NDIA
National Small Business Conference
September 10, 2014
DCAA & DCMA – Good, Bad & Ugly
How to play the game

Russell E Farmer, EVP
russf@adatech.com
Taking Today’s Technologies into Tomorrow’s Markets
The Great Game of Government Contracting

• Game Theory:
  – Learn **all** the rules; then use the rules to your best advantage to accomplish your goals (win)

• THE RULES:
  – **Written Rules** are there “somewhere” (FAR, DFARS, CAM, CFRs, GAAP and more)
    • Constant updating
    • Subject to interpretation
  – **Unwritten Rules** are **usually the most valuable** in playing the game.
    • Very difficult to “read”
    • Most are learned from experience and networking

• If played properly everyone wins
“THE UGLY”

BCT’s Accounting System **is not in accordance with Generally Accepted Accounting Principles (GAAP).**

FAR Part 53.301-1408 (SF 1408, Section II, Item 1) requires accounting systems to be in accordance with Generally Accepted Accounting Principles applicable in the circumstances. **The Financial Accounting Standards Board’s Statement of Financial Accounting Concepts (SFAC) No. 8** is part of the Conceptual Framework for Financial Reporting and establishes the Objective of General Purpose Financial Reporting and the Qualitative Characteristics of Useful Financial Information. *(DCAA Audit report)*
“THE BAD”

• The purpose of this final determination is to inform you that significant deficiencies, as defined in DFARS 252.242-7006 Accounting System Administration, remain and your accounting system is disapproved. (ACO from DCMA)

• ... proposed indirect cost rates are not acceptable as proposed. Significant issues include the following: $141,618 in consulting costs claimed in the Overhead and $112,299 claimed in the G&A pools in accordance with FAR 31.205-33(f) ... documentation provided was insufficient and lacked the necessary evidence ... (ACO from DCMA)

• DCAA Form 1 -- “Notice of Contract Costs Suspended and/or Disapproved.” (DCAA)
“And Now --THE GOOD”

• “Based on the adequacy evaluation and an overall assessment of low risk, [contractor]’s FY 2012 incurred cost proposal will not be subject to audit.” (ACO at DCMA)

• December 19, 2013 DCAA issued MRD 13-PAC-026(R) “Audit Alert on Professional and Consultant Service Costs (FAR 31.205-33) and Purchased Labor”

Thought on “Playing the Game”

- Create a cooperative professional environment.
- Government Contracting is not “sand lot football”.
- Play the game with honestly and integrity regardless of whether you think “they” are or not.
- The “unwritten rules” are different for DCAA and the small business – learn the rules for both sides.
- Learn/understand what the DCAA/DCMA needs to satisfy their requirements.
- Study and play for the win/win.
- “Know when to hold ‘em, know when to fold ‘em”. *(thanks Kenny Rogers)*
- Above all HAVE FUN!!