

NDIA/SBTC Joint DCAA Committee
Minutes of meeting with DCAA HQ
June 17, 2014

Attendees:

DCAA: Joe Garcia, Don McKenzie, Sherry Kobus and Carol Sexton

Joint Committee members: Russ Farmer, Heidi Jacobus and Larry Nannis

The meeting generally followed the pre-approved agenda (attachment 1).

DCAA updated the Committee on actions they have taken and are taking including the following:

1. DCAA has prepared draft guidance in the following topic areas (as committed in the March 26, Committee meeting) :
 - a. Bonuses and executive compensation
 - b. IRAD/B&P
 - c. Depreciation
 - d. Legal & Other
 - e. Professional compensation
2. The above topic guidance will become accessible from a portal being developed by DCAA and resident on the DCAA web site. These and other guidance documents are being developed as theoretical imbedded training tools to promote deeper common sense understanding by newer auditors as part of their continual training. This concept (and portal) is in the early stages and will not be accessible to the public for some time.
3. On the topic of guidance for contractors transitioning from paper (hard copy) documents to e-copies, DCAA is developing comprehensive guidance for "Auditing in the Electronic Environment". They are starting with electronic labor reporting. DCAA requested committee members to provide them with names of software programs currently being used by small businesses for electronic labor reporting, general ledger and accounts payable/bill paying as a basis for evaluating, developing audit procedures and training in the paperless business environment. It was noted DCAA's approach to this electronic environment auditing would be focused in two major areas, one for large ERP systems and one for small businesses. It was noted many small businesses are currently using electronic labor reporting, and Accounts payable/Bill paying as part of their accounting system and these accounting systems have been approved by DCAA where properly implemented.
4. DCAA reported participation in 34 seminars and outreach programs thus far this fiscal year (commencing October 1, 2013) and have 10 more scheduled. They are working through PTACs (Procurement Technical Assistance Centers) in various states and other local organizations willing to market the events in their geographic areas. DCAA would like to see more PTACs support these efforts. DCAA has also responded to requests from Georgia Department of Transportation as a means for training contractors in compliant accounting systems.

5. Prior to participating in this quarterly DCAA HQ meeting Carol Sexton (panelist), Sherry Kobus (Identified DCAA resource) and Russ Farmer (moderator) participated on a panel presentation at the National SBIR Conference held at Gaylord Hotel, National Harbor, MD. Other panelists were Tammy Ryman (NAVSEA contracts) and Erik Edgerton (NIH grant specialist). The session was well attended and included numerous questions from the audience during the 90 minute session.
6. NDIA is holding their annual Small Business Conference September 9-10, 2014. Carol Sexton, Larry Nannis and Russ Farmer are confirmed participants for two panel sessions at this event.
7. Patent cost allowability and classification was the next agenda item. DCAA was not able to advance this topic since the March 26 committee meeting but did commit to have a draft by September. Small business committee members continue to emphasize the importance of a viable "common sense" solution and reiterated issues, discussion and recommendations from the white paper developed by the SBTC and provided to DCAA in December 2013. Don McKenzie requested that should they support the white paper position of SBTC they would expect both NDIA and SBTC to proactively support the decision. Small business committee members will be invited to participate in review and comment once an early draft document has been prepared.
8. The next agenda topic was the pursuit by DCAA of audits on adequately submitted incurred cost proposals beyond the statute of limitations (6 years). A vigorous discussion ensued with differing observations and scenarios presented. Don McKenzie and Joe Garcia both stated they did not want to waste any of their time where the ICP certification date was clearly beyond the statute of limitations. They requested specific small business examples where this was the case and committed to sit down with the small business to review the factual aspects (date of submission as documented by the contractor latest certification date for the submittal) of each specific situation. If DCAA determined, after the review, they would continue to pursue the audit, DCAA would provide clear and factual reasoning for their decision to the small business. The small business committee members committed to provide the names of small businesses willing to meet with DCAA HQ personnel to review the factual aspects of the ICPs in question.
9. The final agenda item was a general statement and comments on the continuous need for consistency and clarity in audit procedures and processes by various DCAA offices. It was generally agreed this was a cultural and training issue that will take time for significant noticeable improvement, however through continuous communication and specific examples provided by small businesses progress can be achieved.
10. The meeting was adjourned at about 4:00 PM.

Attachment 1

DCAA HQ and SBTC/NDIA Joint DCAA/DCMA Committee Meeting 2:00 PM, June 17, 2014

Agenda

Meeting Objectives:

- A. Review actions by DCAA since the March meeting
- B. Solidify patent cost allowability and classification in general
- C. Address new broad based issues of concern to SBs

Agenda Topics:

1. DCAA Update on Guidance and Seminars –
 - a. E-CAM (online CAM) topics/revisions/MRDs (from 3/26/14 meeting minutes) --
 - i. bonuses & executive compensation,
 - ii. IR&D/B&P,
 - iii. Depreciation,
 - iv. Legal & other,
 - v. Professional compensation.
 - b. Status of guidelines for transition from paper (hardcopy) to e-copies supporting documentation for contractors
 - c. Report on Seminars held and planned
 - d. Other outreach programs
 - e. Debrief on National SBIR Conference panel held earlier today (June 17)
 - f. NDIA Small Business Conference tentative panels (September 9-10, 2014 in Springfield, VA)
2. Patent cost allowability and classification
 - a. Review of Status within DCAA (draft?)
 - b. Allowability FAR 31.205.30 [Patent Costs]
 - i. when FAR 52.227-11 incorporated in contracts
 - ii. Subject Invention Disclosure on Form 882 [Report of Inventions and Subcontracts]
 - c. Direct vs. indirect
 - i. Intent of program
 - ii. USPTO timing for issuance of patents
3. Pursuit of Incurred Cost Audits beyond Statute of Limitations (6 years after submittal)
 - a. Very costly to a number of small businesses and to DCAA
 - b. Court cases are very consistent in favor of contractors
 - c. Getting more congressional visibility than necessary (desirable?)
4. Establishing consistency within DCAA offices for audit procedures and processes