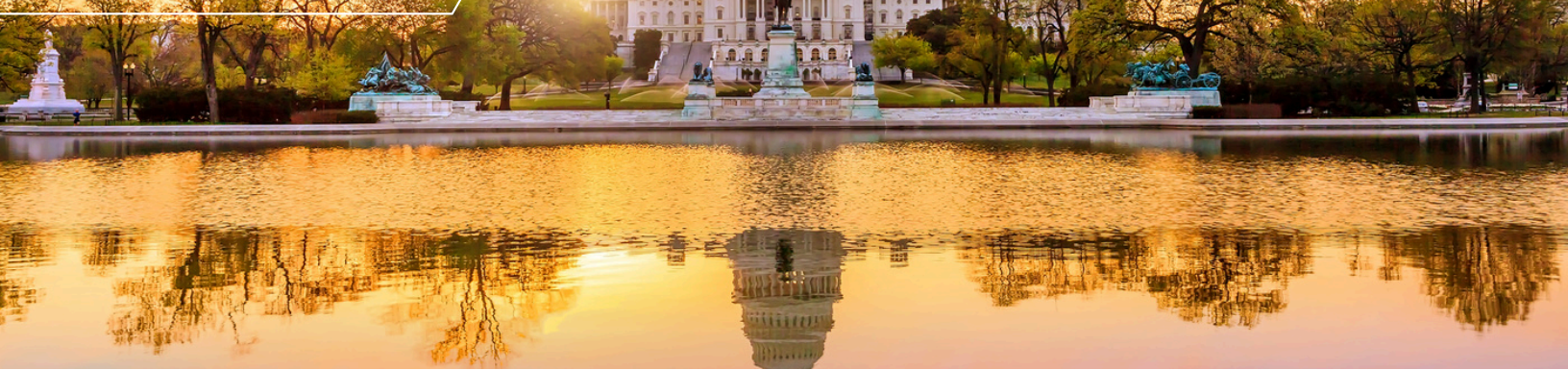


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Because the right move matters



Compliance for Emerging Contractors

Government Contract Regulatory Compliance

Navigating compliance with government contract regulations can be very challenging, especially for emerging contractors. While government contracting provides financial opportunities, companies seeking such work must be aware of and comply with complex requirements. These requirements come through solicitation and contract terms and can vary depending on the agency and circumstances. Commonly, contractors will see requirements coming from, for example, the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), Cost Accounting Standards (CAS), and 2 Code of Federal Regulation (“CFR”) 200. Contractors should also be aware that the government has unilateral rights not found in commercial relationships and applies accounting rules beyond standard GAAP.



Emerging contractors may include small to midsize businesses or very large commercial entities that are looking to enter the government contracting space. In any case, as they increase their share of government contracts, they may be subjected to increased scrutiny and audits starting as early as the proposal phase until well after the contract is over. Even small violations of government regulations can result in disputes and litigation which can lead to significant penalties and additional costs incurred. With this in mind, it is critical for emerging contractors to review RFPs/solicitation requirements and determine whether their practices require revision to comply with those requirements. Companies may even want to preliminarily assess and revise their practices to ensure they are compliant with anticipated government rules and regulations before the proposal process begins.

Depending upon the award and contract type, among other factors, government contracts may result in a number of significant compliance activities and requirements. Some of these include, for example:

- Preparing for and receiving an accounting system pre-award survey (Standard Form 1408)
- Certifying cost or pricing data and potentially receiving government audit of this data
- Assessing/supporting commercial service/product determination
- Complying with the Allowable Cost and Payment clause invoking FAR part 31 – Contract Cost Principles, requirements for provisional indirect cost billing rates, and incurred cost submissions, among other requirements
- Ensuring a compliant timekeeping system is established and maintained for T&M contracts
- Complying with modified or full cost accounting standards

With respect to government grants, the Code of Federal Regulations (2 CFR 200) provides detailed regulations and requirements. Grants can have unique terms and conditions. As with other government procurement vehicles, small violations can have significant consequences, particularly if not addressed in a reasonable and timely manner. It is crucial for current and future grantees to review and revise their practices to ensure compliance.

Emerging contractors in all industries need to familiarize themselves with the regulations and requirements set forth by the government. These rules are ever-changing, so staying tuned in with new developments is crucial. To succeed, you need experienced, professional assistance to improve your policies, systems, and procedures – and rethink the methodologies behind them. This support will help you achieve or maintain compliance with government regulations.

Chess Consulting's practice assists contractors on a wide range of government contract cost and pricing matters, as well as supporting them in disputes and litigation. Chess has extensive experience assisting emerging contractors with navigating the government's complex requirements. Our clients include companies of all sizes in virtually every industry, from aerospace to health care providers. The breadth and depth of our experience enables us to work effectively with government contractors.

The following are the principal consulting services we provide to emerging government contractors:

Cost Allowability

- Consultation on compliance with Federal Acquisition Regulation ("FAR") Cost Principles
- Incurred cost submission preparation and review
- Response to government audit reports

Consultation on Cost Accounting Standards

- CAS disclosure statement preparation
- CAS compliance assessments
- Evaluation of accounting structure

Financial accounting and reporting consultation

- Complex financial accounting and reporting issues
- Process and internal control assessments
- Internal auditing outsourcing/co-sourcing

Business Systems Compliance

- Accounting
- Purchasing
- Estimating
- Material Management and Accounting
- Billing
- Labor Charging
- Truth in Negotiations Act ("TINA")
- Cybersecurity

Accounting System Implementation

- Accounting system evaluation and implementation support (e.g., Deltek, Unanet, NetSuite)
- Establishing compliant indirect rate structures
- Policy and procedure development

THE CHESS CONSULTING ADVANTAGE

Chess is dedicated to supporting clients throughout the entire compliance journey of establishing a government contracting business. Our experienced team, with years of industry, consulting, and government contracts expertise, helps clients build a tailored government contracting business unit.

We partner with clients to help them understand the requirements for successfully operating in the complex and regulated Federal marketplace. Chess provides guidance on regulatory governance, transactions, and transformation.

Due to the highly regulated nature of federal contracting, it's essential for companies to effectively manage their compliance risks. Chess assists clients in interpreting and applying federal contractual requirements, assessing regulatory risks, and structuring compliant government business units. We also help develop compliant cost accounting and indirect rate structures that align with clients' strategic goals.

Our government contractor services practice is one of the largest and most successful such practices of any accounting or consulting firm. We have approximately 25 professionals in the Washington, D.C., area devoted to serving government contractors. Furthermore, unlike other firms, our professionals bring to each engagement an unique combination of government contracting regulatory expertise, technical financial accounting and reporting knowledge, and forensic accounting and investigative skills as well as an adept understanding of our clients' business risks and challenges

With decades of government contracting compliance and financial reporting experience and firsthand experience implementing the requirements of the Federal Acquisition Regulation, DFARS, Sarbanes-Oxley (SOX), and CAS, our professionals are skilled in analyzing, testing, and modifying internal control systems and procedures.

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