Supporting compliance with DCAA audit requirements

What is DCAA?

The Defense Contract Audit Agency (DCAA) (dcaa.mil) provides audit and financial advisory services to the U.S. 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.

Mission

As a key member of the government acquisition team, DCAA is a dedicated steward of taxpayer dollars that delivers high-quality contract audits and services to ensure that warfighters get what they need at fair and reasonable prices.

History

Prior to 1965, each U.S. military branch had separate contract audit functions and regulations. Contractors and government personnel recognized the need for consistency, and Secretary of Defense Robert S. McNamara instituted "Project 60" in May 1962 to examine whether it was feasible to centrally manage contract administration and audit activities. An outcome of this study was the decision to establish a single contract audit capability, the Defense Contract Audit Agency. DCAA began providing audit and financial advisory services to government contracting officials on July 1, 1965.

What is DCAA compliance?

- When DCAA performs an audit or a pre-award survey of a government contractor, it is assessing the contractor's compliance with the Federal Acquisition Regulation (FAR).

- FAR provides policies and procedures that government acquisition officials and contractors must follow in the procurement process for goods and services.

- FAR, together with agency supplemental regulations (e.g., the Department of Defense Federal Acquisition Regulation Supplement [DFARS], which applies to all Defense components), cost accounting standards (CAS), and specific contractual provisions, should be the primary guidelines for contractors' conduct in administering contracts.

What are DCAA's major areas of emphasis?

DCAA focuses on the following areas:

- Business systems

- Management policies and procedures

- Accuracy and reasonableness of contractors' forward pricing and incurred cost representations

- Adequacy and reliability of records and accounting systems

- Contractor compliance with contractual provisions having accounting or financial significance

DCAA's audits are generally limited to pricing actions and contracts that fall under FAR Part 15, Contracting by Negotiation.

What are DCAA audit interests?

- DCAA is concerned with identifying and evaluating all activities that either contribute to or have an impact on proposed or incurred costs of government contracts.

- DCAA evaluates contractors' financial policies, procedures, and internal controls.

- DCAA also performs audits that identify opportunities for contractors to reduce or avoid costs (operations audits).

What happens if I fail a DCAA audit?

Organizations that fail a DCAA audit face severe consequences. Failing a DCAA audit or submitting inconsistent or false labor information can have the following possible impacts:

- Loss of existing contracts and ineligibility for future contracts
- Criminal charges
- Monetary penalties
- Unfavorable judgment under the False Claims Act

How can UKG AutoTime help with DCAA audits?

The UKG AutoTime™ (formerly Kronos AutoTime®) solution:

- Reconciles payroll time and labor in real time
- Provides comprehensive audit trails that identify when records are updated and by whom
- Supports historic edits or prior-period adjustments with a full audit trail
- Offers increased functionality for labor distribution and costing

- Enables clear processes for review and approval of submitted time
- Allows configurability for unique labor rules and policies and the ability to assign different levels of security within the system to employees and supervisors
- Integrates seamlessly with well-known ERP systems to maintain data integrity
- Accommodates labor tracking for every employee, including temporary workers, and reduces the risk of potential fraud and misreporting of labor expenses
- Provides built-in system reports and ad hoc reporting capabilities
- Supports automation of total time accounting calculations by tracking compensated and uncompensated labor

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General Audit Requirements	Example of a UKG AutoTime Use Case
Management Review	UKG AutoTime's intuitive management review feature gives managers a real-time view into their employees' labor activities and provides all necessary details for the review process.
Employee Awareness Training	Organizations can deliver messages to employees right at the timeclock or send messages through the web, ensuring that employees are updated on system changes or any timekeeping requirements.
Labor Authorization/Approvals	Managers can electronically sign employee timecards to approve the labor — a method long accepted by DCAA. Charge element filtration functionality lets managers preauthorize which jobs an employee may charge.
Timekeeping	Integrated timesheets display all payroll and labor information in a single screen and automatically reconcile all time and labor charges.
Labor Distribution	Companies need to prove where work was performed, who performed it, and what each employee accomplished. UKG AutoTime simplifies this process and enables employees to be more efficient, facilitating the collection of labor data and automatically transmitting it to an ERP system. UKG AutoTime helps capture accurate data, supporting better business decisions.
Labor Cost Accounting	Reconciling payroll and labor charges for exempt employees makes achieving DCAA compliance more complex. UKG AutoTime addresses this problem with its configurable total time accounting module, ensuring that every labor charge for the pay period will receive a prorated portion of payroll charges. This prevents projects from going without cost allocation.
Payroll Preparation and Payment	With a robust rules engine that accurately calculates total hours and premium classifications earned by each employee, as well as a seamless integration that transmits payroll information to the payroll provider, UKG AutoTime supports the payroll process from start to finish.
Labor Transfers and Adjustments	Employees are expected to track their labor as they perform it in real time, but often an employee works on several different jobs in the same day. This introduces the possibility of timekeeping mistakes, so it's essential to have a software audit trail of all labor adjustments. UKG AutoTime provides this information by recording who made the change, when it was made, and why.

UKG

Our purpose is people

Building on 70 years of experience from two leaders in HR solutions, UKG™ combines the strength and innovation of Ultimate Software and Kronos®. Individually, we've always put people at the center of everything we do. Together, we're committed to inspiring workforces and businesses around the world, helping to pave the way forward for our people, customers, and industry.