

*BMSS Presents:*

# GOVERNMENT CONTRACT ACCOUNTING SYSTEMS REVIEW



Time:  
8:30 A.M. to 10:00 A.M. (CDT)



Date:  
Thursday, March 19th



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# The Million Dollar Question

Do you have an Approved  
Accounting System?

# Purpose

An accounting system review evaluates a company's financial policies, procedures, and internal controls to ensure they can produce accurate, reliable data to comply with regulations and properly segregate costs. It validates that the system can handle project tracking, maintain adequate documentation, and protect assets, often serving as a necessary precursor for contract awards.

# Fact or Fiction?

A business can contact DCAA and request an audit.



# Pre Award

vs

# Post Award

- Much less in scope
- Conducted during proposal review/before contract award
- Requested by ACO

- Much more in scope
- Conducted subsequent to contract award
- Initiated by DCAA or ACO

# What Makes An Approved Accounting System

1. Written Accounting Policies and Procedures
2. Accounting software(s) configured to handle projects and an indirect structure
3. Properly trained staff, essential
4. DCAA audits and deems acceptable

# Written Accounting Policies and Procedures (sample)

- Summary of Accounting System
- Financial Risk Management
- Financial Reporting
- Accounting for Direct Costs
- Accounting for Indirect Costs
- Budgeting
- Travel
- Accounting for Unallowable Costs
- Billings and Accounts Receivable
- Accounts Payable
- Purchasing
- Timekeeping
- Estimating System

# Software Requirements

- No particular accounting software is recommended or required
- Not limited to one software
  - Use of a different timesheet program
  - Use of a third-party payroll provider
  - Use of Excel to develop indirect rates/contract reporting

Requires system to be fully operational

# Fact or Fiction?

Costpoint and Unanet are approved accounting systems.



# What DCAA will ask for...

- Preaward Survey of Prospective Contractor Accounting System Checklist
- Trial Balance
- Balance Sheet
- Income Statement
- Aged AP Report
- Aged AR Report
- Samples of Project Summary Reports (PSRs)
- AR Invoices that match the PSRs
- Direct Labor reports
- Direct Travel reports along with expense reports
- Actual Burden Rates
- Chart of Accounts
- General Ledger Detail YTD

Keep smiling - maybe the auditor will forget about those reports she asked for yesterday



someecards  
user card

# Chart of Accounts

50 - Direct Costs		72 - Overhead Expenses - Client Site	
50.11 - Direct Labor - Client Site		72.11 - Overhead Client Site Labor	
50.11.05 - Direct Labor - Client Site		72.11.05 - OH Client Site Labor	
<b>50.11 - Direct Labor - Client Site Total</b>	60 - Fringe Expenses	72.11.10 - OH Client Site Bonus	
50.21 - Direct Travel & Expense	60.11 - Fringe Labor	<b>72.11 - Overhead Client Site Labor Total</b>	
50.21.05 - Direct Travel Cost	60.11.05 - Paid Time Off	72.21 - Overhead Client Site Non-Labor	
<b>50.21 - Direct Travel &amp; Expense Total</b>	60.11.11 - Holiday Expense	72.21.05 - OH Client Site Travel	
50.31 - Direct Subcontractor	60.11.21 - Bereavement	72.21.15 - OH Client Site Consulting	
50.31.05 - Direct Subcontractor Labor T&M	60.11.25 - Jury Duty	72.21.21 - OH Client Site Office Expense	
50.31.11 - Direct Subcontract Labor	<b>60.11 - Fringe Labor Total</b>	72.21.24 - OH Client Certifications	
50.31.15 - Direct Subcontractor Travel	60.21 - Fringe Taxes	72.21.42 - OH Client Recruiting	
<b>50.31 - Direct Subcontractor Total</b>	60.21.05 - Employer FICA	<b>72.21 - Overhead Client Site Non-Labor Total</b>	
50.41 - Direct Consultant/1099	60.21.11 - Employer FUTA	<b>72 - Overhead Expenses - Client Site Total</b>	
50.41.05 - Direct Consultant Labor	60.21.15 - Employer SUTA	80 - General and Administrative	
<b>50.41 - Direct Consultant/1099 Total</b>	60.21.20 - Payroll Tax Adjustments	80.11 - General and Administrative Labor	
50.51 - Other Direct Costs	<b>60.21 - Fringe Taxes Total</b>	80.11.05 - G&A Labor	
50.51.05 - Direct Other Direct Cost	60.31 - Fringe Other	<b>80.11 - General and Administrative Labor Total</b>	
50.51.11 - Unbillable Direct Costs	60.31.05 - Workers Comp Expense	80.21 - General and Administrative Non-Labor	
50.51.17 - Unbillable ODC GSA IFF Fee	60.31.11 - LTD/STD/SDI	80.21.05 - G&A Travel	
<b>50.51 - Other Direct Costs Total</b>	60.31.15 - Employer Hlth Insurance Expens	80.21.11 - G&A Meals	
50.61 - Direct Materials	60.31.23 - Employer 401K Contribution	80.21.15 - G&A Accounting Fees	
<b>50 - Direct Costs Total</b>	60.31.39 - FR Relocation	80.21.25 - G&A Professional Fees	
	<b>60.31 - Fringe Other Total</b>	80.21.33 - G&A Consultant Labor	
	<b>60 - Fringe Expenses Total</b>	80.21.45 - G&A Business Insur	<b>GR - Gross Profit from Operations Total</b>
	63 - Facility Expense	80.21.61 - G&A Dues & Subsc	NO - Unallowable Expense
	63.21 - Facility Expense Non Labor		90 - Unallowable Expense
	63.21.05 - Facilities Rent Expense		90.11 - Unallowable Expense
	63.21.11 - Facility Repairs and Maint		90.11.15 - U/A Penalties
	63.21.21 - Facility Telephone		90.11.30 - U/A Bank Fees
	63.21.41 - Facility Office Supplies		90.11.41 - U/A Entertainment
	63.21.49 - Facilities - Security		90.11.51 - U/A Miscellaneous
	63.21.57 - Facilities - Computer Expenses		90.11.55 - U/A Employee Morale
	63.21.61 - Facilities - Equip Rental		<b>90.11 - Unallowable Expense Total</b>
	63.21.65 - Facilities - Shipping		

# PreAward Survey of Prospective Contractor Accounting System Checklist

## Pre-award Survey of Prospective Contractor Accounting System Checklist

### 1. Has your organization's Accounting System ever been audited by DCAA?

YES (if Yes, the Offeror should attach a copy of their most recent DCAA audit report to this Modified Pre-Award Survey) or provide the DCAA Report number or DCAA POC info.

NO (if NO, answer N/A to Questions 1.A., 1.B., and 1.C. below)

#### 1.A. If the answer is "Yes" to Question 1 above, when was the audit performed?

Within the past Year

Within the past 3 Years

Greater than 3 Years (PROVIDE THE YEAR THE AUDIT WAS PERFORMED HERE - )

N/A (Answer to Question 1 is NO)

**Instruction:** If the Contractor is planning on bidding on Cost Type Contracts, the contractor MUST provide explanatory narrative for all of the following questions:

### 3. Has your organization's Accounting System been audited by an outside Certified Public Accountant/Consultant or other Cognizant Federal Agency other than DCAA?

YES (If YES, the Offeror MUST attach a copy of their most recent audit report to this Modified Pre-Award Survey) **NOTE: Do not submit your Annual Financial Audit.**

NO

### 4. Is your organization's Accounting System currently in full operation?

YES (If YES, provide an explanation that validates your answer in the box below).

NO (If NO, provide an explanation in the box below which portions are (1) in operation, (2) set up, but not yet in operation, (3) anticipated, or (4) non-existent)

N/A (If N/A, provide an explanation in the box below)

# PreAward Survey of Prospective Contractor Accounting System Checklist

## 8. Does the Accounting System provide for the proper segregation of Direct Costs from Indirect Costs?

- YES (If YES, provide an explanation that validates your answer in the box below)
- NO (If NO provide an explanation in the boxbelow)
- N/A (N/A, provide an explanation in the box below)

## 9. Does the Accounting System provide for the identification and accumulation of Direct Costs by contract?

- YES (If YES, provide an explanation that validates your answer in the box below)
- NO (If NO provide an explanation in the boxbelow)
- N/A (N/A, provide an explanation in the box below)

## 12. Does the Accounting System provide for a timekeeping system that identifies employees' labor by intermediate or final cost objectives?

- YES (If YES, provide an explanation that validates your answer in the box below)
- NO (If NO provide an explanation in the box below)
- N/A (N/A, provide an explanation in the box below)

## 13. Does the Accounting System provide for a labor distribution system that charges Direct and Indirect labor to the appropriate cost objectives?

- YES (If YES, provide an explanation that validates your answer in the box below)
- NO (If NO provide an explanation in the box below)
- N/A (N/A, provide an explanation in the box below)

# What to Expect when DCAA Visits

Sit along side the AP clerk and walk thru entering a bill

During this process prove that the bill is properly approved

Continue thru to the payment process and insure segregation of duties

DCAA will request to see the detailed labor selected from a PSR

DCAA decides on a sample and wants to see some timesheets

Selects an employee and confirm \$\$ are accurate based on salary

Travel costs from PSR is selected to view expense report

Confirm that the back up is accurate and complete, hard or soft copy

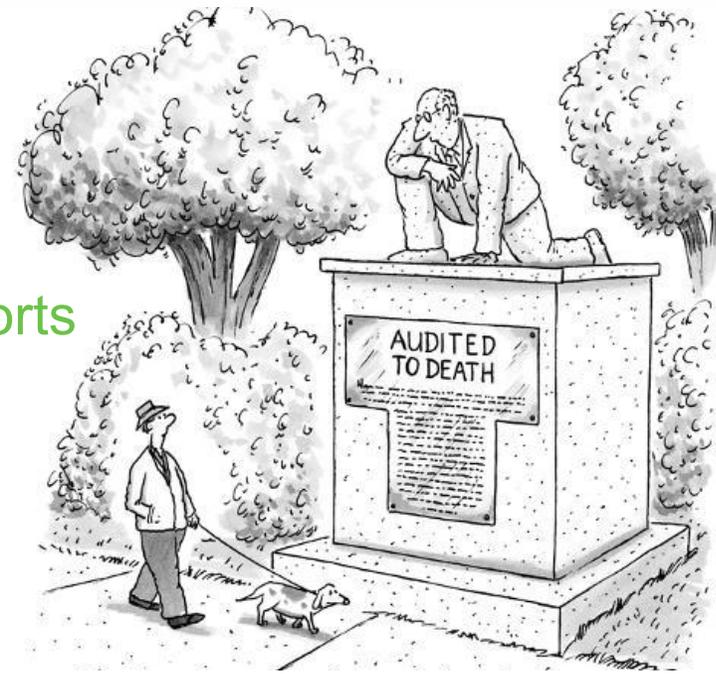
Make sure it flows thru to the invoice accurately and with correct burdens

# Helpful Hints

- Perception Is Everything, be prepared
- Involve your staff, they need to take ownership
- Don't assume what DCAA needs, ask for clarification
- Don't be intimidated; breathe before you answer, you can step back and get back with them

# Common Deficiencies

- No monthly closing process
- Improper Timekeeping
- No segregation of costs
- Billings not reconciled with Cost Reports
- Process doesn't follow your written procedure



# DCAA's Response

## Pre Award

### WHAT WE FOUND

We determined XYZ, Inc.'s accounting system is **designed for award of a prospective contract**, and the accounting system is in **operation**.

### Unqualified Opinion

In our opinion, XYZ, Inc.'s accounting system design **complies in all material respects**, with the criteria contained in FAR 53.209-1(f), Standard Form 1408 (SF 1408). The accounting system is in **operation**.

# DCAA's Response

## Post Award

### WHAT WE FOUND

We found the contractor's accounting system **complies** with the DFARS 252.242-7006, Accounting System Administration requirements.

### Unqualified Opinion

In our opinion, XYZ, Inc.'s accounting system **complies** in all material respects, with the criteria contained in DFARS 252.242-7006, Accounting System Administration requirements, for the period January 1, 2025 through June 30, 2025.

# Fact or Fiction?

DCAA is your friend.



"We're just going to parachute in and do a quick audit without making a fuss about it."

# Helpful Resources

- **SF-1408 – Standard Form 1408, PreAward Survey of Prospective Contractor Accounting System**
- Pre-Award Survey of Prospective Contractor Accounting System Checklist
- 17740\_AP\_Post Contract Award Acct Sys – Post Award Accounting System Audit at Nonmajor Contractors Audit Program
- DCAA PUBLICATION DCAAM 7641.90 - "Information for Contractors" – Enclosure 3



# Questions?

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*If you have a question that you'd like to ask, please use the **Q&A Button** at the bottom of your screen.*

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