About Your Presenter

Michael S. Diener, CPA

In 1989, Mike Diener left his position as Director of Accounting and Finance for a government contractor and opened his own office in Falls Church, VA. Mike currently serves as Treasurer and Board Member of the Falls Church Chamber of Commerce and Treasurer of Creative Cauldron. He has twice been voted “Business Person of the Year” by the City of Falls Church and received the “Pillar of the Community” award. Diener & Associates, CPAs was recently voted “2016 Best Accounting Firm” by the City of Falls Church.

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Objectives

To provide you with a basic understanding of:

- Government Contract Accounting
- Audit Programs
- Basic Contract Types
- DCAA Compliant Systems

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Government Contract Accounting

- Income Statement
- Company Wide Statement of Indirect Rates
- Unallowable Cost

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Income Statement

Income Statement		December 31, 20__
Revenue		10,613,677
Direct Labor		5,000,000
Fringe	29.77%	1,488,500
Overhead	35.82%	2,324,180
G&A	11.20%	987,020
Gross Profit	8.00%	783,976
Unallowable		30,000
Net Profit		753,976

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Rates & Multiplier

Direct Labor		**1.0000**
Fringe	29.77%	0.2977
Overhead	35.82%	0.4648
G&A	11.20%	0.1974
Gross Profit	8.00%	0.1568
Labor Multiplier		2.1200

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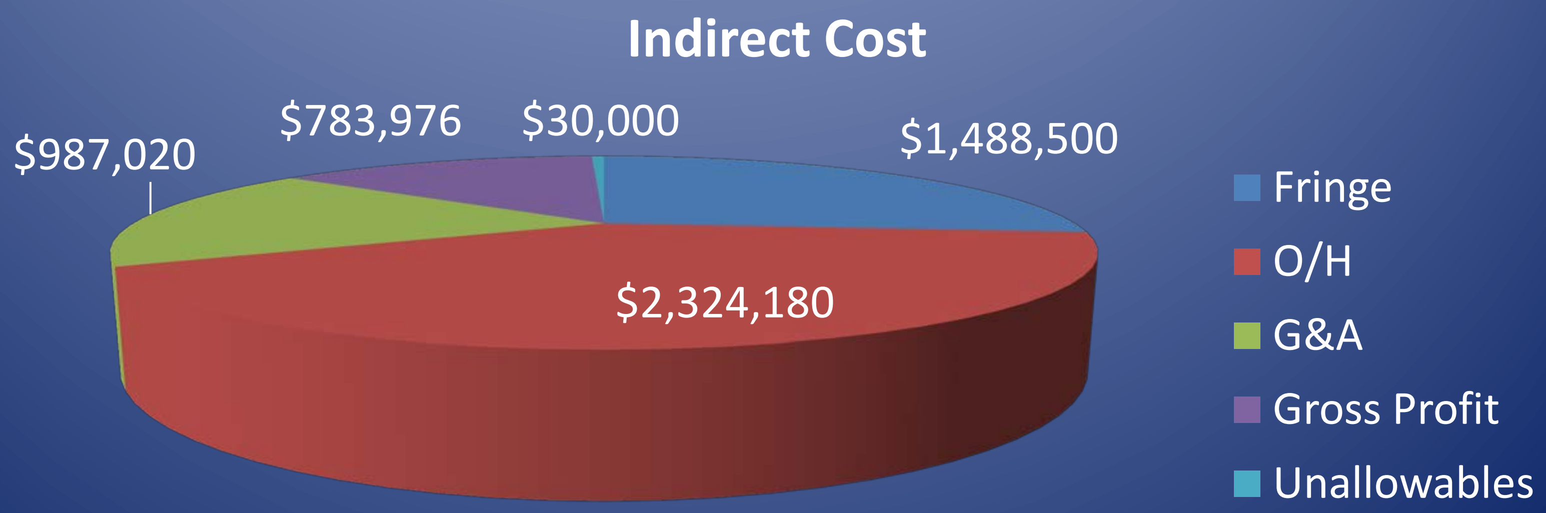
Income Statement Cost Elements



Cost Elements Descriptions

- Direct Cost
  - Identifiable to single cost objective (Contract)
  - Required for performance of contract
  - Identified in proposal as a direct cost
  - Billable
- Indirect Costs
  - Shared cost allocated to multiple contracts/allocated to a single cost objective
  - Cannot be identified to specific contract
  - Fringe – Payroll Taxes, Paid Time Off, 401(k)
  - Overhead – Support cost for operations
  - General & Administrative (G&A) – Admin Staff/Back Office Support
- Unallowable – Interest, Alcohol and other specified cost (FAR 31.205)
- Profit

Government Contract Audit Programs

- Incurred Cost Audit
- Accounting System (SF1408 Form)
- Provisional Billing Rates
- Price Proposal

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Incurred Cost Audit

The objective of this audit is to examine the contract's compliance with the system criteria for an acceptable accounting system as prescribed in DFARS 252.242-7006, Accounting System Administration.

Accounting System Audit

This audit program assists in determining if costs charged to government contracts are allowable, allocable, and reasonable in accordance with contract terms and applicable government acquisition regulations.

Accounting System provides for the following:

- Proper segregation of direct cost from indirect cost.
- Identification and accumulation of direct cost by contract.
- A logical and consistent method for the allocation of indirect cost to intermediate and final cost objectives.
- Accumulation cost under general ledger control.
- A timekeeping system that identifies employee's labor by intermediate of final cost objective.
- A labor distribution system that charges direct and indirect labor to the appropriate cost objectives.
- Interim (at lease monthly) determination of costs charged to a contract through routine posting of books of account.
- Exclusion from costs charged to government contracts of amounts which are not allowable in terms of FAR 31
- Identification of cost by contract line item and by unit if required by the proposed contract.
- Segregation of preproduction costs.
- Required by contract clauses concerning limitation of cost (FAR 52.232-20 and 21) or limitation of payments (FAR 52.216-16).
- Required to support request for progress payments.
- Is the accounting system designed, and are the records maintained in such manner that adequate, reliable data are developed for use in pricing follow-on acquisition.

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Provisional Billing Rates

The purpose of this audit is to establish or adjust provisional billing rates as required by FAR 42.704, Billing Rates.

Provisional billing rates should be established in a timely manner, typically at the beginning of a contractor fiscal year (i.e. to support current year invoicing).

Price Proposal

The purpose of this audit is to evaluate the proposal for its compliance with FAR Part 15 and FAR Part 31, as well as applicable CAS Provisions.

Far Part 15 – Prescribes policies and procedures governing completive and non competitive negotiated acquisitions. A contract award using other than sealed bidding procedures in a negotiated contract.

Far Part 31 – Contract Cost Principles and Procedures

Basic Contract Types

Fixed Price

Cost Plus

T&M

IDIQ

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Basic Contract Types

Fixed Price

- Fixed scope of work for fixed payment amount
- Billing may be fixed monthly amount or milestones
- Used when the work to be performed is well defined
- Higher fee % may apply
- Not typically subject to audit

Time & Material (T&M)

- Hours times fixed billing rate
- Master contract with rates, annual rate increases
- Labor categories define skill requirements
- Audits will check hours billed to hours on timesheets & payroll

Cost Plus/Cost Reimbursable

- Reimbursed for direct cost plus applies indirect cost
- Negotiated fee is invoiced on top of direct and indirect cost
- Fee is profit
- Fixed fee, award fee, incentive fee
- Allowable cost and funding clause requires incurred cost submission
- All costs are audited

IDIQ

- Indefinite quantity, indefinite delivery

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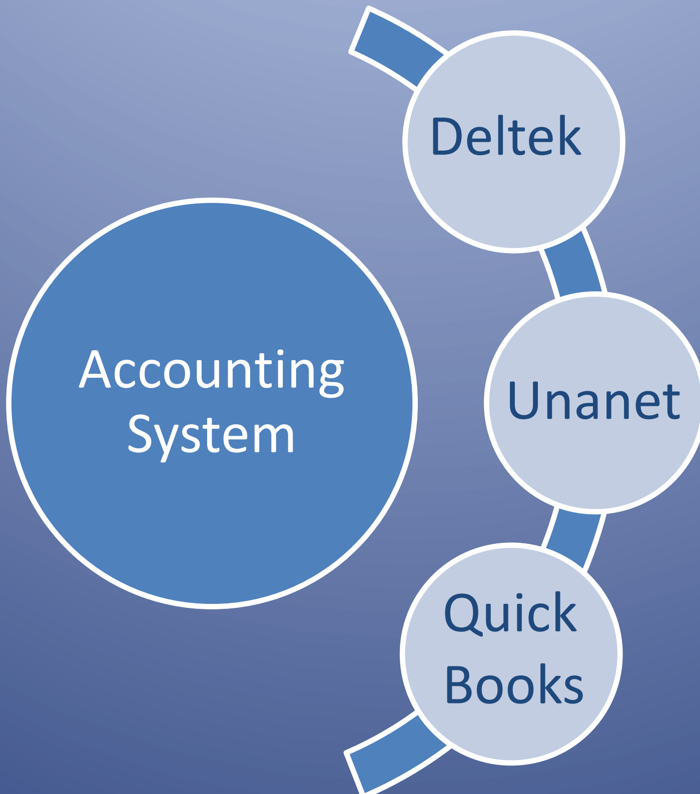
Accounting Software



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Accounting Software Considerations

- DCAA compliant timesheet
- Expense reporting for government contractors
- Payroll
- DCAA compliant accounting software
- SOFTWARE does not make you DCAA compliant – How you run it is the COMPLIANCE PART
- Cost components

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