

# Preparing a Cost Proposal in the Government Environment

In the world of government contract accounting, preparing a cost proposal can get complicated. Each agency has a different set of rules. Even within a single agency, like DoD, the rules vary from branch to branch. The Air Force will establish its rules, the Army a slightly different set, Special Operations another. When you move from agency to agency they can be very different. Each agency (DoD, NSF, NIH, DOE, etc.) has their own guidance concerning direct and indirect charges. Costs that are allowable within one agency will be unallowable in another. Some agencies limit what costs can be included in your indirect base pools, while other agencies give you several options of what you can include in your indirect pools. Some limit the amount you can burden on certain costs or allow exclusions of some costs from the act of burdening. There are terms that are foreign to most people who are not in the industry, because their meaning is specific to government accounting; terms like burden, earned, accrued and deferred.

ReliAscent has been navigating these waters for many years and has decades of experience in preparing cost proposals and certifications of cost and pricing. We know all the regulatory guidance, the traditions and legacy “rules of the road”. Not every nuance is published in the government regulations. In fact, there are so many



tribal knowledge areas of government accounting within each organization that it is hard to keep up with them all. Here at ReliAscent, we have specific personnel assigned to follow each agency. We sit on the committees that provide guidance and rule changes within the major organizations. We provide training to new businesses that are venturing into the government accounting world. We provide guidance on managing and tracking costs to ensure that our clients stay compliant with the agency they are under contract.

Even entry level (phase I) cost proposals need some foresight. Almost every phase I proposal I review from a new firm underestimates its indirect costs. The truth is that they are so focused on the direct project that they forget the costs associated with running the office, keeping the lights on, providing health care, paid time off, computers, paper, pens, etc. Most new participants into the government contract arena have no experience with the methodology and don't understand what costs will be paid for by the contract when they are writing their initial proposal.

In the end, they end up losing money or deferring their own wages to cover the costs that they should have put in the contract.

Once you go beyond the initial grant or phase I, then the costing game get increasingly difficult. The rules for how you gather your costs, what is direct, indirect, allowable and unallowable can get confusing. Generally, once you are past the first phase you must provide a certificate of cost and pricing along with your submission. This certificate states that you have collected and accounted for your costs in the specified manner that is compliant.

Mistakes in your proposal can cost you big! Make sure you have an expert in your corner to ensure that you don't end up paying the government for the privilege of working for them! ReliAscent can provide all the guidance you need to be successful from the beginning. We have a team of experts who know the rules and pitfalls and will keep you and your company in the black!

- Brian Ormsby, ReliAscent

# How a Mock DCAA Audit Can Benefit Your Small Business

Is my accounting system DCAA Compliant? Usually a company doesn't ask themselves this question without an external prompt. That prompt usually comes from either the government itself or a potential new customer or job. When the new job is a cost reimbursable type job, the customer inevitably will ask if the accounting system is compliant with government requirements. Sometimes they will even ask if the system has been audited by a Government agency (often the Defense Contract Audit Agency) and passed the audit. If your company has done much government contracting, it most likely has a job cost accounting system set up to meet DCAA and FAR requirements. You may have even been "lucky" enough to have had an audit conducted of the system by the DCAA. But what if this is your first time? What if you have not had a visit by the DCAA? As a contractor, you are not allowed to request an audit from the DCAA. How do you know if your system is compliant with government requirements? Or, perhaps, you have had a DCAA audit but it was several years ago and you are not sure your system is still compliant? What will you do?

Certainly, some companies simply forge ahead and assume that their system "must be" compliant. This assumption has caught many companies off guard and resulted in a failed DCAA audit. The consequences of a failed DCAA audit are very severe including withheld payments until the system is fixed, loss of business, or even negative impression of contractor so that future orders are put in jeopardy.

A less obvious risk occurs when you submit even fixed-price proposals that are over \$700,000. If your estimate can't demonstrate to government cost analysts how indi-

rect rates are derived according to regulatory cost principles (a condition of an approved accounting system), you may not get the job.

There is a way for companies in this situation to mitigate their risk. ReliAscent has the capability to do a "mock audit" of the company's system to verify, with a high degree of certainty, that it meets the FAR and DCAA requirements. This can be very useful, especially if the system needs a little tweaking (the difference between passing and failing) prior to an actual DCAA audit. ReliAscent can identify problem areas ahead of the actual DCAA audit and the company can fix these problems prior to the DCAA audit, thereby mitigating the risk of failing the audit. Our team of auditors (a few of which are also former DCAA Auditors), can quickly and efficiently evaluate a company's accounting system.

So, the next time someone asks you if your accounting system is DCAA compliant, you can answer with confidence, as you have the "proof" in the form of a mock audit.

## SBIR/STTR Resources & Services

It's that time of year again; the NASA, DoE, NSF, and DoD SBIR/STTR programs are in full swing, with pre-releases and Solicitations opening and closing in rapid succession.

ReliAscent would like to remind all Contractors and Grantees that there are a number of important services and resources available to you during this time:

### IP Protection

We encourage all contractors and grantees to review their current IP Protection Strategy (assuming you have one in place). If you are not confident that your strategy is proven/

## Dates To Remember:

- **OCTOBER 17** - DoE (Energy) SBIR/STTR Solicitation Closes
- **OCTOBER 26** - DoD SBIR 2016.3 SBIR/STTR Solicitation Closes
- **NOVEMBER 6** - NSF SBIR/STTR Ph I Solicitation Opens
- **NOVEMBER 12** - NASA SBIR/STTR Solicitation—Topics Released and Proposals are Accepted.
- **NOVEMBER 30** - DoD 2017.1 SBIR/STTR Topic Pre-Release
- **DECEMBER 6** - NSF SBIR/STTR Ph I Solicitation Closes
- **JANUARY 10** - DoD SBIR/STTR 2017.1 Solicitation Opens
- **FEBRUARY 1** - NASA SBIR/STTR 2016 (Ph I) Solicitation Closes
- **FEBRUARY 8** - DoD SBIR/STTR 2017.1 Solicitation Closes

will safeguard your intellectual property in a proposal, please contact our partners, [Martensen IP](#).

### DoD SBIR Topics of Interest

To subscribe to the Lockheed Martin and/or Boeing SBIR Topics of Interest Spreadsheets, [visit our Blog](#) for contact information of the Supplier Diversity Officials/Departments that manage the distribution lists.

### Compliance and Audit Support

...And of course: contact ReliAscent for all of your [DCAA/FAR Compliant Accounting](#), [NSF Accounting](#), and [DCAA Audit Support](#) services, (and be sure to check out our [White Papers](#) as well).