



Compliance Risk Assessment Tune-Up: Avoid Cost Accounting Audit Issues

Are you feeling lonely and need some companionship? Would you like that need fulfilled by spending more quality time with the DCAA auditors?

You say, "NO"? Then take a proactive mentality and evaluate your existing cost accounting practices to see if there are embedded problems that will impair your reputation with your customers.

As your business and Government contracting environment changes, so will your accounting and supporting systems needs. Changes in revenue, number of personnel, core capabilities, types of Government contracts, and working locations will alter the compliance landscape and necessitate a re-evaluation of your cost accounting and peripheral systems. Failure to periodically assess your accounting structure will elevate the risk of inaccurate cost identification, lost opportunities for maximizing the recovery of your costs, and audit reported deficiencies.

Beason & Nalley, Inc. can perform a one-day risk assessment of your existing accounting system for Government contracting compliance attributes. Our assessment model and survey methods will root out potential problems that auditors are likely to consider significant. After the assessment is completed, we will provide recommendations for improvement to avert later contract costing issues.



For more information on this service, please contact any of the following professionals:

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Contracted Labor Personnel: Choosing Correct Indirect Burdens

Many of our clients fill human resource voids by engaging contracted (or temporary) professionals, rather than bringing in people as employees. Companies typically use this technique to fulfill staffing needs for short-term projects and, in some cases, to save expenses associated with regular employment.

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When temporary or contracted personnel are brought in to work specific contracts, Government contractors face a dilemma in identifying those indirect cost centers that will benefit "direct labor" costs generated by these people. Are there situations where the labor overhead burden should be applied to these costs, or would such labor amounts bear only G&A costs?

In most cases, temporary personnel are provided no fringe benefits, nor does the company incur any payroll tax responsibilities. On the other hand, these people may be furnished complete company facilities support, to include items such as office equipment, telecommunications, utilities, and office supplies.

Many Government contractors capture *facilities and fringe/payroll tax* costs associated with direct employees in an overhead cost center, and use an employee direct labor cost allocation base for distribution of the costs. However, a base including only employee direct labor costs will not allow assignment of facilities costs to contracts where temporary personnel are providing direct effort, and those personnel are served by company facilities.



Government contractors who engage a significant number of contracted personnel to fulfill their direct contract support should re-evaluate their overhead allocation process. An allocation base and distribution method should, in such cases, be developed to ensure facilities costs are applied to all labor effort for personnel benefiting from those costs—employees as well as contracted people. One solution to this dilemma is to establish two overhead pools, one inclusive of fringes and facilities for employees, and another (including only facilities) for contracted labor.

Were your temporary or contracted professionals to be provided no fringe benefits or facilities support, contracted labor may bear no labor overhead costs, but instead receive only an allocation of G&A costs.

The ultimate goal of analyzing such situations is to ensure that indirect costs are assigned on an equitable base, and the allocation methods meet the allocability requirements of FAR Part 31 and provisions of Cost Accounting Standards.

Government Compliance Training

Federal Publications Seminars Course

Government Contract Accounting System Compliance

Dates:

May 17-18, Washington D.C.

Course Instructors:

Darryl Walker and Scott Butler

For more information, go to www.fedpubseminars.com, and click on the Government Contracts tab.

Beason & Nalley, Inc. will develop and provide specialized Government contracts compliance training for client/contractor audiences. Topics on which we can provide training include estimating systems, FAR Part 31 Cost Principles, TINA and defective pricing, cost accounting system requirements, and basics of Cost Accounting Standards, just to name a few. If you have an interest in training, with educational needs specific to your company, please contact Ms. Sandra Baker at sbaker@beasonnalley.com, or at 256-533-1720.

Upcoming Events

NCMA, National Contract Management Association April 10-12, 2006 Atlanta, Georgia

Visit Beason & Nalley at NCMA, National Contract Management Association, Booth 201. Darryl Walker and Scott Butler are scheduled to present "Can Your Accounting System Pass a Government Audit?" to NCMA members on April 12, 2006.

Future Newsletter Editions

Beason & Nalley welcomes any feedback from the readers of this newsletter. We appreciate any suggestions that you may have as to future content, presentation and format, or interesting developments in the procurement community that would be of interest to our readers. Please provide any feedback or suggestions via our email address at dwalker@beasonnalley.com.

Beason & Nalley, Inc. is an accounting firm with a focus on serving government contractors. With this focus, we go well beyond the bounds of what one would normally consider to be "typical" accounting services. We provide services such as Deltek GCS and Deltek Costpoint consulting, Outsourced Accounting, Government Contract Services, and more. Our goal is to provide the business owner with options for their financially related administrative needs. Our service list is comprehensive. Contact us:

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