mission, we have our eyes focused on your numbers. Whether it's to help ensure DCAA compliance and



following the FAR, to preparing the company's tax filings, or to ensure that best accounting practices are in place, you can count on the Kline Team. When our team is a part of yours, great things happen:

- Your accounting system is far more than 'adequate'
- Your costs are accurately captured and reported
- Your DCAA Compliance is more assured
- Your profit margins are sustained



We took advantage of some nice summer weather for a little team building fun and some ice cream at Kimball Farms in Westford, MA. We work hard and play hard, too!



I can't report which of our groups fared best in miniature golf or bumper cars, but we all did extremely well in the ice cream competition! We had fun. Team spirit is important and it's something you'll always find at Kline and Company.



"Success can be defined in many different ways. For some it is the security of a retirement plan. For others it is the joy of building up a business. For many it is having time to spend with family. Sometimes, it is a combination of these and more. My definition of success at Kline & Co. and in life is understanding what others need and helping them succeed."

-Fred Kline, President

An Interview With Fred Kline, Founder and President, on Business Philosophy

Editor: What are the top keys to Kline & Company's business growth since your inception?

Fred: There are three essential keys to our success:

- Working as a team: All clients have two team members assigned to them. This not only allows us to have the right level accountant providing services but also allows review of the work by the senior level accountant.
- Friendly professionals: Our entire team is known for being friendly to our clients and to each other. In an industry characterized by introverts, we hire our staff for both their ability to work with each other and with our clients.
- Technical competence: We hire the best accountants available in accounting, taxation and DCAA Compliance. Our seasoned team possesses the skills needed to solve client problems.

Editor: Based on feedback from clients, what is it that you think makes the company unique in DCAA Compliance accounting services?

Fred: We offer not only accounting services but also tax and DCAA Compliance and provide all of these services at a very high level. Typically, firms excel in only one or two of these service areas rather than having top level performers as we do in all 3 areas needed by Federal Government Contractors.

Editor: You recently graduated from the Babson/Goldman-Sachs 10,000 Small Businesses Program. What motivated you to participate and how is it making an impact on the business services that Kline & Company delivers?

Fred: As part of the program, I studied our federal government contracting industry very carefully and received valuable input from executives of other companies in many different industries. It became clear that the one stop shopping concept of providing all business services needed by government contractors was particularly attractive to the owners since accounting and taxation are two of their least favorite areas for them to spend their time pursuing.

Editor: Looking ahead, what trends do you see developing in DCAA Compliance, or in general accounting for federal contractors?

Fred: I expect the trend for government contractors to outsource their accounting, tax and DCAA Compliance needs to continue. This trend is consistent with the overall trend in public accounting to have clients outsource these services to their CPA firm and the desire by clients to deal with only one firm for these needs. Our specialty area of federal government contracting has very few competitors in New England and most states do not have accounting firms focusing on this niche.

The True Costs of Non-Compliance



If your cost accounting system is inadequate for the government, or non-compliant, you may be locking yourself out from future federal contract opportunities or putting your current contracts at risk. Profits are at risk due to potential penalties or payment claim withholdings, which could ultimately cause a net loss or break even situation. The negative impact of non-compliance is both direct and indirect:

- Ineligible for contract award
- Suspension of interim billings
- Disallowance of costs
- Increased audit oversight
- Contract termination

Many factors contribute to the adequacy of your accounting system. Our team is working to ensure that all points are addressed, starting with a careful review of your written policies and procedures, and the indicators that might suggest potential non-compliance issues.

If you are concerned about non-compliance or have any questions about DCAA Compliance, please call us to discuss the issue. The sooner it is addressed, the sooner we can help you maximize your profits.



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Is Your Team Ready For A DCAA Audit?



If you receive notification that you are being audited by the Defense Contract Audit Agency (DCAA),

our team of prior DCAA Auditors and Government Contract Accountants have the extensive knowledge and experience needed to successfully guide your audit. Our team of professionals will perform complete audit representation or simply work behind the scenes while you are being audited. We have an in-depth understanding of federal regulations which makes us an invaluable partner throughout the process. The government accounting specialists at Kline & Company will communicate with the DCAA during the audit and will

prepare a response to their audit report identifying areas of disagreement and the reasons we do not concur with the government. Our industry experts have many years of experience in the audit process and will help you obtain the best results possible.

Now may be the perfect time to begin thinking about a Kline & Company DCAA “pre-audit” to prepare you for the likely audit coming over the horizon. Visit our Federal Government Contractor Guidance section of www.klineco.com for more information about preparing for a DCAA Audit.



Not yet being audited? Mock audits by Kline & Company get you prepared for future audits. We use the same audit programs utilized by the DCAA and will find weaknesses in your system that would likely be identified by the DCAA. Let's take a look...together. Call us at 603.881.8185