

DCAA Compliance News: *Insights and Practical Advice*

Summer 2020

President's Corner—With Fred Kline, CEO



We certainly do live in interesting times. Our country, and the world, face new challenges every day, as we have always done. I am one who prefers to see America and Americans as resilient and strong, so I am optimistic about our future. Change is a constant we all confront in business, but unplanned changes to a business model that's been honed to near perfection builds character, to say the least. I hope we are all returning soon to the optimal environment that works best as the future unfolds.

All of us here at Kline and Company hope that you and your business are coping well, and continuing to thrive in this COVID-19 work environment. Federal contractors are not immune from the changes. Even the DCAA staff nationwide is adopting a remote workforce model. We have adapted to the times, too, with our work-at-home business model and I am proud to say that we have been able to maintain our customary service levels for the most part. We are using Microsoft Teams to coordinate projects and, even in this busier time for us, we're maintaining our quality and service levels. Rest assured, we are rising to the occasion to serve you, just as your team is doing for the warfighter!

Although the IRS has extended tax filing deadlines, one thing that has not changed is the June 30 deadline for ICE submissions. According to DARPA, if COVID has impacted your federal contract performance, you are urged to communicate in writing with your Contracting Officer or DCAA Auditor. Communication is key, and please let us know if you have any questions about your submission.

Be safe and stay optimistic. I hope you believe as we do that our economy will bounce back as we recover from the pandemic. As always, thank you for your trust and confidence. We truly value the opportunity to serve you.

Fred Kline, CEO and Founder



Inside this issue

COO Corner.....	2
DCAA Audit Guidance....	2
Inside Scoop.....	3
DCAA Remote Workers...	4
FTL Labs Case Study (Insert)	

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“COVID” COO Corner: Rising to the Occasion



Sheree M. DeFeo
Chief Operating Officer

During these unprecedented times, when our economic, social and financial worlds are in turmoil, the compassion and understanding of our staff and clients is revealed tenfold. Kline & Co made the decision to work remotely on Wednesday March 18th. This decision resulted in a culmination of activities that pushed the Kline team to perform above and beyond. One of the major strengths of the Kline team, is the Team mentality. We work in synergy, ensuring each component is given the attention and detail required to ensure a client’s month end close is complete, their government billings are uninterrupted and their financial reporting provided. The day to day activities at Kline coupled by the expanding tax season and the CARES act, presented the Kline team with challenges they had never faced and they came out on top. The government accountants have moved onto the task of preparing the annual incurred cost submissions (ICE) due June 30th and we are finding new and creative ways of “meeting” with our clients, reviewing and compiling the information to produce an accurate ICE model which will pass DCAA adequacy tests. Like most of the world, we are feeling claustrophobic, feeling the strain of little human interaction beyond our own front doors, but this pandemic has also highlighted the compassion, bravery, unselfish actions of so many. On a personal note; my two children have graduated their senior year of high school and my husband and I are beyond proud. They have taken this experience in stride and learned at an early age that things promised are not always within our control, disappointment is something you acknowledge and move on from and the health and safety of others is paramount over their own personal desire to celebrate and mingle with fellow classmates.

Two great observations from America’s manager of the century:

“Any time there is change, there is opportunity. So it is paramount that an organization get energized rather than paralyzed.” And...“Face reality as it is, not as it was or as you wish it to be.” - Jack Welch

Audit Pointers: Contractor Support and Cooperation Required More Than Ever Due to COVID-19



With remote workers and remote DCAA employees, new challenges may emerge in your next audit process. In the DCAA’s April 10, 2020 “audit alert” memorandum to their Regional Directors and DCAA

Audit Directors, available at dcaa.mil, guidance is provided in response to COVID-19 as it relates to contractor closures and to limited access to records and personnel due to remote workers. To fully appreciate their commitment to integrity in the audit process, we encourage you to read their guidance, too. In fact, you’ll find it as an insert in this issue! Essentially, the DCAA leadership is emphasizing to auditors the importance of clear communications and that you are diligent in maintaining all records.

A few of points from the memorandum:

- Audit teams to validate electronic documents to original records when contractor and DCAA resume normal operations and access is facilitated
- If there is a scope limitation due to COVID-19, a supplemental audit report may be issued, and a verified audit report completed within 90 days of return to normal operations.
- Entrance and exit conferences may be conducted via telephone during the COVID-19 period.

We recommend that you maintain good on-going communications with the audit team, as their memo guides, and also with your team here at Kline and Company.

Inside Scoop: How to Stay Out of the Federal Contract Misconduct Database (Avoid Fraud Risk)

We want you to be safe with COVID-19, and to stay free, too! Even accidental violations or simply distracted accounting decisions may raise an auditor's eyebrow, especially during this time.

Federal contractors large and small have a responsibility to account for funds received and are held accountable for properly managing their contract awards. The federal government (DoD) requires oversight through the DCAA, the Department of Justice prosecutes criminal cases, and independent organizations such as POGO (Project on Government Oversight) maintains a database separate from government agencies, found at contractormisconduct.org. Penalties and fines are one thing, going to the big house is another. You need to understand fraud risk within your company. Following all FAR regulations is a good start toward maintaining a low risk!

Beware the DoD Inspector General's Checklist (at dodig.mil)

The Department of Defense Inspector General's office offers *fraud detection resources* for auditors in the form of a checklist, fraud scenarios and a menu of cases with fraud indicators. These can be accessed at dodig.mil/resources/, where you'll find a wealth of good information, including:

- General Fraud Indicators (And COVID-19 Fraud)
- Management Related Fraud Indicators
- General Scenarios (Examples and Fraud Indicators)
- Fraud Detection for Contract Auditors (a must read section)
- An Eye on Management's Internal Controls

Far too much to repeat here. The DoD Inspector General spells it out well. Being mindful of their auditor's checklist will help you rule out any fraud-related audit issues. We recommend that you take some time to understand so that your company is implementing best practices in administering and accounting for federal contract funds. You may even want to get on their email list. (Check out DoD Crime Investigation in their June 1 issue!)

Change is the One Constant We Can Count On!

Business is no longer "as usual" and while the optimists among us will seize the day in the present moment, life is different right now and that includes work life. As the restrictions begin to lift and companies start transitioning back to work, the leadership skills at all levels of management in all companies will be further tested and are ever so critical to leveraging a strong restart. "*Plus ça change, plus c'est la même chose*" as the French writer Jean-Baptiste Alphonse Karr said long ago.

It's true. The more things change the more they remain the same. I imagine that things were different after past pandemics. The anticipated and the unexpected change coming to your workplace as well as the need to maintain a healthy work life balance will require your full attention. All the while, of course, as you maintain your focus and keep your eye on contract deliverables, profitability, employee morale, and adhering to FAR requirements as you maintain DCAA Compliance.

Don't leave change to chance. Embrace its reality. Respond to new changes and engineer the implementation of new behaviors you want to see while maintaining an open and flexible perspective, embracing new ideas and innovations offered by employees.

Here are a few tips from your friendly accounting team:

- Manage stress and anxiety, relax
- Practice mindfulness as you focus on the warfighter
- Embrace emotional intelligence and self control at all levels

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In This Issue:

- President's Message
- Audit Pointers
- Avoid Fraud Risk
- Dealing With Change
- A Few Words from Our Chief Operating Officer

DCAA Auditors Are Working From Home— Audit Reports Are Up!



DCAA Auditor working from home. Photo courtesy of DARPA. As you'd expect, teleworking is the new business model for almost every government agency where it makes sense. Your audit is likely to be a virtual audit, which you might enjoy more!

Virtual audits have been used in the past to help reduce the DCAA's backlog. Now, due to the COVID-19 pandemic and the need to work remotely where possible, virtual audits are back. The DCAA may return to physical, on-site audits but for now the agency is working from afar, via the Internet and other communication options. According to the DARPA website, they had reported in mid-March that productivity was actually improved, as auditors could forego travel and use their home office time more effectively to conduct electronic audits. This does not modify your requirements for DCAA Compliance and diligence is still required in all record keeping and reporting. In fact, as FAR 52.215-2e specifies on-site availability of all reporting documents, the contractor must now be prepared to submit requested documents electronically. This new remote working model, although forced upon the agency, is consistent with the Agency Director's goal of *providing the workforce with the right information, business processes, and capabilities to successfully accomplish the mission*. Find the DCAA 2016-2020 Strategic plan at www.dcaa.mil.

NOTICE: A quick read at DCAA's web site reveals numerous fraudulent contract cases. Good reading for any federal contractor. <https://www.dcaa.mil/Agency-News/>