



**Defense Contract Audit Agency (DCAA)
Resource Guide for the
Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) Programs**

The Defense Contract Audit Agency (DCAA) provides audit and financial advisory services to Department of Defense (DoD) and other federal entities responsible for acquisition and contract administration. DCAA operates under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

Responsibilities

DCAA provides its services to DoD (and civilian agencies when requested) acquisition and contract administration components during all contract phases (Preaward, Contract execution, and Settlement).

Preaward Accounting System Surveys

Contractors must have an adequate accounting system prior to receiving a contract award. DCAA assists the contracting officer by examining a preaward survey completed by a prospective contractor to determine whether the contractor has designed an adequate accounting system to accumulate the type of cost information required by the contract. Among other requirements, the contractor's accounting system should properly segregate direct costs from indirect costs, identify and accumulate direct costs by contract, and contain a timekeeping system that identifies employees' labor by intermediate or final cost objectives. DCAA has a Preaward Accounting System Adequacy Checklist on its Web site under the "Checklists and Tools" tab that can help you prepare for the audit. DCAA will make recommendations to correct deficiencies identified and perform follow-up on the revised system.



Contract Price Proposals

Prior to submitting a proposal in response to a Request for Proposal, contractors should complete the Department's proposal adequacy checklist (DFARS 252.215-7009) to ensure that the proposal is adequately supported and required data is provided and referenced. DCAA has a link to the Department's proposal adequacy checklist under the "Checklists and Tools" tab of its Web site. DCAA will perform a proposal audit, when requested by the contracting officer, to determine the reasonableness and support for proposed costs. DCAA will make recommendations to the contracting officer that identify questioned costs (noncompliances with regulatory/contract requirements) or unsupported costs (contractor did not provide adequate support for the proposed cost) found within the proposal.

Incurred Cost Proposals

Within six months after the end of the contractor's fiscal year, contractors must submit an adequate final incurred cost proposal together with supporting data in accordance with FAR 52.216-7. DCAA audits will examine contractor cost representations in the proposal to determine whether the incurred costs are reasonable, allowable and allocable to the contract and comply with contract terms and regulations (FAR part 31). DCAA provides tools and information on its Web site to assist the contractor in providing the required information for an incurred cost proposal. Please see the Incurred Cost Electronically (ICE) Model and the Incurred Cost Submission Adequacy Checklist under the "Checklists and Tools" tab. Failure to provide the incurred cost proposal or comply with FAR 52.216-7 will result in a DCAA recommendation for the contracting officer to make a unilateral determination on the contractor's final indirect cost rates or contract costs.

Audit Process Overview – Information for Contractors Manual: A helpful guide that provides an overview of the types of audits DCAA conducts and what you can expect in a DCAA audit.

http://www.dcaa.mil/DCAAM_7641.90.pdf



Small Business Seminars

DCAA offers targeted information to assist with audit issues that relate to small businesses. Access presentations below for help on specific topics important for smaller contractors:

- **Accounting System Requirements:** http://www.dcaa.mil/small_business/Accounting_System.pdf
- **Contract Briefs:** http://www.dcaa.mil/small_business/Contract_Briefs.pdf
- **Incurred Cost Submissions:** http://www.dcaa.mil/small_business/Incurred_Cost_Submissions.pdf
- **Monitoring Subcontracts:** http://www.dcaa.mil/small_business/Monitoring_Subcontracts.pdf
- **Proposal Adequacy:** http://www.dcaa.mil/small_business/Proposal_Adequacy.pdf
- **Provisional Billing Rates:** http://www.dcaa.mil/small_business/Provisional_Billing_Rates.pdf
- **Public Vouchers:** http://www.dcaa.mil/small_business/Public_Vouchers.pdf
- **Real-time Labor Evaluations:** http://www.dcaa.mil/small_business/Labor_Evaluations.pdf

Checklists & Tools

- **DCAA Preaward Accounting System Checklist:** This checklist is used for contractors new to government contracting that have cost reimbursement contracts, or for contractors that are receiving progress payments based on cost. The checklist assesses whether the requirements for an adequate accounting system have been met. http://www.dcaa.mil/Preaward_Survey_of_Prospective_Contractor_Accounting_System_Checklist.pdf
- **DoD Contract Pricing Proposal Adequacy Checklist:** This checklist is used for assessing the adequacy of a contract price proposal in accordance with the FAR. The checklist assesses the adequacy of cost or pricing data. <http://www.acq.osd.mil/dpap/dars/dfars/html/current/252215.htm#252.215-7009>
- **Incurred Cost Submission Adequacy Checklist:** This checklist is used for assessing the adequacy of final direct and indirect incurred costs to ensure compliance with the contractual requirements under FAR. http://www.dcaa.mil/Guide_for_Determining_Adequacy_of_Contractor_Incurred_Cost_Proposal.pdf
- **Incurred Cost Electronically (ICE) Model:** The ICE model (the electronic version of "Model Incurred Cost Proposal") assists Contractors in preparing adequate Incurred Cost Proposals. http://www.dcaa.mil/ice_model.html

FAQ for contractors: http://www.dcaa.mil/FAQs_Contractor.pdf

Additional Links, References and Contact Information

- **DCAA website:** <http://www.dcaa.mil>
- **DCAA Headquarters for general inquiries:** (703) 767-3265
- **DCAA Small Business focal point:** (703) 767-2271 DCAA-OAL-SmallBusinessFocalPoint@dcaa.mil
- **DCAA Regional Offices, office locator and directions:** http://www.dcaa.mil/contact_us.html
- **DoD Office of Small Business Programs:** <http://www.acq.osd.mil/osbp/>
- **Acquisition Regulations:**
 - Cost Accounting Standards (CAS): CAS coverage, administration, and standards can be found in the Electronic Code of Federal Regulations (<http://www.ecfr.gov>) under Chapter 99, TITLE 48- Federal Acquisition Regulations System, "Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget." The primary information will be found in Chapter 99, Subchapter B, which contains the following sections: Contract Coverage, Cost Accounting Standards, Cost Accounting Standards for Educational Institutions
 - Federal Acquisition Regulation (FAR) Cost Principles Guide http://www.dcaa.mil/FAR_Cost_Principles_Guide.pdf
 - Defense Procurement and Acquisition Policy (DPAP) Defense Federal Acquisition Regulation Supplement (DFARS) and Procedures, Guidance, and Information (PGI) <http://www.acq.osd.mil/dpap/dars/dfarspgi/current/index.html>
 - U.S. Government Accountability Office (GAO) Generally Accepted Government Auditing Standards "Yellow Book" <http://www.gao.gov/yellowbook/overview>