The Fundamentals of Government Contracting Webinar Series

Policy and Procedures Manual: What’s In It and Why Do You Need One?

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Fundamentals – Season 1

• Challenges of Contracting with the Federal Government (*November 2015*) - Completed
• Contract Types and Associated Risks (*December 2015*) – Completed
• Year-End Closing (January 2016) - Completed
• An Introduction to the Incurred Cost Submission
  – Part II: Preparation and Adequacy Review (*March 2016*) - Completed
• Accounting Systems and Setups (April 2016) - Completed
• Accounting System Adequacy 101 (May 2016) – Completed
• The Composition of Total Cost (June 2016) – Completed
• Making Way for 2017 – Budgeting and Provisional Rates – Completed
• Procurement Systems: DFARS Business Systems Rule and Criteria (*August 2016*)
• Exploring the Gray Area of Unallowable Costs (*September 2016*)
• **Policy and Procedures Manual: What’s In It and Why Do You Need One?** (*October 2016*) – You are Here!
Overview

- Accounting Policy and Procedure Manual Requirements
- Different Types of Manuals
- Policies vs. Procedures
- Critical Policies and Procedures
- Best Practices for Manual Maintenance
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Accounting Policy and Procedure Manual Requirements
Why Should You?

• A Policy and Procedure Manual helps a company outline the business objectives and sets the terms and guidelines in achieving the goals.

• A Policy and Procedure Manual can help
  – Improve efficiencies
  – Improve morale
  – Enhance profit
  – Ensure compliance with laws and regulations
  – Focus on the mission
Federal Government Requirements

- Pre-award Survey of Prospective Contractor Accounting System Checklist
- DCAA Accounting System and other audits
Different Types of Manuals
Manual Types

• Accounting
  – FAR Part 30 – Cost Accounting Standards (CAS)
  – FAR Part 31 – Contract Cost Principles and Procedures
    • Proper segregation of costs – direct vs. indirect
    • Allocation of indirect costs
    • Accumulation of costs under general ledger control
    • Timekeeping system and labor distribution
    • Exclusion of unallowable costs
    • Policies and procedures to ensure proper accounting and cost accumulation
    • Generally accepted accounting principals (GAAP) compliant
Manual Types cont’d…

• Estimating
• Purchasing
• Employee Handbook
• Human Resources
• Business Development
• IT, Computer & Network
• Financial and Internal Control
Policies vs. Procedures
Policy vs. Procedures

- A Policy is the guiding principle used to determine the direction of an organization.
- A Procedure is a series of steps to be followed in order to accomplish the end result of the organization.
- Together they are used to empower the people responsible for a process with the direction and consistency they need for success.
Differentiating Policies and Procedures

- Policies
  - Are general in description
  - Are the rules required
  - Explain why the policy is needed
  - Are used to describe when the rule applies
  - Describe who or what is covered
  - Shows how the policy is enforced
  - Describes the consequences of failing to enforce
  - Are generally described in simple terms
Differentiating Policies and Procedures

• Procedures
  – Are steps needed to achieve the outcome
  – Are generally written using outline format
  – Explain when to act in certain situations
  – Describe alternatives to actions, if there are any
  – Give examples
  – Are used to achieve the goals of the company
Critical Policies and Procedures
Critical Policies and Procedures

- Generally Accepted Accounting Principles (GAAP)
- Proper segregation of costs
- Direct costs by contract
- Allocation of indirect costs
- Accumulation of costs under general ledger control
- Timekeeping system
- Labor distribution
- Payroll process
Critical Policies and Procedures cont’d…

- Interim determination of costs
- Exclusion of unallowable costs
- Cost by contract line item accounting
- Preproduction costs
- Limitation of costs
- Contract billings
- Financial statements
- Revenue recognition
Best Practices for Manual Maintenance
Manual Maintenance

• On an annual basis:
  – Review the policies and procedures
  – Walk through the procedures

• Update the manual based on any new policies and procedures

• If implementing a new accounting system, review and update the manual to reflect the new procedures needed
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Join us next month for Fundamentals Season 2