


UNEARTHING ACCOUNTING LANDMINES

IN GOVERNMENT GRANTS AND
CONTRACTS

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FEDERAL ACQUISITION REGULATIONS ~ GREEK

- You must establish an “Acceptable Accounting System”
 - Audits!
 - CT Innovations - \$1.5M cost for not understanding the FAR **before Phase II**
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FAR 52.216-7

Phase I = FFP

Phase II = CPFF

Cost-reimbursement rules
of FAR 52.216-7 applies to
SBIR/STTR Phase II,
BARDA, BAA, R01, R23,
U01, ARPA-E

AN “ACCEPTABLE ACCOUNTING SYSTEM”

- Does your General ledger segregate:
 - Direct costs
 - Indirect costs
 - Unallowable costs

Lab jackets?

- Written accounting policies and procedures



MANDATORY POLICIES & PROCEDURES

1. Timesheets

- a. Filled out in ink, daily
- b. Must record all time
- c. Signed by the employee and supervisor
- d. Changes must be crossed out & initialed



2. Uncompensated Overtime

- a. $\$60,000/2,000 = \$30/\text{hour}$
- b. Bill the government at $\$30/\text{hour}$
- c. Actually works 2,500 hours
- d. Actual hourly rate is $\$24/\text{hour}$

The MIT Professor...

Common DCAA AUDITS

1. Pre-award audit
2. Indirect rate projection audit
3. Progress payment audit
4. Surprise floor check
5. Annual Incurred Cost Audit

This is when you find out if your accountant understood the rules – years later!

Grantees with government revenue > \$500,000 are also subject to an OMB A-133 Audit

\$795 Compliance and Risk Analysis

Accounting system adequacy?

Our analysis will include a review of specific areas of your company's accounting system, including job costing, time reporting, and underlying documentation.

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