



DCAA Template for Invoice Management

A Template For Your Generic Methodology For Invoice Submissions



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1. Introduction

The government requires that your cost management, accounting, and billing procedures be compliant with the Defense Contracting Auditing Agency (DCAA). While not every time, for larger contracts, the government may require proof that you are DCAA compliant. It depends on the contracting officer running that specific contract. When you've won one or more contracts, you'll eventually receive a call from a government auditor stating they will be coming to your office to perform a DCAA audit.

But it's not just the government. **Your teaming partners may also require validation** that you are DCAA compliant. For one example, one of our Members won a \$15 million contract last year as a subcontractor to one of the larger primes. The Prime required that the Federal Access Member provide validation of DCAA compliance.

If you have not already reviewed the DCAA Compliance Overview document (in the Operations Module of Federal Access), you should start with that before continuing.

2. What Does A Request For DCAA Compliance Look Like?

In the example listed above for a subcontractor winning a \$15 million contract, the Prime (we'll call them Trafer Corporation) forwarded the following request for DCAA compliance:

[...] Per regulation, we require that our subcontractors also be DCAA compliant. To finalize award of the subcontract to your company, we need to verify DCAA compliance. The following methods for obtaining verification of the adequacy of your current accounting and billing systems are listed below in order of preference:

- *A copy of the DCAA/Customer accounting and billing systems adequacy letter.
Federal Access Note: (If you've never had a DCAA audit, this isn't a viable choice)*
- *A Trafer Corporation audit determination, from the appropriate Trafer Corporation group, or a DCAA field pricing audit determination, that your accounting and billing systems are adequate.
Federal Access Note: (If you've never had a Trafer Corporation audit, this isn't a viable choice).*
- *A letter from a Certified Public Accountant certifying that your accounting and billing systems can track and account for costs and billings in accordance with FAR Parts 30 and 31.
Federal Access Note: (This is the example we'll use in this document. More realistic for the majority of small businesses.)*
- *A letter explaining your accounting and billing systems and certifying the adequacy of your accounting and billing systems to track and account for costs and billings in accordance with FAR Parts 30 and 31.*
- *A letter explaining your accounting and billing systems and certifying that your accounting and billing systems can adequately track costs and billings.*

3. Caution

Recognize that if you use any of the DCAA templates from the Federal Access Program that you are also committing to ensure your cost management, accounting, and billing procedures are designed to ensure that only acceptable costs are invoiced to the government (or Prime) for reimbursement; and that your procedures are in accordance with FAR Parts 30 and 31. So these templates will get you started but you can find yourself in hot water if you don't actually ensure that your accounting procedures are updated. It's not overly complicated. The smaller the company, normally the easier to implement because there are less processes and procedures. But for larger companies, you may have to make one or more fairly major changes to your accounting process.

4. Template

What is provided below is a template that you could send to your CPA to be put on the CPA's letterhead in accordance with the third method of verification listed above by the Prime.

There are two documents you can send to your CPA (to put on the CPA's letterhead). This one, methodology for invoice submission is the first. The second part is your timekeeping and accounting policy, another template found in the Operations Module of Federal Access.

4.1. Invoice Submission Template:

“Our DCAA (Defense Contracting Auditing Agency) compliant cost management, accounting, and billing procedures ensure that only acceptable costs are invoiced to the Government for reimbursement.

Based on the task order billing schedule and type of task order (CPFF, T&M, FFP, etc.), our corporate Accounts Receivable Department prepares an invoice and all required backup documentation. (Insert Company Name) will submit invoices in accordance with the schedule and type specified in each order:

- For FFP task orders, our accounting system produces a standard invoice at the negotiated price for the specific deliverable product or milestone related to the invoice. Backup information for this type invoice normally includes: certification that the product has been delivered or that the milestone has been attained; when possible, written approval of the Government COTR to submit the invoice; and any other backup information required by the contract.
- For CPFF task orders, our invoices are computed not less frequently than monthly. The invoice will include all allowable and billable costs which have been incurred and not previously billed. Backup information is provided according to the terms of the contract.

- For T&M task orders, our invoices are computed not less frequently than monthly. The invoice will include all allowable and billable costs which have been incurred and not previously billed. The billing rates for the labor hours are confirmed with the contract. Backup information is provided according to the terms of the contract.

(Insert Company Name) Director of Finance conducts a final review of invoices to ensure all accounting procedures have correctly applied and accurate cost information has been used. The (Insert Company Name) Accounts Receivable Department submits the invoice package to the appropriate Government activities identified in the contract. When an invoice packages closes out a task order, it is reviewed by our Contracts Department to verify that all contract specification have been met, before the invoice is submitted.

In the unlikely event that the Government rejects an invoice, our Accounts Receivable Department and the appropriate (Insert Company Name) Task Order Team Leader/Project Manager will work together to determine the source of the error and to rectify the problem. If the rejection is due to inaccurate data, the Team Leader/Project Manager will prepare the necessary documentation for the correction. The accounting personnel will be notified and steps will be taken to correct the entry in our system. Once the invoice has been corrected, the Accounts Receivable Department will prepare a revised invoice and any required backup information. When the revised invoice package is approved by the Director of Finance, the Accounts Receivable Department will submit the revised invoice package to the appropriate Government activities identified in the contract.

(Insert Company Name) agrees that the submission of an invoice to the Government for payment is a certification that supplies or services for which the Government is being billed, have been shipped and delivered IAW shipping and delivery instructions stated in the order, in the quantities shown on the invoice, and the supplies or services are in the quantity and of the quality designed by the order. The invoice will be marked "Original Invoice."

/ ----- End of CPA Explanation -----/



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