



Redstone
Government Consulting

CASE STUDY

Developing a Cost Accounting System for First Government Contract

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Background

A multi-billion-dollar Middle Eastern logistics support and chain supply company received their first U.S. government contract with the U.S. Army to provide field supplies to military forces in Kuwait and Afghanistan under a cost reimbursable contract. Reimbursable contracts require an acceptable cost accounting system for identifying recorded costs for that contract and to maintain supporting cost systems such as timekeeping, indirect costs grouping, and project cost subsidiary ledger. The company's accounting system was rejected by DCAA during an audit, and the foreign entity requested our services to remedy audit findings and assist in developing new or amending existing cost accounting capabilities. The client was under pressure to have in place an acceptable accounting system within several weeks after we were notified or face withholding of payments to the client. Because the Army contract was less than five percent of the company's total business revenue, emphasis was placed on creating government expected cost accounting capabilities that would minimize impact on the existing accounting practices and firewall the non-government business from government audit oversight.

Scope

Our scope of effort began with a general risk assessment of existing cost accounting capabilities, to include identifying potential system gaps that the DCAA did not call attention to, and to determine the best methods for correcting DCAA audit deficiencies. Our effort was segregated into three phases. Phase I encompassed an initial risk assessment with a report citing accounting compliance problems and recommendations for improvement. Phase II included implementing recommendations which involved developing methods for extracting government contract costs from the existing general ledger structure; identifying cost accounting changes required, which encompassed preparing client checklists, accounting desk instructions, and policies and procedures, and; assisting the company's staff in modifying its Oracle based software system capabilities so that recorded costs by government contract could be accumulated seamlessly into contract cost ledgers. Phase III effort was launched to test the operational effectiveness of implemented changes through a mock audit two months after Phase II was completed.

Outcome

Our follow-up testing of the client's enhanced cost accounting system disclosed that the system for collecting contract costs to be satisfactory. The follow-up DCAA audit, conducted several months later found no deficiencies, and the government certified their system as adequate.



About Redstone Government Consulting

Redstone GCI is a consulting firm focused on fulfilling the needs of government contractors in all areas of compliance. With a singular mission to help contractors through the multiple layers of “red tape,” we allow contractors to focus on what they do best – support their mission with the U.S. Government. We are home to a group of consultants made up of GovCon industry professionals, CPAs, attorneys, and retired government audit and acquisition professionals.

Our focus and knowledge of audit and compliance functions administered by DCAA and DCMA will always be at the heart of what we do. However, for the past decade, we’ve strategically grown to support other areas of the government contractor back-office with that same level of focus and expertise. We’ve added expertise in contracts management, subcontract administration, proposal pricing, various software systems, HR and employment law, property administration, manufacturing, data analytics/reporting, Grant specialists, M&A, and many other areas. When we see a trend in the needs of contractors, we act to ensure we can provide the best expertise in the market to fulfill those needs.

One thing our clients can be certain of is that with the Redstone GCI Team in your corner, there is no problem too big and no issue too technical for our team to tackle.