



DCAA SERVICES



An Overview of the DCAA Audit Process for Small Businesses

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The views expressed in this presentation are DCAA's views and not necessarily the views of other DoD organizations



History of DCAA

1965 -- DCAA Was Formed by Transferring Existing Resources From Each of the Military Services Into the Newly Formed:

Defense Contract Audit Agency

Resulted in:

- A single organization that contractors deal with on contract audit matters
- One set of audit guidance -- the DCAA Contract Audit Manual



Agency Mission

DCAA shall:

- While serving the **public interest** as its primary customer, shall perform all necessary contract audits for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. These services shall be provided in connection with negotiation, administration, and settlement of contracts and subcontracts to ensure **taxpayer** dollars are spent on fair and reasonable contract prices. DCAA shall provide contract audit services to other Federal agencies, as appropriate.



DCAA Audits

- FAR 16.301(a)(1) - A Cost-Reimbursement Contract May Be Used Only When-(1) The Contractor's Accounting System Is Adequate For Determining Costs Applicable To A Contract
- DCAA Does **NOT** Approve Accounting Software



Pre-Award Survey

- Pre-award Contract Audit Services
 - Pre-Award Accounting System Survey
 - Standard Form 1408



Standard Form 1408

- Generally Accepted Accounting Principles
- Proper Segregation Of Costs.
- Direct Costs By Contract – Job Cost
- Allocation Of Indirect Costs
- Accumulation Of Costs Under General Ledger Control
- Timekeeping System
- Labor Distribution



Standard Form 1408, Con't

- Interim determination of costs.
- Exclusion of Unallowables
- Costs by Contract Line Item
Preproduction Costs
- Limitation of Costs
- Billings
- Adequate, Reliable Data
- Accounting system in operation



Post-award Audit Services

- Accounting System Audit
- Provisional Billing Rates
- Voucher/Progress Payment Reviews
- Floorchecks
- Material Existence
- Incurred Costs/Annual Overhead Rates
- Contract Closing



FAR Part 31

■ Why Do We Review Cost:

○ ALLOWABILITY

- **FAR 31.201-2** The cost is allowable when it is reasonable, allocable and complies with FAR 31.205, CAS (Cost Accounting Standards), laws and regulations, and terms of the contract.

○ ALLOCABILITY

- **FAR 31.201-4** A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship... If it is incurred specifically for one contract; benefits both the contract and other work; or is necessary to the overall operation of the business.

○ REASONABLENESS

- **FAR 31.201-3** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.



FAR Part 31, Con't

- 31.202 - A Direct Cost Is Any Cost That Can Be Identified Specifically With A Particular Final Cost Objective
- 31.203 - An Indirect Cost Is Any Cost Not Directly Identified with a Single Final Cost Objective, But Identified with Two or More Final Cost Objectives...
- 31.205 - Unallowable Cost Are Cost That Cannot Be Charge Either Directly Or Indirectly To The Contract. See FAR 31.205 for the list



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DCAA

Dedicated to providing timely and responsive audits and financial advisory services



In Support of our National Defense

The Defense Contract Audit Agency, under the authority, direction, and control of the [Under Secretary of Defense \(CFO\)](#), Department of Defense.

The DCAA, while serving the public interest as its primary customer, shall perform all necessary contract audit, accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsive to its requests. These services are provided in connection with negotiation, administration, and settlement of contracts and subcontracts to ensure fair and reasonable contract prices. The DCAA shall provide contract audit services to other Federal agencies as appropriate.

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DCAA Website

- <http://www.dcaa.mil>
- Contains:
 - DCAA Publications
 - Audit Office Locator
 - Products and Services
 - Organization



DCAA Publications

- FAR Cost Principles Guide
- Incurred Cost Electronically (ICE)
- Information For Contractors



FAR Cost Principles Guide

- FAR Cost Principles Guide
 - FAR 31.201 – Composition of Total Cost
 - FAR 31.202 – Direct Cost
 - FAR 31.203 – Indirect Cost
 - FAR 31.204 – Application of Principles and Procedures
 - FAR 31.205 – Unallowable Cost



Incurred Cost Submission

- Submission Is Due Six Months After Fiscal Year End
- ICE Model



Information for Contractors

- Pre-award Survey
- Price Proposal
- Cost Accounting Standards
- Contract Financing and Interim Method
- Incurred Cost Proposals
- Contract Types
- Forms