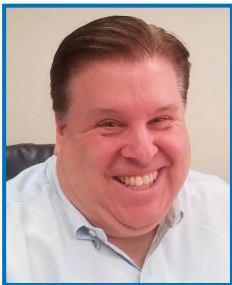


# DCAA Compliance News: *Insights and Practical Advice*

Fall 2019

## President's Corner—With Fred Kline, CEO



Wow! Did summer go by quickly for you? It's September already! It seems like a few days ago we enjoyed our Open House, celebrating 25 years in business. I've done a lot of reminiscing, to be sure, and I am certainly grateful for such wonderful clients, a world-class team of professionals, and the support that I have been blessed with by my family. Thank you. Now, it is time for us to look ahead at the next

25 years of Kline and Company.

As we do look ahead, we're looking at our clients, too. In other words, you are included in our vision for our future. As one client said, let's grow together. As you look to the future, remember that the Government wants you to do well, and make a profit, as you serve the war fighter. We've been called the "special forces" of DCAA Compliance, and as true Special Forces are aware, progress means focusing on the next ridgeline. For us, it's managing growth to meet the demand for our services while maintaining consistency and quality as we bring in new team talent.



At our Open House event this past June, a client asked me to share what I thought was the most important topic in federal contracts accounting. Without a doubt, the most important topic is indirect cost rates calculations. Commit to getting this right. We'll help you!

Finally, my grandson Oliver is just too cute not to share a photo of his recent outing at the lake. Thanks for indulging this proud grandfather!

*Fred Kline, CEO and Founder*



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### Count on Kline

- Accounting Services
- Tax Planning and Preparation
- DCAA Compliance Advisory Services



## COO Corner: Behind The Scenes at Kline & Company



*Sheree M. DeFeo*  
*Chief Operating Officer*

*In the November 2017 issue of DCAA Compliance News, Fred Kline shared that “Harvard University concluded that satisfied clients are only possible when the team that serves them is happy and satisfied as well. We ascribe to that philosophy.”*

Indeed, as we celebrate our 25th anniversary, we can point to the team approach to both the quality of our work, and the client satisfaction we enjoy. We are proud of our staff and the ability to work as a unified team. It’s a requisite skill for employment. We strive for continuous improvement, as I am sure you do as well. So let us know if you have any suggestions whatsoever. We are here to do superb work! We’re focused on team growth as well, both in terms of additional personnel and professional development. With this in mind, we’re focused on making sure our team has the right tools and training to excel in their performance, with consistent systems in place to ensure quality. Your government contract proposals should include what’s required so that your team can do *their* jobs well, and that the company has the right systems in place; an adequate accounting system, proper timekeeping tools and policy, and training.

We’ve been busy all summer with ICE submissions and we are grateful for your trust and confidence in our team. We are also happy to have such good people on the team, whom I count on for the professional services they deliver to you. On a personal note, my two children enter their senior year of high school and the college tours have begun in earnest. I am approaching this coming year with excitement and appreciation. I am excited to witness my children’s transition into adulthood and I am so appreciative to be working in a company where family comes first and life balance is important.

**We strive to bring our best game to life every day and apply “teamship” to every client project:**

*“To succeed as a team is to hold all of the members accountable for their expertise.”*

*Mitchell Caplan, CEO, E\*Trade*

## Uncle Sam is Counting On Your Company to Succeed!



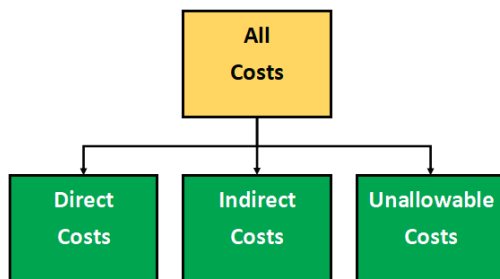
In the spirit of delivering the best possible quality to the US Government, it is crucial that your team has the right training, and the right tools and capital equipment to do their job well. Uncle Sam expects you to have all that you need in order to meet stated quality requirements. It goes without saying that knowledge of FAR policies is required, and as we often point out to our clients, the government wants you to be accurate and *complete* in your cost proposals.

We advise our clients to pay close attention to the following, so that they are able to deliver exceptional quality to the war fighter. Uncle Sam is counting on your success, in both quality and in making a fair profit and, of course, following good business practices regarding:

- Compensation
- Equipment
- Accounting System
- Technology
- Benefits
- Quality Standards
- Expertise
- Program reviews
- Staffing properly
- Proper workspace
- Employee Training
- Timekeeping

# Inside Scoop: Calculating Indirect Cost Rates Is The #1 Topic Amongst Our Clients

It's true. It's a hot topic, perhaps the most important. After all, how can you submit an accurate proposal without accurate indirect cost rates. Get your indirect cost rates wrong and you could risk losing everything, or risk owing the government a lot of money. It's a real fear. You could also lose the trust and confidence of your customers if your indirect rate calculations are (grossly) inaccurate. The good news, of course, is that Kline & Company can help you. In fact, we are very busy this year, right up to the day this newsletter goes to press, preparing Incurred Cost Submissions (ICE) to calculate indirect cost rates for our clients. Your compliant accounting system will help insure accuracy in your ICE.



Your general ledger must separate costs in accordance with 45 CFR 75, Subpart E; direct costs, indirect costs and unallowable costs. Straight from the FAR, regarding indirect costs, FAR 2.101 defines an indirect cost as "any cost not directly associated with a single, final cost objective but identified with two or more final cost objectives or an intermediate cost objective. It is not subject to treatment as a direct cost." Direct costs are incurred for one specific contract. Overhead costs provide support for two or more contracts. G&A costs refer to expenses of running the business rather than supporting a single or multiple contracts. Of course this is only one topic and you must be very familiar with all areas of the FAR. Better to call us - your DCAA Compliance team. Together let's make sure your numbers are right.

[https://www.dcaa.mil/Content/Documents/DCAAM\\_7641.90.pdf](https://www.dcaa.mil/Content/Documents/DCAAM_7641.90.pdf)

## The True Costs of Non-Compliance



If your cost accounting system is inadequate for the government, or non-compliant, you may be locking yourself out from future federal contract opportunities or putting your current contracts at risk. Profits or cashflow are at risk due to potential penalties or payment delays, which could ultimately cause a net loss or cash shortage. The negative impact of non-compliance is both direct and indirect:

- Ineligible for contract award
- Suspension of interim billings
- Disallowance of costs
- Increased audit oversight
- Contract termination

Many factors contribute to the adequacy of your accounting system. Our team is working to ensure that all points are addressed, starting with a careful review of your accounting system's ability to accurately track costs.

*If you are concerned about non-compliance or have any questions about DCAA Compliance, please call us to discuss the issue. The sooner it is addressed, the sooner we can help you maximize your profits.*

**Share Our DCAA Compliance Newsletter  
With Your Staff**

**Simply email the link to your team!  
[www.klineco.com/newsletters](http://www.klineco.com/newsletters)**



In This Issue:

- Indirect Costs!
- Our Open House Photo Gallery

## Are Your IT and Accounting Departments *Talking?*

We'd like to call your attention to an issue that you are likely to be already familiar. In the world of DCAA Compliance cyber security, especially in this world of cloud computing, may not be getting the attention it requires. Both the integrity and protection of your data are crucial should a disaster occur or if nefarious actors want access to your secrets. We suggest you take steps to avoid a possible nightmare. Your accounting team needs to cooperate with IT staff and IT needs to meet the computing requirements of the Accounting staff. Backup and restore policies and technology need to be in place if you want to avoid the costly process of trying to rebuild a general ledger or other DCAA Compliance-related financial information that was inadvertently destroyed or altered. If that's not enough motivation then consider the Department of Defense's Cyber Security requirements. **DoD contractors (including small businesses) must adhere to two basic cybersecurity requirements:** (1) They must provide adequate security to safeguard covered defense information that resides in or transits through their internal unclassified information systems from unauthorized access and disclosure; and (2) They must rapidly report cyber incidents and cooperate with DoD to respond to these security incidents, including providing access to affected media and submitting malicious software. DARPA has issued certain requirements. In fact, for all contract awards, the DoD CIO wants your cybersecurity plan in place. The set of minimum cybersecurity standards are described in NIST Special Publication 800-171 and break down into fourteen areas. (See link directly below).



# Celebrating 25 Years At Our June Open House



A great time was had by all at our 25th anniversary Open House Event!

More photos on the other side ----->>>



Thank you to all of our clients and to the team here at Kline & Company for helping us reach and celebrate this wonderful milestone!