



An Overview of Defense Contract Audit Agency:

The support we offer and how small
businesses can break into GovCon

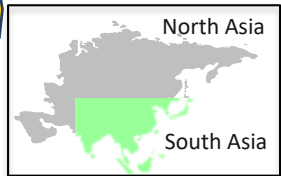
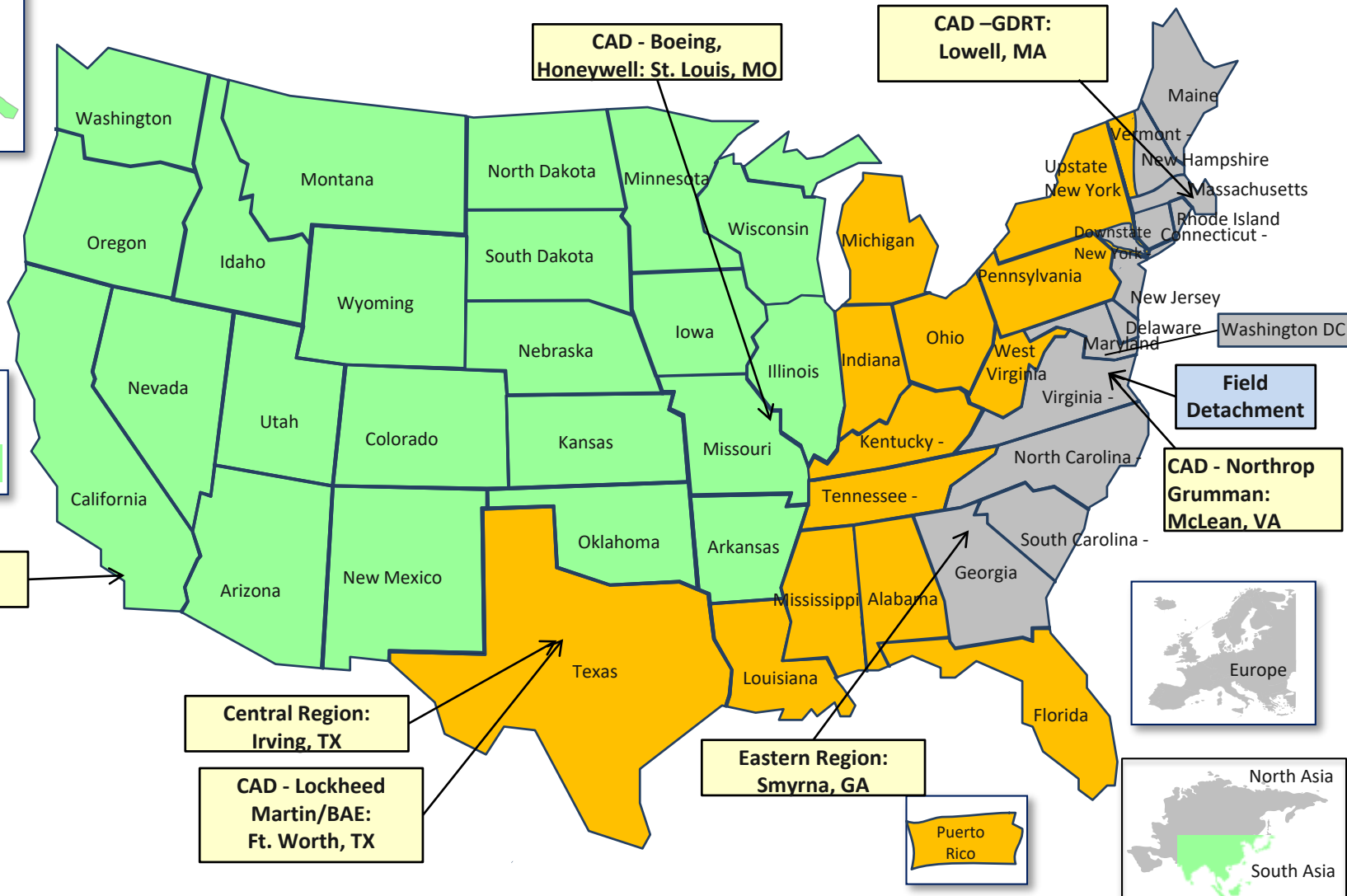
Who is DCAA?

- Established in 1965 by transferring the existing contract audit functions from each of the military services into a single contract audit agency (DoD Directive 5105.36)
- Single mission organization:
 - Conduct contract audits and related financial services for the Department of Defense and other federal entities responsible for acquisition and contract administration.
 - Audit at all stages of the contract life-cycle
- Has oversight of more than 9,000 contractors every year and averages more than 2,300 audit reports which examine more than \$253.7 billion of contractor costs
- Approximately 4,100 employees located at over 230 offices throughout the United States and overseas

Our Mission

Together with our acquisition partners, we increase warfighter capabilities by delivering high-quality audits and financial services to achieve fair and reasonable prices that protect taxpayer dollars.

3 Regions, Field Detachment, 4 Corporate Audit Directorates

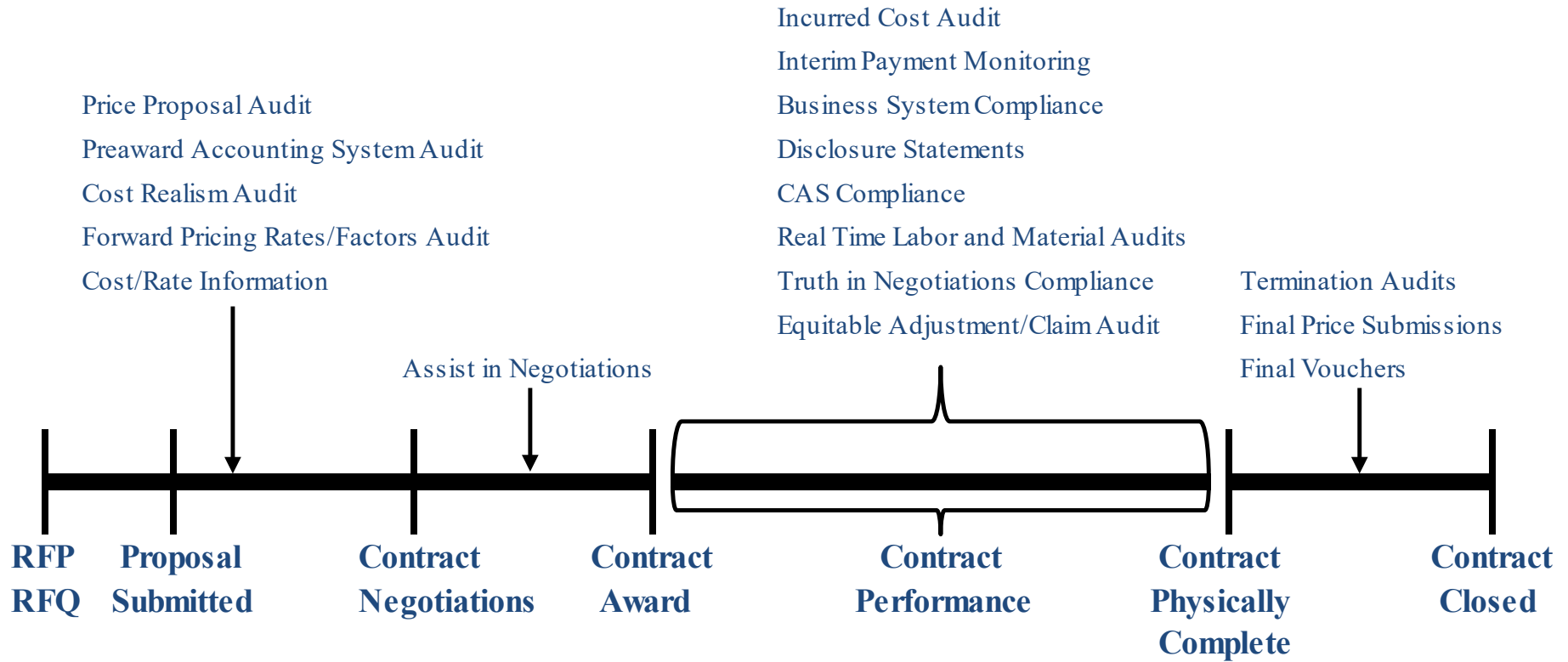




How Can DCAA Add Value?

- Assist in determining whether contract costs are in compliance with:
 - FAR 31.201-2: Allowability
 - FAR 31.201-4: Allocability
 - FAR 31.201-3: Reasonableness
- Examine and review contractor accounts, records, and business systems
- Provide recommendations and advice to government officials responsible for acquisition and government contract administration

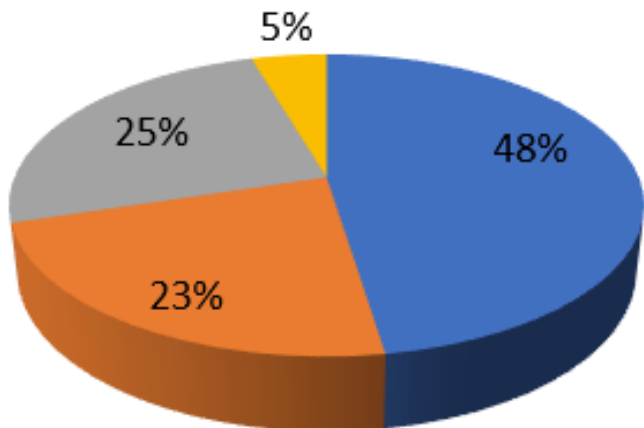
Where Can DCAA Add Value?



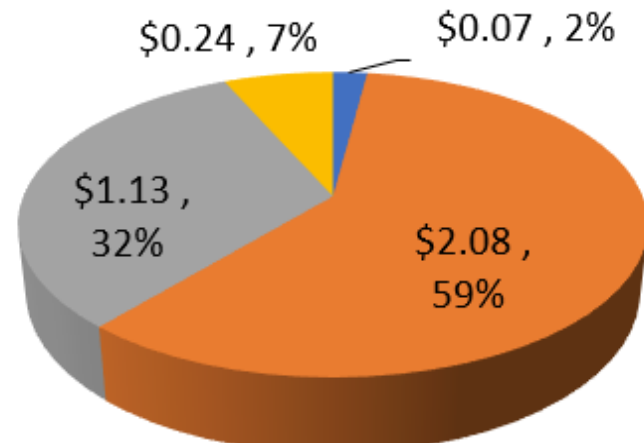
Highlights for FY 2023

- Examined \$269.4 billion
- \$3.5 billion in net savings
- Return on investment of \$5.10 for every \$1 spent
- 2,314 audit reports issued

FY23 Audits Completed



FY23 Net Savings (Billions) and Percentage



■ System, CAS, TIN
 ■ Forward Pricing
 ■ Incurring Cost
 ■ Claims and Terminations



Fixed Price Contracts

- Firm Fixed Price (FFP)
 - Not subject to any adjustments
 - Max incentive to control costs and perform efficiently
 - Minimal administrative burdens
 - Subject to audit when estimated price is over \$10M
 - FP with Performance Based Payments: does NOT require an adequate accounting system
- Fixed Price with Economic Price Adjustment (FPEPA)
 - Provides for upward (or downward) revisions of labor and material
 - Adjustments limited only to contingencies stated in contract terms
 - Used to protect both government and contractors from volatile climates
 - Adjustments based on catalog/ market prices, cost of labor or material actually incurred, and cost indexes all established in terms of contract


Cost Reimbursable Contracts

- **Cost Plus Incentive Fee**
 - Negotiated profit later adjusted based on relationship of total allowable costs to the total target costs
 - Formula of profit calculation included in contract terms
- **Cost Plus Award Fee**
 - Includes base fee at inception plus an award fee based on Government evaluation on performance
 - More for service-based contract awards
- **Cost Plus Fixed Fee**
 - Fee varies on actual performance costs incurred
 - More for research, testing, development contract awards
- **Prohibitions and Limitations**
 - Cost Plus Percentage (CPPC)
 - Accounting Systems
 - Limitation of Costs/ Limitation of Funds



Preaward Accounting System Audit

Objectives

- Is the design of the accounting system acceptable for the prospective award?
- Can the contractor's accounting system accumulate and segregate costs under federal cost type contracts?
- Is the contractor's accounting system in operation or set up, but not in operation.
- DCAA's audit program is designed to evaluate each criterion of the SF 1408 

Directory of Audit Programs

How Can A Small Business Prepare for a Preaward Accounting System Audit?

- Be sure your Preaward Accounting System Survey narrative is detailed and includes sufficient explanation for how each criterion meets the SF 1408 requirements
- Compile a list of recent/ relevant audit history (results, reports, outcomes, etc.)
- If applicable, be ready to explain corrective action plans for any prior questioned costs or instances of noncompliance
- Provide all relevant accounting system policies and procedures and be ready to explain/ describe all related internal controls (i.e.- proper segregation of direct versus indirect costs, timekeeping procedures, timesheet controls, how indirect rates are calculated, billing procedures, etc.)
- Adequate support and documentation!

DCAA Internet Resources

- **Guidance**

- Audit Process Overview – Information for Contractors Manual
- Directory of Audit Programs
- Contract Audit Manual
- Select Area of Cost Guidebook (FAR 31.205 Cost Principles)
- Links to Acquisition Regulations



- **Checklists and Tools**

- Cost of Money Rates
- Incurred Cost Electronically (ICE) Model
- Contractor Submission Portal
- Adequacy Checklists - Preaward Accounting System, Contract Pricing Proposal, Forward Pricing Rate Proposal, Incurred Cost Submission, Termination Settlement Proposal.

- **Frequently Asked Questions For Contracting Officers, Contractors and COVID-19**

Questions/Comments



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