SF1408 & Timekeeping
Valuable Info for Government Contractors

A guide to executing and managing projects
for government contractors.

Unanet™

OVERVIEW

When becoming a government contractor, there are many new things to think about. You are introduced to what feels like over 1,000 acronyms, audit after audit, and project management requirements. If you are a prospective government contractor with an award looming that has cost type work, your first encounter with DCAA will most likely be the Pre-Award Survey (SF1408).

If you are just getting started in the government contracting world, <u>click here</u> to access the DCAA Information for Contractors.

ACCOUNTING SURVEY AND AUDIT OVERVIEW

The pre-award survey is not an audit. It is an evaluation typically made by your contract administration office of your ability to perform a proposed contract. DCAA may be requested to provide information regarding the adequacy of your accounting system to accumulate the type of cost information required by the contract. Before the contracting officer (CO) requests a DCAA audit of your accounting system, the CO will ask you to complete the "Pre-award Survey of Prospective Accounting System Checklist." You can find that checklist by going to the DCAA website, specifically the link below. The checklist provides documentation to the auditor on how your accounting system meets the criteria in the SF 1408. The CO will give the checklist to DCAA when they request an audit of your accounting system.

The SF1408 or pre-award accounting system survey is an examination before contract award to determine the acceptability of your accounting system for accumulating costs for your prospective government contract. The audit scope is limited to obtaining an understanding of the design of the prospective accounting system and procedures essential to reach an informed opinion as to whether or not the design of the prospective accounting system is acceptable for accumulating costs and can generate the specific cost information that is required to execute a government contract.

To download the DCAA's Preaward Accounting System Adequacy Checklist, <u>click here.</u>

Customer Success Spotlight: Burns & McDonnell

As an international, full-service, engineering, architecture, construction, environmental, and consulting solutions firm, Burns & McDonnell needed a mobile time solution that would easily capture data from their 7,000+ users. With Unanet's integrated timekeeping solution, they...

- Is able to be compliant with DCAA requirements through an improved approval process
- Gained greater project visibility, which allowed them to establish more best practices around their business rules and processes

- Has more accurate entry of time that led to better visibility into project issues and an enhanced ability to forecast true costs to complete projects
- Experiences better control over timesheet review and approval without undue administrative overhead.

Organizations that are looking to get their first government contract may not want or need to install a new, more detailed accounting system unless awarded a contract. In this case, if the potential government contractor anticipates a contract award, it must have developed and designed a system that is operable, though not necessarily in use. You need to be in position to demonstrate the new system to the auditor and ready to implement the system prior to incurring any costs on the government contract.

Sometimes the auditor may not think the system is acceptable. You and your CO will receive notification and typically will give you suggestions on needed corrections. Once you have incorporated the corrective actions, a follow up audit will be completed and hopefully the CO and DCAA will be satisfied.

Once you have won the contract, you may be subject to an accounting system audit. The basic objective of this audit is to assure your accounting system is adequate for accumulating cost and passing those costs on through invoices presented to the government. This audit is requested by the CO when there is follow-up recommended from the pre-award survey or if no pre-award survey was done.

Is There Such a Thing as DCAA Approved Software?

Just to be clear, there is no such thing as DCAA Compliant Software! It is your organization and procedures that will be assessed for compliance. That said, software such as Unanet, that is purpose-built for government contractors, can significantly help you with achieving compliance. DCAA compliance requires that your accounting and related business processes which collectively includes policies, procedures and tools be compliant. Software alone is not audited for DCAA compliance or certified, nor approved as DCAA compliant. However, Unanet software has been reviewed by DCAA auditors at more than one thousand customer sites and, along with the customer's policies and procedures, approved as supporting DCAA requirements.

WHAT THE DCAA IS LOOKING FOR IN THE SF1408

1. Segregation of direct and indirect costs

2. Identification and accumulation of direct costs by contract

3. Consistent allocation method for indirect costs to intermediate and final cost objectives

4. Accumulation of cost under general ledger control

5. A time keeping system that identifies employees' labor by intermediate or final cost objectives

6. A labor distribution system that charges direct and indirect labor to the final cost objectives

7. Interim determination of costs charged to a contract through routine posting of books of account

8. Exclusion from costs charged to the government contracts of amounts that are not allowable

9. Identification of costs by contract line item and units

10. Segregation of preproduction costs from production costs

For the system to get an acceptable, all items above must be checked Yes or Not Applicable. Utilizing Unanet, you can be confident that you will meet the standards in FAR 53.209-I(f).

KEEPING TRACK OF YOUR TIME

One of the most important aspects of government contracting is timekeeping. DCAA requires that the timekeeping process—collectively including policies, manual procedures, and tools—be compliant; timesheet software alone is not audited for compliance or certified, nor approved as DCAA compliant. However, as mentioned previously, timesheet software like Unanet has been approved along with the customer's policies and procedures, approved as supporting DCAA timekeeping requirements.

Timekeeping procedures and controls on labor charges are areas are of critical concern for government contractors. The key to accuracy in labor charging is your employees. Training, training, and more training is critical so that employees understand the organization's policies and procedures and abide by them. Establishing a culture that understands the criticality of accurate and timely labor charging will encourage employees to get it right the first time.

Timekeeping systems must meet the following requirements:

1. There should be a segregation of responsibilities for labor-related activities. Internal controls must be established. An example would be that the responsibility for timekeeping and payroll should be separated.

   a. Policies and procedures must be crystal clear

   b. Controls must be monitored, and violations dealt with swiftly

2. A culture emphasizing to employees the importance of accurate and timely timesheets. Reminders and training plans will help reinforce proper time charging.

3. Employees need to have training and detailed instructions on completion of the timesheet:

   a. Record time daily

   b. Record time on the timesheet

   c. Time should be recorded by identifier (project, contract name, etc.). Employees should be able to access the description of the identifiers and their descriptions in the work authorization system

   d. Documented process to change time sheet if needed

   e. Record all hours worked

f. Certification that the number of hours worked and on what tasks is correct at the end of each period

4. A policy for timekeeping must be in place that includes the following:

   a. The supervisor should approve and cosign all timesheets

   b. The supervisor is prohibited from completing an employee's timesheet unless the employee is absent for a prolonged period on some form of authorized leave. If the employee is on travel status, the supervisor for the employee may prepare a timesheet. Upon his or her return, the employee should turn in his/her timesheet and attach it to the one prepared by the supervisor.

   c. The guidance should state that the nature of the work determines the proper distribution of time, not availability of funding, type of contract, or other factors.

   d. The company policy should state that the accurate and complete preparation of timesheet are the employee's responsibility. Careless or improper preparation may lead to disciplinary actions under company policies, as well as applicable Federal statutes.

DCAA LABOR FLOOR CHECKS OR INTERVIEWS

DCAA can send in auditors periodically, unannounced, to perform labor floor checks of your employees. The goal of the labor floor check is to make sure employees are working, performing their assigned job classification, and that they are authorized and charging to the right project code. These audits are meant to determine the adequacy and accuracy of the timekeeping system for reimbursement of labor costs under cost reimbursable, time and material (T&M), and labor hour contracts.

Accurate timekeeping is very serious to the government and there are penalties for non-compliance. Manipulating timesheet entries to a contract may be subject to criminal charges. The penalties for this violation can be levied against the employee that falsified the timesheet, the approving supervisor, managers and officers, as well as the company. Protect everyone in your company by making accurate and timely timekeeping a non-negotiable requirement.

WHY UNANET FOR GOVERNMENT COMPLIANCE?

Unanet is purpose-built with the project or contract in mind. It is uniquely designed for government contractors and has been battle-tested for compliance rules and regulations. Our compliance features are built into the tool, making compliance part of the fabric of your business. Unanet currently has over 1800+ clients using and trusting the system. Unanet supports compliant accumulation and allocation of costs, utilizing timekeeping, expense accounting, cost pools, indirect rates, revenue recognition, and project management all

in one truly integrated system. Whether you are a small, new, or a seasoned larger GovCon, you can count on Unanet for your compliance needs. Unanet is recognized by the audit agencies as being "compliant ready," giving you an immediate advantage in the audit process.

To learn more, download our white paper, "Unanet Support for DCAA Timekeeping Requirements" or sign up for a demo to see how Unanet can assist you with compliance.

One Software for Projects, People, & Financials

Integrated End-to-End Platform

Simplifies the Entire Project Lifecycle

Find & Win

- Market Intelligence
- Pipeline Management
- Contact Management
- Proposal Automation
- Lead Management
- Resume Generation
- Project Insight
- Outlook integration

Plan, Execute & Monitor

- Purchase Requisition
- Budgeting & Revenue Forecasting
- Resource Scheduling
- Skills Management
- Scenario Planning
- Pricing

- Timesheets & Accruals
- Expense & Per Diems
- Purchase Orders
- Subcontractor Management
- Approvals
- Workflow and Document Repository
- Contract Management
- SCA Compliance

- BI Analytics Reporting
- Real-Time Dashboards & KPIs
- Project Status, Utilization & Burn Rate
- % Complete & EVM
- Open Commitments
- Gross and Net Margins
- Backlog
- Customer Management

Financial Management

- GAAP Compliance
- T&M, FP & CP, mixed tasks within a single project
- Revenue Recognition As Worked, % Complete & Schedules
- Accept Customer Payments via Stripe
- Invoice Generation
- 1099 Reporting

- General Ledger
- Accounts Payable
- Accounts Receivable
- Cost Pools
- Indirect rates including the ability to override target or provisional rates for a project or task
- PO Match: 2-Way or 3-Way Match
- Fixed Assets & Depreciation
- Inventory Management

Where Information Means Insight

Unanet is a leading provider of project-based ERP and CRM solutions purpose-built for government contractors, architecture, engineering, construction and professional service firms. More than 4,000 project-driven organizations depend on Unanet to turn their information into actionable insights, drive better decision-making and accelerate business growth. All backed by a people-centered team invested in the success of your projects, people and financials. For more information, visit www.unanet.com.

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