

DCAA Compliance News: *Insights and Practical Advice*

Fall 2018

President's Corner—With Fred Kline



I love this time of year! Although summer flew by faster than I had wished for, there is nothing like Fall in New England. It conjures up all kinds of pleasant memories. The falling of the leaves, which is more commonly referred to as Autumn around the globe. Calling it “fall” is an American tradition going back to the early 1800s. The harvest season, and the abundance of seasonal vegetables, apple picking, and the stunning colors all signal ‘change’ in the

world around us. And, as you might imagine, create some great metaphors for discussing change in the business world. It also signals the upcoming holidays and the approaching new year!

Yes, change is a constant and the more things change, the more they stay the same. As the French put it, Plus ça changes, plus c’est la même chose.”



In the spirit of this beautiful season, we are here to help you enjoy an abundant harvest as a federal government contractor. Cultivating this success requires leadership, accurate accounting, smart financial decisions, and adherence to all DCAA Compliance requirements. Our expertise helps ensure your best possible financial situation. As this calendar year winds down, it is the perfect time to review end-of-year tax planning, and to begin to look at the year ahead.

All of us at Kline and Company wish the best for your business, and for your family as you continue to do great work for our country.

Fred Kline



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Count on Kline

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



The Importance of DCAA Audit Preparation

Did you know that the DCAA is required to provide you with a notification letter during the planning stage of your audit, on the nature and scope— either during or shortly after the entrance conference. This letter does not replace the entrance conference, to which you are entitled. Here are a few additional tips (there are many more!):

- Make sure your accounting is in order: accounting system, budgeting and forecasts, timekeeping, travel and expenses, education and training, and purchases/procurement.
- Request interim audit results to help you control or mitigate any potential negative comments. Address them during the audit if possible.
- Maintain good record keeping and be clear on whatever the auditor is asking for in the audit process. Organization is key.
- Be responsive to any issues that arise in any audit draft reports.
- Consult with your Kline DCAA accounting experts to ensure best outcome. Inform us immediately when a notification letter is received.
- Prepare NOW for your June ICE Reporting requirement.



We can help you with all aspects of your DCAA Compliance. If you are not yet engaging us for this service, isn't it time to talk?

If you believe that it is best to stick with what you know best and outsource the rest — Kline & Company is ready to handle all of your accounting and tax needs.

COO Corner With Sheree DeFeo: Behind The Scenes



Sheree M. DeFeo
Chief Operating Officer

Now that October 15th has come and gone, the staff enjoys a sigh of relief as we celebrate another successful tax season. At Kline, we always look forward to using the remaining two weeks in October to enjoy the “down time”, as we recharge and prepare to ramp up for another tax and government season ahead.

In November, the Kline team meets to deliberate on our past tax season. We discuss what went smoothly and the improvements we can implement. These meetings provide us with the foundation for our 2019 tax season. November is also the month we meet with clients and complete year-end tax planning. No one (not even your accountant) likes be surprised when a tax return is prepared. At Kline, we work hand in hand with the client to ensure business decisions are made within the current calendar year.

In December, the Kline team loves Christmas, so in between the twinkling lights of the small Christmas tree, the cracking fireplace (in our lobby ☺) and sounds of Christmas music, we begin the detailed process of working with clients on the first round of their 2019 budgets. This is a critical step for all clients, particularly those with cost reimbursable contracts. The budget is used to calculate the Provisional Billing Rates (PBR) which are due to the DCAA cognizant office by January 31st, 2019.

Inside Scoop: Looking Ahead at Your Next ICE Report

June 30, 2019 is not that far away!

Compliance with the Federal Acquisition Regulation includes certain submissions to the Defense Contract Management Agency, and to the DCAA, as we are sure you are already aware. We're also quite certain that you are aware that you must submit an adequate incurred cost proposal, along with supporting data, for each fiscal year within six months after the end of the fiscal year.

In order to submit the most accurate proposal, final indirect rates and direct contract costs must be determined. Getting your indirect rates correct is essential and pro forma ICE rate calculations prepared throughout the year is a good idea. After all, you do not want to end your year owing the federal government because you overcharged them, nor do you want to under-bill, leaving you with less cash on hand.

The DCAA website (dcaa.mil) is an excellent resource and we recommend you become familiar with documents, checklists and the FAR manual.

Of course, as our client, we'll be assisting you at every step of your ICE submission. Here are a couple of general recommendations from the Kline Staff to make the process run a little more smoothly:

- Ensure there are signed agreements for any consultants and that their invoices provide details of the services that were performed.
- Compile a list of contracts completed during the year.

Do you have an overdue ICE submission or have you received a notice of inadequacy? Call us immediately to discuss your situation!

Check Out the Info at DCAA.MIL/CONTENT/

You'll find some "not so easy to find" important documents on a range of topics, including:

- Draft Pre-Award Survey Checklist
- DCAA's Report to Congress
- DCAA Strategic Plan 2016-2020
- Small Business—Accounting System Requirements
- Contractor Frequently Asked Questions (FAQs)

FAR 31.205

Among the Common Unallowables...

Because knowing what's allowable or unallowable in your contract costs is so important, you need to know FAR 31.205.

Here are *a few* of the unallowable costs in your federal contracts. Consult the FAR or call Kline and Company if you have any questions:

1. Costs of fines and penalties from failure to comply with regulations.
2. Public relations and advertising costs except if required in the contract.
3. Lobbying, and costs associated with any political activities.
4. Entertainment expenses are unallowable.
5. Patent costs or costs associated with invention documentation or disclosure.
6. Losses on other contracts.
7. Alcoholic beverages.





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End-of-Year Tax Planning: 2018 Tax Laws Affect Your Corporate Taxes!

Are you confident about your knowledge of the new tax code and how it affects your business? We suggest you take advantage of this time window to get an early start on end-of-year tax preparation. Now is the perfect time for reviewing your planned deductions for your 2018 corporate taxes.

In addition to accounting services for your DCAA Compliance, we offer corporate tax planning and preparation services. The current tax laws impact your business in new ways, and you need to plan now for maximum advantage.

Our staff is ready to assist by answering your questions, in reviewing your tax returns, or in fully preparing your corporate taxes.



Changes in the tax code are sure to affect corporate tax preparation, planning and strategies. Let's have a conversation before December 31st, please!

Access our informational videos at our web site: www.klineco.com
Call us at 603.881.8185 if you need immediate attention!