

Ensuring a compliant cost accounting system

A direct result of GAO's position that DCAA had become too cozy with government contractors, DCAA is more likely to question or disqualify a contractor's cost accounting system as reliable and/or compliant with FAR and CAS. This action puts the contractor's ability to obtain payment for its products or services rendered under a government contracts at risk.

This risk to contractors' financial viability was brought front and center by DoD's recent proposal of a new DFARS rule that will allow Contracting Officers (CO) to withhold 10%, 50%, or even 100% of interim payments to contractors where CO determines that a contractor's "business systems" are deficient. How does the CO make this determination, they rely primarily on the results of DCAA system audits. This proposed DFARS rule poses significant risk to contractors of all sizes.

What should contractors do to protect themselves from such actions by DCAA and the CO? Contractors need to ensure that their cost accounting system is compliant with the principles outlined in the FAR and if applicable, CAS. For many contractors, understanding and implementing compliant systems is a major problem because their staff lacks the experience, training, or both, to ensure the company is compliant. Many of these contractors rely on professional consultants to assist in designing and implementing compliant systems.

TD Government Solutions, a professional services firm, specializes in government contracting matters. We bring financial and regulatory solutions to companies that provide products and services to Federal, State and local government agencies. Our professionals provide assistance through all phases of the contracting cycle, including compliance, contract risk assessments and management, cost accounting, financial management, disputes avoidance through risk management, alternative dispute resolution procedures and litigation support.

TD Government Solutions' teams of advisors come from industry and government, and are credentialed in accounting, law, investigations, and finance. They have intimate knowledge of the Federal procurement rules that apply to Federal Government agencies, and how those rules apply to state and lower tier governments when Federal funds are involved.

Key areas of expertise include but are not limited to the following:

- Compliance with Government rules and regulations
- Cost Accounting Standards (CAS)
- Federal Acquisition Regulation (FAR) and related agency supplements
- Contract management, clauses, and compliance
- DCAA audit support
- Accounting system requirements, Indirect rate development, internal controls

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