

10th Annual Financial Executive Forum Weekly Webinar Series

October 3rd – November 7th (Thursdays)

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CORDIA
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Our 10th Annual Financial Executive Forum Webinar Series program offering: 6 weekly sessions, with up to 12 hours of CPE credit, including 2 hours of VA Ethics.

- ▶ **Oct. 3 | 8-10 A.M.** **CFO Roundtable**
Presented by **Cordia Resources by Cherry Bekaert** (2 CPE Hours)
- ▶ **Oct. 10 | 8-10 A.M.** **Anchoring Your Foothold in GovCon and DCAA's Hot Topics**
Presented by **Cherry Bekaert** (2 CPE Hours)
- ▶ **Oct. 17 | 8-10 A.M.** **VA Ethics**
Presented by **Jennifer Louis, AICPA** (2 CPE Hours)
- ▶ **Oct. 24 | 8-10 A.M.** **Managing Your Risk: Innovation in Employee Benefits & Business Insurance**
Presented by **MarshMcLennan Agency** (2 CPE Hours)
- ▶ **Oct. 31 | 8-10 A.M.** **Economic Outlook and Capital Markets Update**
Presented by **Wells Fargo** (2 CPE Hours)
- ▶ **Nov. 7 | 8-10 A.M.** **How AI and Digital Networks Will Shape the Future of Accounting**
Presented by **Sage** (2 CPE Hours)



CPE Webinar Rules

CPE Compliance:

- ▶ Polling questions will appear throughout the webinar to be compliant with **NASBA** requirements
- ▶ You need to answer at least 75% of the 8 polling questions to **receive full CPE credit** for each session
- ▶ You will be **muted** during the webinar presentation
- ▶ Please use the **Q&A** feature to submit your questions to the panelist
- ▶ Please use the **chat** feature to communicate any technical difficulties
- ▶ Please complete the **session survey** using the link included in the post event email
- ▶ **Your CPE certificates** will be issued within 2 weeks of this course. Any questions, please reach out to Cherry Bekaert Learning at cbhlearning@cbh.com

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*Partner, Government Contracting Industry
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Joe Greeves

Managing Director



Grant Palmer

Partner



Today's Agenda

October 10th – Anchoring Your Foothold in GovCon and DCAA's Hot Topics by Cherry Bekaert

- ▶ **8:00 to 8:10 A.M.** | Kick-off & Welcome
- ▶ **8:10 to 9:45 A.M.** | Anchoring Your Foothold in GovCon and DCAA's Hot Topics
- ▶ **9:45 to 9:55 A.M.** | Q&A
- ▶ **9:55 to 10:00 A.M.** | Close by Grant Palmer

Meet Our Speakers



Traci Shepps, CPA

Partner, Government Contracting Leader



Brigitta Scott, CPA

Partner, Outsourced Accounting Services



Jeff Annessa

Senior Advisor, Advisory Services



Anchoring Your Foothold in Government Contracting

Traci Shepps and Brigitta Scott

Traci Shepps, CPA, Partner



Partner

*Government
Contracting Leader*

- ▶ A Partner and Leader of Cherry Bekaert's Government Contracting Industry Practice, Traci has over 25 years of professional experience in all facets of accounting operations, cost allowability, and US GAAP, FAR, and CAS compliance. Traci is responsible for leading the GovCon practice markets, growth, and all consulting, outsourced accounting, and technology services.
- ▶ Combining a strong accounting and consulting background with business systems experience, Traci specializes in advising her clients on accounting compliance, system design, and business process implementation and optimization requirements. Her diverse professional and industry experience has provided her with an extensive knowledge base of business scenarios and industry best practices.
- ▶ Traci's experience supporting government contractors with accounting department management, financial reporting, complex indirect rate and revenue computations, FAR and CAS compliance, and business system requirements provides them with the knowledge and best practices to be successful.
- ▶ Prior to joining our team, Traci led Cordia Partners' Government Contracting Practice which focused on Systems Advisory, Outsourced Accounting, and Consulting Services. Additionally, she was the GovCon Business Information Systems practice director of a national accounting and advisory firm. Traci's background also includes corporate finance operations experience and leading an independent outsourced accounting practice.



Brigitta Scott, CPA, Partner



Partner

*Government Contracting
Outsourced Accounting*

- ▶ As the Partner leading Cherry Bekaert's Outsourced Accounting Services practice area for Government Contractors, Brigitta provides accounting outsourcing and advisory services to government contractors and various other professional services organizations. She has over 25 years of professional experience in all facets of accounting operations, compliance, internal audit, and internal controls, with extensive expertise in U.S. GAAP, FAR, CAS, and the Uniform Guidance.
- ▶ Brigitta's experience in areas including accounting department management, revenue recognition, and cost allowability provides her clients with the industry-leading expertise and compliance best practices needed for their successful growth.
- ▶ Additionally, she has expertise with non-profit organization receiving federal awards providing guidance around indirect cost rate design and development, NICRA proposals, and Uniform Guidance requirements.
- ▶ Prior to joining Cherry Bekaert, Brigitta was a partner at Cordia Partners in the Government Contracts practice and held leadership positions in the Advisory practice of a national accounting and advisory firm. Her background also includes corporate finance operations experience and public accounting assurance and tax services.



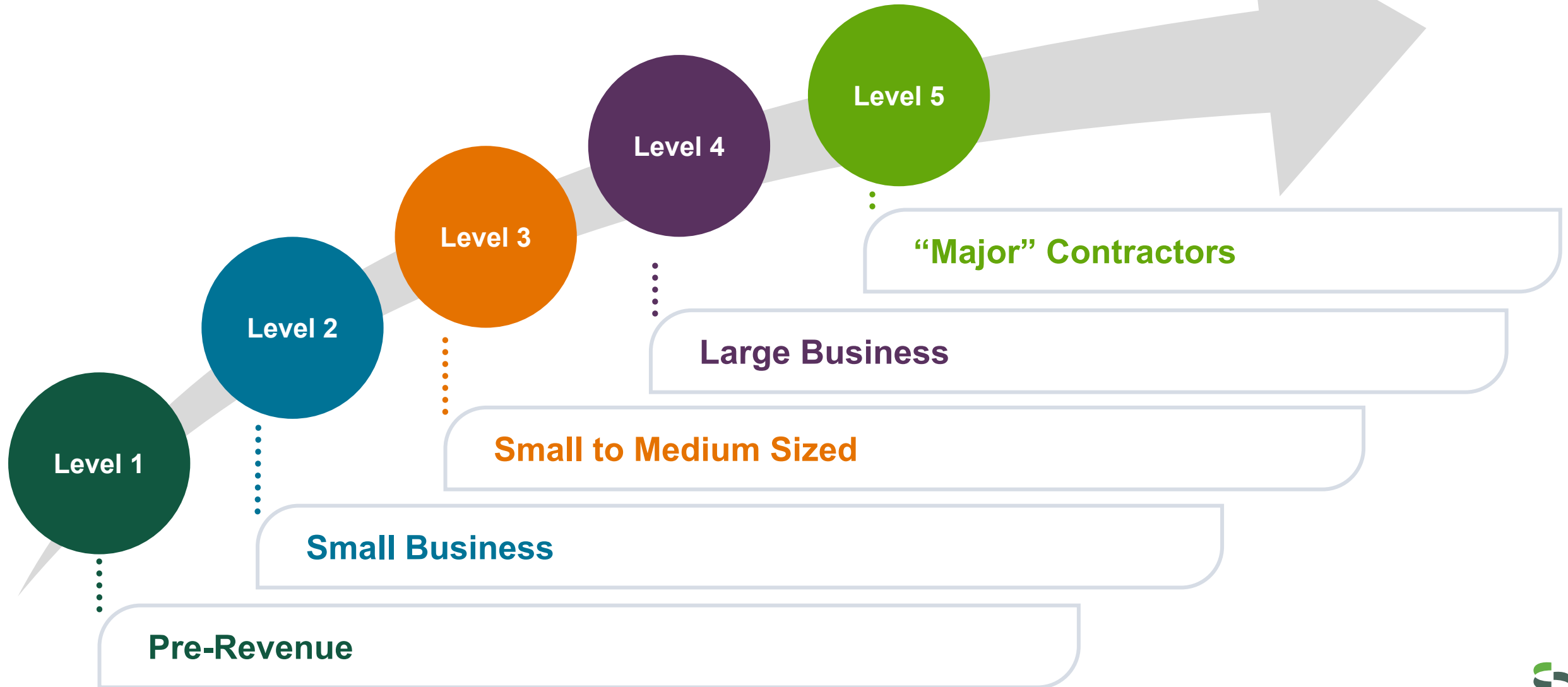


Learning Objectives

- ▶ Understanding the Maturity Model of a Government Contractor
- ▶ Realizing your Infrastructure Needs for growth
- ▶ Knowing where your Audit Risks are
- ▶ Critical Success Factors for growth management

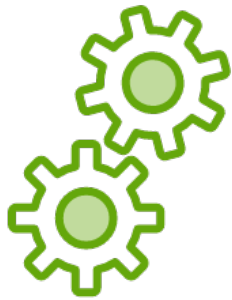


Government Contractor Growth Trajectory



Impacts of Growth

No matter what stage of growth you are in, you will always have to be aware of changes and impacts related to these areas:



Business
Infrastructure



Compliance
Concerns



Audit Risk

Contract Type

Firm Fixed Price

Characteristics:

- ▶ Contractor assumes majority of the risk under a firm fixed price contract
- ▶ Government agrees to pay a firm price for the work to be done
- ▶ Contractor prices the work and is paid a set price regardless of the costs incurred
- ▶ There can be opportunities to renegotiate the price during the contract term, this depends on the terms and conditions of the original contract



Time & Materials

Characteristics:

- ▶ This type of contract is a cross between a fixed price contract and a cost reimbursable contract
- ▶ Government is typically assuming more risk than the contractor
- ▶ Contractor builds up their T&M billing rates by taking their raw direct labor per hour rate and adding to it a percentage of indirect costs plus a fee percentage to reach a fully loaded rate
- ▶ The fully loaded rate x hours incurred on the contract is what is invoiced to the government
- ▶ This type of contract is also typically used when there is less precise pricing during the proposal process



Cost Plus Fixed Fee

Characteristics:

- ▶ Government assumes majority of the risk under a cost plus fixed fee contract
- ▶ Contractor is reimbursed for direct costs (\$ for \$) plus indirect expenses in the form of a percentage plus a fee (profit) %
- ▶ Contractor is reimbursed up to a stipulated amount and cannot go over without prior written approval
- ▶ Typically seen on contracts where cost estimation in the proposal process was less precise
- ▶ Typically seen where the final quality of the project is more important than the cost though this requires more oversight to maintain efficiencies





Government Contractor Growth Trajectory



Pre-Revenue

Profile

- ▶ New Business Concept or Previous Focus on R&D
- ▶ Bidding on first contract
- ▶ Likely fixed price

Business Infrastructure

- ▶ Accounting System
- ▶ Timekeeping System
- ▶ Contract Briefs

Compliance Concerns

- ▶ Generally Accepted Accounting Principles (GAAP)
- ▶ Foundational proposal pricing approach and methodology; estimation techniques
- ▶ Buy American Act
- ▶ Code of Business Ethics and Conduct
- ▶ Gifts, Gratuities, Kickbacks, Hotline Posters, Whistleblower Protection, etc.

Audit Risks

- ▶ Minimal



Small Business

Profile

- ▶ Fall within size standard by revenue and/or number of employees
- ▶ Likely have fixed priced and maybe a few T&M contracts
- ▶ Overall, not a significant number of contracts
- ▶ Qualify under FAR Part 19 – Small Business Programs (e.g., 8(a), SDVOSB, Women-owned, etc.)

Business Infrastructure

- ▶ Operations
- ▶ Payroll – third party processing company
- ▶ Human Resource – hiring, benefits, SCA and Davis Bacon employees, etc.
- ▶ Indirect Rates
- ▶ T&M Billing Rates
- ▶ Tax Preparation Services
- ▶ Other Contracting Vehicles – Other Transaction Authority (OTA), GSA Schedule
- ▶ SBA Mentor-Protegee program

Compliance Concerns

- ▶ Small business size standards established by SBA on industry-by-industry basis and use the North American Industry Classification System (NAICS) codes (13 CFR 121.201)
- ▶ Accounting for unallowable costs (FAR Part 31)
- ▶ Proposal pricing and estimation – consistency in methodology and techniques
- ▶ Revenue Recognition (ASC Topic 606)

Audit Risks

- ▶ Annual financial statement audit required if annual sales is greater than or equal to \$10M and you are part of SBA 8(a) program
- ▶ Typically, still minimal government audit risk



Small to Medium Size

Profile

- ▶ \$10M - \$75M in revenue
- ▶ Variety of contract types, including CPFF
- ▶ Sizing out of Small Business programs
- ▶ Competitive procurements
- ▶ Moving out of Subcontractor role into Prime role

Business Infrastructure

- ▶ Sophisticated ERP/accounting system that handles indirect rate allocations and integrated labor distribution, contains project ledger
- ▶ Outsourced Accounting function
- ▶ Access to capital or line of credit; improved banking relationships
- ▶ Accounting Manual; processes & procedures
- ▶ Building strong internal controls
- ▶ Joint Ventures
- ▶ Contract Management
- ▶ SCIF Build-out and Maintenance
- ▶ Tax Credits and Incentives
- ▶ Succession Planning

Compliance Concerns

- ▶ Pricing/TINA compliance
- ▶ Annual Provisional Billing Rates (PBR)
- ▶ Annual Incurred Cost Submission (ICS)
- ▶ DOL compliance
- ▶ If a DOD contractor, CMMC level 1-3 readiness assessment
- ▶ Agency FAR Supplements, such as DFARS
- ▶ Contract Closeouts

Audit Risks

- ▶ Accounting System Review – Pre-award/SF1408 review
- ▶ Labor Floor Check audits
- ▶ DCAA (or other cognizant audit agency) review of PBR and ICS
- ▶ Contracting Officer (CO) and/or ACO approval of final indirect rates
- ▶ Could require an ERISA/401(k) plan audit
- ▶ CMMC certification (upon finalization of rule)



Subcontractor vs. Prime Contractor

Subcontractor

- ▶ Subcontractor reports to the Prime Contractor
- ▶ Have a narrower view of the contract; typically, only have a piece of the scope of work
- ▶ Subcontractors tend to be smaller businesses, but not always – some procurements require Prime Contractor to be a small business
- ▶ Some Subcontractors in comparison to large Prime Contractors are niche focused and offer a specialty that their large Prime does not have
- ▶ Subcontractors respond to RFPs developed by Prime Contractors (narrower net)

Prime Contractor

- ▶ Prime Contractor reports directly to the government customer
- ▶ Responsible for contract's full scope of work
- ▶ Prime Contractors tend to be larger businesses, but not always – same reason
- ▶ Prime Contractors respond to RFPs developed by agency customers (wider net)



Managing Subcontractor Risk

Per FAR Part 9.104, Contractors are qualified to do business with the government if the following pertain to them.

- ▶ Have adequate financial resources to perform the contract, or the ability to obtain them
- ▶ Be able to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and governmental business commitments
- ▶ Have a satisfactory performance record
- ▶ Have a satisfactory record of integrity and business ethics
- ▶ Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them
- ▶ Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them
- ▶ Be otherwise qualified and eligible to receive an award under applicable laws and regulations.



Internal Control



Internal Control Examples

- ▶ Segregation of Duties
- ▶ Access Controls
- ▶ Physical Audits
- ▶ Standard Documentation
- ▶ Reconciliations
- ▶ Approved Authorities
- ▶ Formal Policies & Procedures



Accounting Policies & Procedures

Why a manual is important:



**Compliance with
FAR / CAS**



**Communication with
employees**



**Sound business
practice**



**Required by
independent auditor**



**Part of a due
diligence package**

Large Business

Profile

- ▶ \$100M - \$500M in revenue
- ▶ CAS covered contracts
- ▶ IDIQs, GWACs, Grants, etc.
- ▶ Typically, still privately held

Business Infrastructure

- ▶ Ability to follow disclosed accounting practices on a consistent basis with pricing/estimating, accounting, and reporting (CAS 401)
- ▶ In-house Accounting function
- ▶ FP&A and more robust budgeting tools
- ▶ Procurement function/Purchasing system
- ▶ Estimating system
- ▶ Potential outsourced Internal Audit function
- ▶ Governance

Compliance Concerns

- ▶ CASB Disclosure Statement
- ▶ CMMC - continued surveillance
- ▶ Executive Compensation
- ▶ False Claims Act
- ▶ Equitable Adjustments
- ▶ Terminations
- ▶ Quality Assurance Program
- ▶ Inspection & Oversight

Audit Risks

- ▶ Contractor Purchasing System Review (CPSR)
- ▶ Estimating System Review
- ▶ CAS audits





Governance: Important Concepts

- ▶ Approval Matrix
- ▶ Responsibilities documented
- ▶ Checklists
- ▶ Resource Documentations (FAQs, Policies, Desktop Procedures, Manuals)
- ▶ Education and Training
- ▶ Change Management
- ▶ Inspection and Oversight
- ▶ Knowledge and Experience
- ▶ Accountability and Transparency



“Major Contractor”

Profile

- ▶ Greater than \$100M in auditable dollar volume (flexibly priced contracts)
- ▶ Multiple divisions &/or subsidiaries
- ▶ Usually publicly traded/listed company

Business Infrastructure

- ▶ Business Segments disclosed practices
- ▶ Internal Audit
- ▶ SEC Reporting
- ▶ Legal/Litigation Support

Compliance Concerns

- ▶ Cost Accounting Practice changes; GDMs and Cost Impacts
- ▶ International/Foreign: FCPA, Export Controls/ITAR
- ▶ If foreign owned with US presence, proxy board and related FOCI compliance

Audit Risks

- ▶ Other Business System audits (e.g., MMAS, Govt Property, EVMS)
- ▶ CAS audits
- ▶ Program specific audits





Success Factors



Success Factors: Infrastructure Big Picture

Financial Information

- ▶ Familiarize yourself with your financial statements
- ▶ Develop meaningful KPIs or metrics

Competitors

- ▶ Understand how you compare to your competitors
- ▶ Determine your differentiators

Personnel

- ▶ Staff correctly –Accounting / HR / Contracts / IT
- ▶ Train and mentor regularly

Communication

- ▶ Communication is key
- ▶ Tone at the Top
- ▶ Break down silos between departments

Network

- ▶ Surround yourself with good mentors and advisors
- ▶ Set check-in cadence and honor commitments

Bottom Line

- ▶ “Integrity is doing the right thing, even when no one is watching.” C.S. Lewis



Success Factors: Compliance

New Contract Vehicles

Before venturing into new contracting area/vehicles, research:

- ▶ What are the compliance requirements?
- ▶ Can you meet the requirements?
- ▶ Can you afford the immediate investment required?

Training

- ▶ Keep up with new laws and regulations
- ▶ Free training is offered by many firms
- ▶ Dual purpose compliance training to maintain professional certifications

Internal Audit/Review

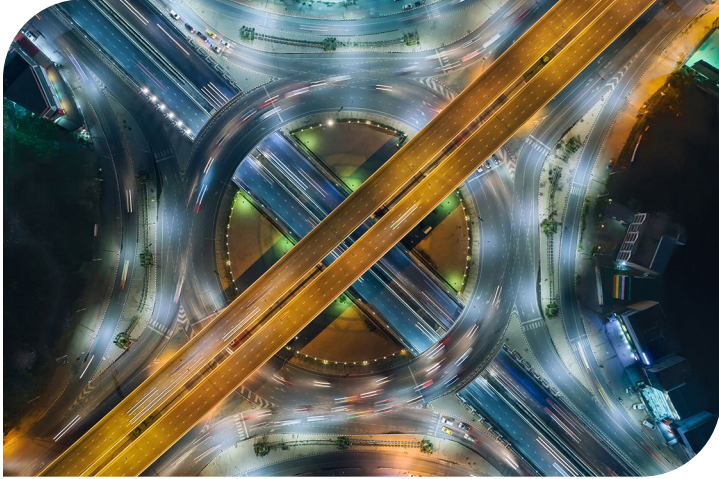
- ▶ Evaluate an internal audit or review function to perform periodic compliance review/checks prior to potential audits

Compliance Readiness

- ▶ In advance of a formal audit, consider an independent evaluation of your audit readiness
- ▶ Work to implement corrective action plans



Success Factors: Audit Readiness



Document, Document, Document!

- ▶ Imperative you have your documentation in order, you can support your transactions, & you have your backup/memos to file for any important management decisions made



Engage and Educate

- ▶ With growth typically comes more exposure to audit, so accept and prepare for that
- ▶ Learn about additional audit risks related to new contract types and vehicles



Proposed Changes

- ▶ Before making any change, run the ROM or analysis so you are aware of the impact to your contract portfolio

Questions?



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2024 Update to DCAA Hot Buttons

October 10th, 2024



Today's Speaker



Jeff Annessa

*Senior Manager – Cherry Bekaert
Government Contractor Solutions*

Jeff.anness@cbh.com



Agenda

- ▶ DCAA Strat Plan & Audit Priorities
- ▶ DCAA Report to Congress
- ▶ Peer Review Firm Findings
- ▶ MRDs
- ▶ Compensation Caps
- ▶ New/Ongoing DCAA Initiatives





Learning Objectives

- ▶ Learn about the various DCAA audits, when they are subject to audit, and what to expect during these audits.
- ▶ Gain an understanding of the requirements and timelines for the National Defense Authorization Act (NDAA) for government agencies.
- ▶ Gain an in-depth understanding and proper application of the updated Office of Federal Procurement Policy (OFPP) Executive Compensation Cap for FY 2024.



DCAA's FY 2024-2030 Strategic Plan

Strategic Priorities

- ▶ Optimize Value and Customer Service
- ▶ Cultivate a Premier and Diverse Workforce
- ▶ Capitalize on Technological Innovations
- ▶ Influence the Business Environment

FY 2020-2023 Accomplishments

- ▶ Increased Advisory services performed
- ▶ Initiated several workforce programs to recruit and retain
- ▶ Established Chief Digital and Artificial Intelligence Office
- ▶ Prioritized business system audits



DCAA Audit Priorities

- ▶ Incurred Cost Proposal Audits
- ▶ Demand Audits (includes Forward Pricing Audits)
- ▶ Business System Audits
- ▶ Truth in Negotiations Act Audits
- ▶ High-Risk Time Sensitive Real-Time Audits
- ▶ CAS Compliance Audits
- ▶ Operations Audits
- ▶ Local Priority



DCAA Audit Priorities

Business Systems, Cost Accounting Standards (CAS) and Truth in Negotiations Act (TINA)

- ▶ DCAA conducted 512 business systems, CAS and TINA audits in 2023 creating a significant focus on Accounting Systems as well as Estimating Systems and Material Management and Accounting Systems (MMAS).
- ▶ DCAA initiative to perform business systems audit cycles (as frequent as every 4 years) which differs from prior 3-year cycle. DCAA Goal is to perform more business system audits at smaller and mid-sized contractor sites by increasing the frequency to 4-year cycle.
- ▶ DCAA has been reviewing how it will comply with 2017 NDAA Section 893 (DFARS Case 2017-D021 could allow IPAs to certify Business systems through audit- DFARS rule was last updated 6/2/2022 and has not been confirmed) and 2021 NDAA Section 806 (DFARS Case 2021-D006).

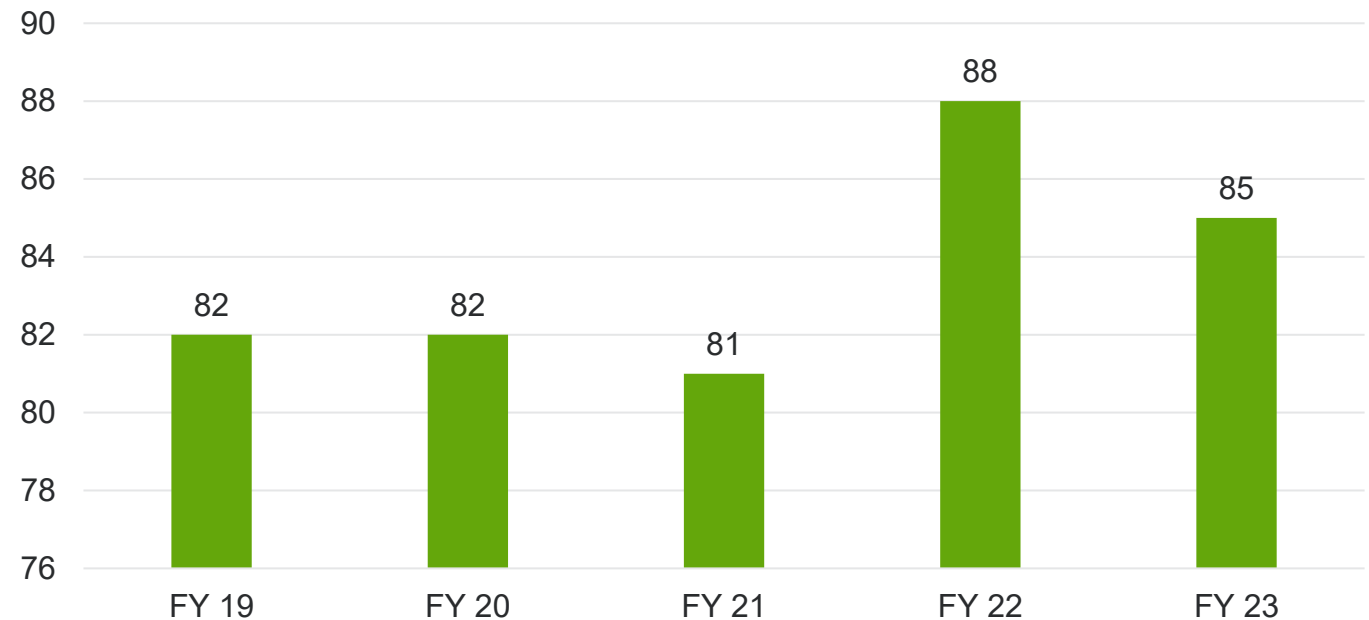


DCAA Audit Priorities (cont.)

Forward Pricing Audits

- ▶ Provide timely forward pricing audits.
- ▶ Issue forward pricing audits by original estimated report date.

Forward Pricing Proposal Audits Elapse Days



DCAA Audit Priorities (cont.)



Incurring Cost

- ▶ Complete Adequacy assessment within 60 days of receipt.
- ▶ Complete audits in one year from receipt of adequate submission.
- ▶ Contract with independent private auditors to perform a certain number of incurred cost audits.



Business Systems Audits

- ▶ Includes audits of contractor Accounting System, Estimating System, and Material Management and Accounting System.

DCAA Audit Priorities (cont.)

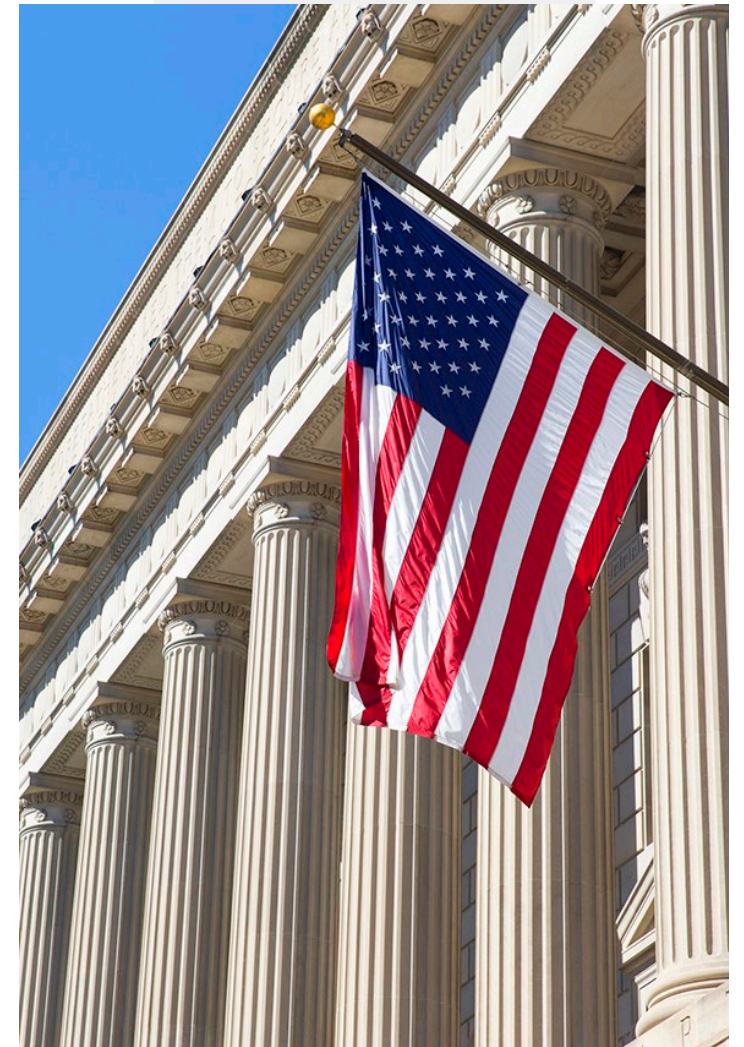
Truth in Negotiations Act

- ▶ Examine evidence for compliance with 10 USC Ch. 271.
- ▶ Use the elements of defective pricing as a basis to report a noncompliance.
- ▶ Contract Price Adjustment
Recommendations are made to the Contracting Officer.
- ▶ DCAA will assist the Contracting Officer as needed.



DCAA Report to Congress

- ▶ In FY 23, DCAA examined \$253.6 billion in contract costs, identified over \$5.4 billion in audit exceptions, reported \$3.5 billion in net savings, and produced a return on investment (ROI) of about \$5.10 to \$1.
- ▶ The ROI varied by audit type and was calculated based on net savings and cost of performing audits. The cost of performing audits was calculated using annual funding, for FY 2023 \$685.7 million, and direct audit hours by audit type.
- ▶ The ROI for audit type was \$17.40 for forward pricing audits, \$5.30 for incurred cost audits, \$2.80 for claims and terminations, and \$0.30 for business systems, CAS, and TINA.
- ▶ Net savings are calculated only for contracting actions taken by government contracting officials.
- ▶ In FY 2023, DCAA auditors supporting investigators and prosecutors resulted in monetary recoveries of \$705 million.



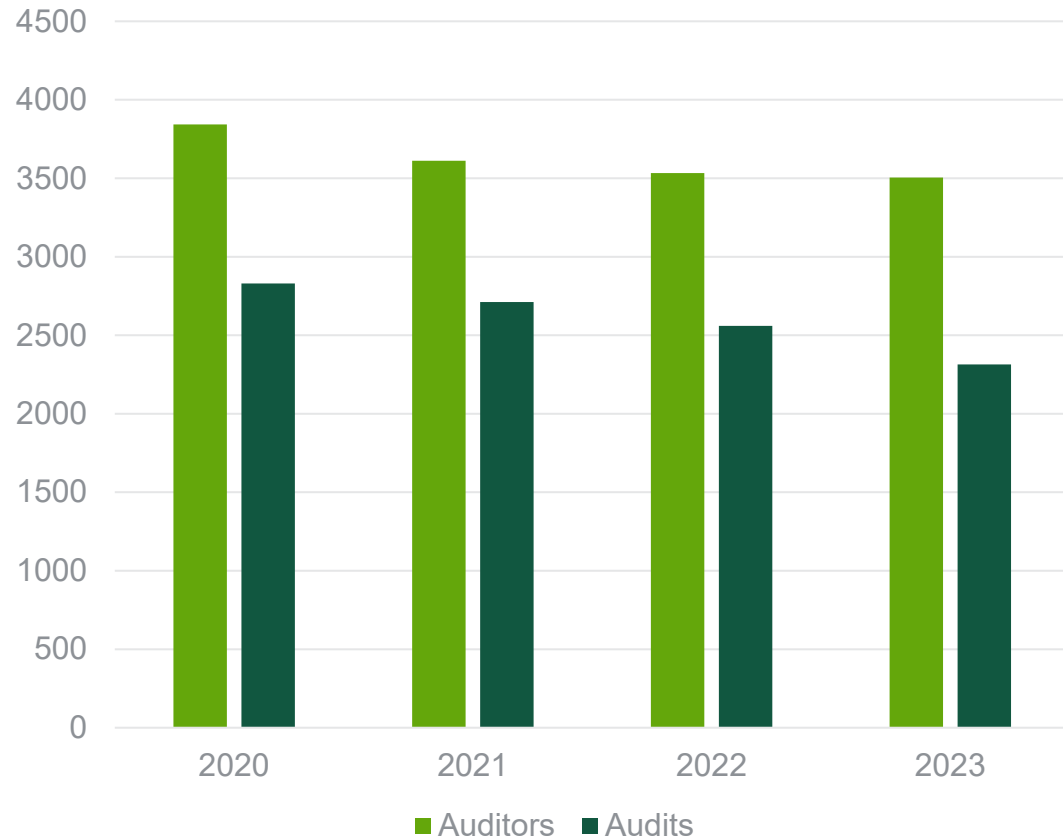
DCAA Report to Congress (cont.)

- ▶ DCAA sustained \$3.9 billion of \$9 billion in questioned costs during FY 2023. The highest sustention rate was for forward pricing, 53.0% and the lowest was for systems, CAS, and TINA at 28.6%.
- ▶ Regarding incurred cost audits, DCAA claims that the average length of time to complete an “audit” was 188 days, measuring from the date an adequate submission is received to the date the report is issued. This is down 52 days from 2018 and down 16 days for 2019-2022.
- ▶ DCAA had 124 incurred cost audits performed by independent auditing firms. No data was provided on these audits. Also, DCAA did not state whether they were included in the other performance statistics for DCAA.
- ▶ DCAA has put a strong focus on providing Advisory Services. In this regard, DCAA is assisting Contracting and Agreement Officers in negotiation support, independent financial analysis and advice on specific elements of a contract. In FY 2023, DCAA examined \$1.9 billion in contract costs and \$589 million in Other Transaction Authority Agreements.



DCAA Trend of Auditors and Findings

Headcount and Audits Completed



	2020	2021	2022	2023
Examined	\$365B	\$260B	\$262B	\$254B
Exceptions	\$8.6B	\$5.3B	\$5.8B	\$5.4B



FY 2022 Audit Reports Completed and Dollars Examined

Audit Type	Reports	Dollars Examined	Audit Exceptions
Forward Pricing	525	\$48,151,392,000	\$3,548,883,000
Incurred Cost	583	\$186,395,782,000	\$1,125,486,000
Claims and Terminations	694	\$9,343,348,000	\$698,118,000
Systems, CAS, and TIN	512	\$9,766,429,000	\$71,172,000
Total	2,314	\$253,656,951,000	\$5,443,659,000

Source FY 2023 DCAA Report to Congress- Table 3



Net Savings and ROI by Audit Type

	Net Savings	Aggregate Cost of Performing Audits based on Percentage of Direct Audit Hours	Return on Investment (Net Saving/Aggregate Cost)
Forward Pricing	\$2,082,700,000	\$119,806,000	\$17.40
Incurred Cost	\$1,129,100,000	\$214,615,000	\$5.30
Claims and Terminations	\$244,000	\$88,184,000	\$2.80
Systems, CAS, and TINA	\$74,200,000	\$263,160,000	\$0.30*

* Audits in this category provide long term value to the government without providing direct significant dollar savings.

Source - FY 2023 DCAA Report to Congress - Table 4



Sustention by Amount and Percentage of Audit Exceptions

Audit Type	Audit Exceptions	Exceptions Sustained	Percent Sustained
Forward Pricing	\$4,417,350,000	\$2,341,730,000	53.0%
Incurred Cost	\$3,828,073,000	\$1,221,619,000	31.9%
Claims and Terminations	\$509,219,000	\$254,599,000	50.0%
Systems, CAS, and TINA	\$248,586,000	\$71,014,000	28.6%
Total	\$9,003,228,000	\$3,888,962,000	46.9%

Source FY 2023 DCAA Report to Congress - Table 5



Incurring Cost Audits Completed and Dollars Examined

Type	Number	Dollars Examined
Reports	583	\$186,395,782,000
Memos	2,640	\$54,334,978,000
Total	3,223	\$240,730,760,000



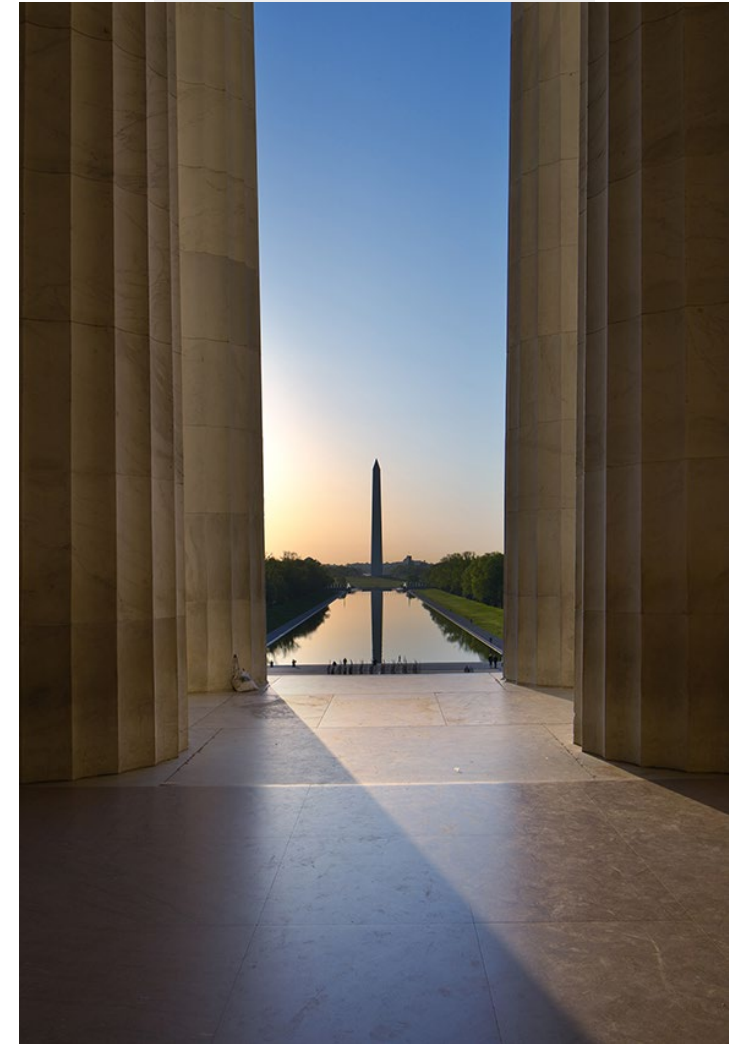


Incurring Cost Audits performed by Independent Public Accounting Firms

- ▶ Due to the FY 2018 National Defense Authorization Act, DCAA awarded task orders for 124 incurred cost audits to be performed by IPAs in FY 2023.

DCAA Peer Review Report Findings

- ▶ Similar to last year, in accordance with Government Auditing Standards, Government audit entities are to undergo a peer review at least every three years. Based on Section 803 of the 2018 NDAA requires the external peer review to be performed by an IPA rather than the DoD IG for future reviews. The most recent review (FY 2021) was performed by Acuity Consulting.
- ▶ When a peer review is done, the audit organization can receive a rating of pass, pass with deficiencies, or fail. DCAA received a rating of pass with no cited deficiencies.
- ▶ Acuity reviewed 69 audit reports in conducting its review.
- ▶ The peer review covered:
 - The primary objective of the peer review was to provide a reasonable basis for determining whether DCAA's system of quality control is suitably designed and DCAA is complying with its quality control requirements in order to provide it with reasonable assurance of conformance with applicable professional standards.



DCAA Peer Review Report Findings (cont.)

- ▶ Tests included testing DCAA's policies and procedures, independence and general controls testing, reviewing Continuing Professional Education (CPE) records, and interviewing and surveying a cross section of DCAA staff. Acuity evaluated a sample of Reissued Reports, Terminated Audits, and DCAA's Internal Inspection Process.
- ▶ The peer review selected audit work performed by DCAA offices during the period October 1, 2020, through September 30, 2021 (FY2021) where Acuity performed a virtual peer review of DCAA audits conducted by DCAA and IPA staff. Of the 69 audits, 15 were from IPA Firms that were reviewed for compliance with Government Audit Standards and DCAA's contract award and oversight monitoring. Documenting DCAA policies and procedures for awarding and monitoring contracts awarded to IPAs.
- ▶ Also testing of reports that were reissued, audits that were terminated, and DCAA's Internal Inspection Process.



DCAA MRDs

Cost Impact

**Revised Audit Guidance
on the Cost Impact
Calculation for a
Unilateral Cost
Accounting Practice
Change, 23-PAC-009(R),
October 3, 2023**

Real Time Testing

**Revised Procedures for
Real-Time Audits of Labor
and Purchase Existence
and Consumption, 23-PIC-
008(R), August 9, 2023**





Contractor Compensation Caps

- ▶ MRD 23-PSP-010(R) DCAA addressed changes to the all-employee compensation cap for 2024 for contracts awarded on or after June 24, 2014, to be \$646,000.
- ▶ The cap changes annually utilizing a formula set by Office of Federal Procurement Policy (OFPP).
- ▶ OFPP leaves it to contractors to calculate and adhere to it.
- ▶ The original cap of \$487,000 and requirement for annual change were established in Section 702 of the Bipartisan Budget Act of 2013.
- ▶ The all-employee compensation cap is described in FAR 31.205-6(p).



Contractor Compensation Caps

- ▶ The formula for annual update to the cap is the following:
 - ▶ Current FY Cap Amount = Prior FY Cap Amount x Change in Employment Cost Index for all workers.
- ▶ The full name of the Employment Cost Index is:
 - BLS Table 4. Compensation (Not Seasonally Adjusted) Employment Cost Index for total compensation, for civilian workers, by occupational group and industry. (Twelve Months Ended September 30).



Contractor Compensation Caps: 2022 – 2024

The calendar year
2024 cap is

\$646,000:

Prior year cap of
\$619,000 x
(160.8/154.1)

The calendar year
2023 cap is

\$619,000:

Prior year cap of
\$589,000 x
(154.1/146.6)

The calendar year
2022 cap is

\$589,000:

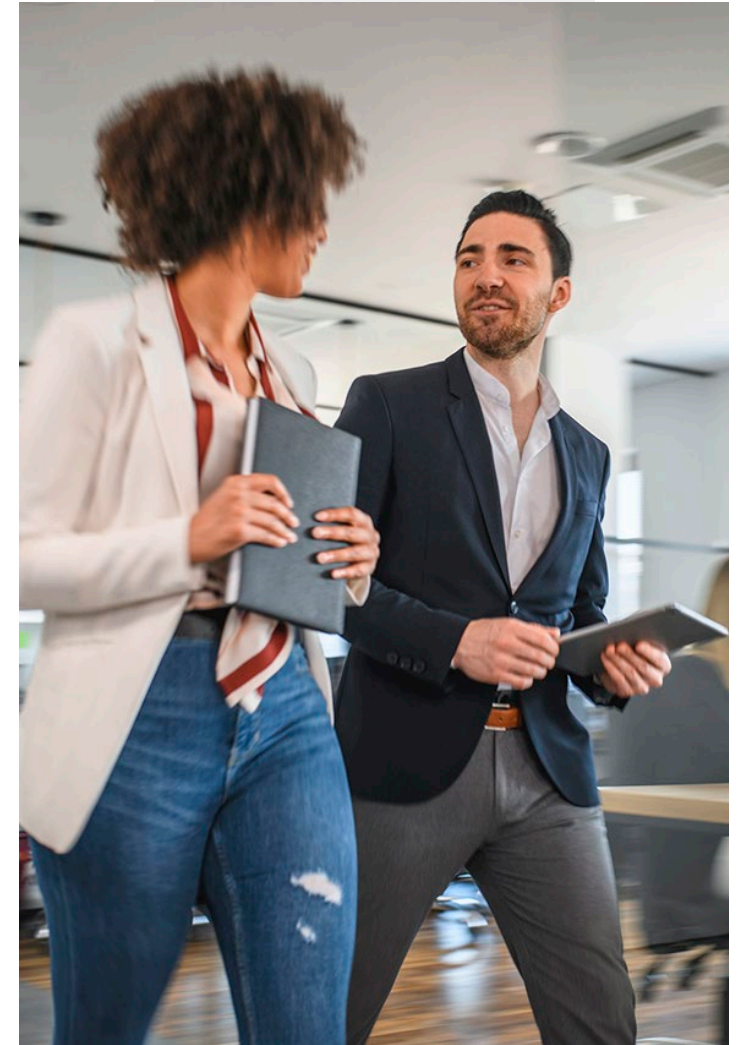
Prior year cap of
\$568,000 x
(146.6/141.4)



New/Ongoing Initiatives for DCAA

Enhanced Recruiting – Over 550 new hires in FY 2023

- ▶ Initiated pilot recruiting program focused on 70 strategically selected college campuses.
 - DCAA field auditors were temporarily assigned as recruiters to maintain in person campus presence to foster recruiting, build brand awareness, and cultivate relationships.
- ▶ Contracted with Handshake to recruit higher education students and alumni.
- ▶ Focused on LinkedIn efforts to share Agency news and add context to job postings.



New/Ongoing Initiatives for DCAA (cont.)

Chief Digital and Artificial Intelligence Office (CDAO)

- ▶ CDAO explores, evaluate and recommends digital strategies and ideas to leverage artificial intelligence, machine learning and robotic process automation to improve business outcomes and enhance data-driven decision-making.
- ▶ EPIC – New DCAA Data Management System
- ▶ CDAO is actively creating a roadmap for enterprise automated systems, Artificial Intelligence (AI), and machine learning (ML) strategies
- ▶ Audit Request, Issuance, Engagement and Status (ARIES Portal)



New/Ongoing Initiatives for DCAA

Contractor Submission Portal (CSP) – 4,000 submissions per year

- ▶ Simple online process for initiating, updating, and withdrawing Incurred Cost Proposal.
- ▶ Secure application optimized to protect contractor information.
- ▶ Automated notification of successful submission to FAO.
- ▶ Capacity to handle large Incurred Cost Submissions.
- ▶ Centralized file management to ensure version control.



New/Ongoing Initiatives for DCAA (cont.)

Information for Contractors Guide

- ▶ DCAA recently revised the “Information for Contractors” guide.
- ▶ Covers general information relating to:
 - ▶ Contract Lifecycle
 - ▶ Preparing for contract award
 - ▶ Price Proposals
 - ▶ Cost Accounting Standards (CAS)
 - ▶ Contract Financing and Vouchers
 - ▶ Incurred Cost Proposals
 - ▶ <https://www.dcaa.mil/Guidance/Audit-Process-Overview/>



Questions?

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Our Next Session:

- ▶ **Thursday, Oct. 17, 8-10 A.M.**
VA Ethics Presented by **Jennifer Louis,**
AICPA Business Learning Institute
(2 CPE Hours)
- ▶ Scan **QR Code** to sign up for next sessions and view session recordings



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