



Deltek Costpoint >

Guide to Government Compliance

How Deltek Costpoint Supports
Government Compliance Requirements

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What is Government Contracting Compliance?

Navigating government compliance regulations can be difficult for even the most seasoned of contractors. Deltek's Costpoint Project Accounting and Enterprise Resource Planning (ERP) solution is trusted by both small businesses and multi-national corporations to provide the guardrails to keep their businesses compliant with the FAR. This guide will outline the basics of US Government compliance as it relates to financial accounting and the safeguarding of government information, and will provide a path to compliance utilizing Costpoint.

Let's begin with the **Federal Acquisition Regulation (FAR)***, which is the overarching set of uniform policies and procedures that contractors doing business with the government must comply with. The US Government uses agencies like the **Defense Contract Audit Agency (DCAA)** and **Defense Contract Management Agency (DCMA)** to conduct audits and assessments to assure the government that your business is operating in compliance with the FAR. The DCAA audits a business's financial and accounting system whereas the DCMA is involved on a contract level and may review pricing estimates pre-award or even be on-site to witness qualification testing prior to contract deliveries being made to the government.

Another aspect of US Government compliance that is becoming increasingly more critical is the safeguarding of **Federal**

Contract Information (FCI). The risks of data breaches caused by cyber vulnerabilities has necessitated the requirement to ensure firms doing business with the US Government have good cyber hygiene. To this end the Government has added additional requirements to many DoD contracts for **Cybersecurity Maturity Model Certification (CMMC)**.

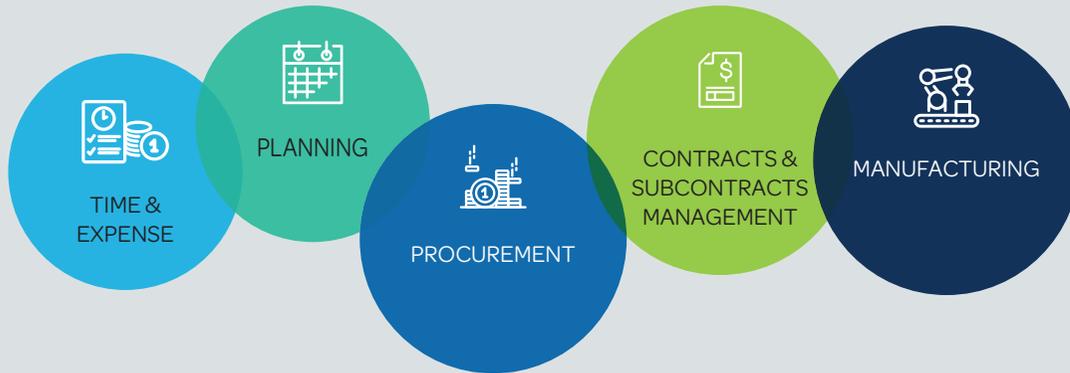
As your business grows, it is essential to reduce the risk of non-compliance by establishing consistent business processes that keep your business on the compliant side of the FAR. Keep reading to learn more specifics about the requirements your business is likely to have and how to gain and maintain compliance with Costpoint as your ERP.



“When contractors enter into agreements to provide goods and services to the Government, they must follow government acquisition guidance and regulations. DCAA assesses contractor compliance with these regulations based on the type of contract with the Government.”

*Additional guidance and standards referenced as part of the FAR include: Cost Accounting Standards (CAS), International Traffic and Arms Regulations (ITAR) and supplements like the Defense Federal Acquisition Regulations (DFAR). The specific FAR (or DFAR) requirements for a particular contract will be called out as clauses in contract documents including Requests for Information (RFIs) and Requests for Proposals (RFPs).

Save on the cost and schedule of integrating additional capabilities to your ERP with Costpoint's built in integrations.



- Easily comply with [DCAA](#) controls and gain support for [FAR](#), [CAS](#), DCMA and ASC compliance needs.
- Costpoint Cloud offerings implement NIST 800-171 controls, and [CMMC Level 2 certification](#) is on the roadmap.
- [Costpoint GovCon Cloud Moderate](#) also aligns with FedRAMP Moderate and supports [ITAR](#) controls.

How Costpoint Supports Compliance

Built on 30+ years of experience, Costpoint is the industry's leading project based ERP solution for government contractors that need to comply with both government accounting and cybersecurity regulations.

Costpoint provides the accounting infrastructure to enable businesses to implement FAR-compliant processes for segregating and allocating project costs. It connects the dots between your pursuits, project delivery, and finance activities, resulting in reduced data entry, better recording of indirect costs, and more efficient project handoffs and kickoffs. Costpoint can scale for firms of any size, and supports government compliance in ways that homegrown or disparate systems simply can't provide. Additionally, Deltek's modern, integrated cloud offering enables the secure storage of your data and is consistently enhanced to meet the most up-to-date governmental and agency cybersecurity compliance standards.

FAR & CAS Compliance + Costpoint

The **Federal Acquisition Regulation (FAR)** and **Cost Accounting Standards (CAS)** outline the rules that drive every DCAA audit. Since the primary method of tracking where government money goes is by accounting processes, it is particularly important that contractors perform scrupulous accounting.

Addressing FAR & CAS with Costpoint

A government contracting firm's business processes plays a pivotal role in meeting FAR and CAS compliance requirements and standards. Successfully managing those processes from beginning to end are innately part of the DNA of the Deltek Costpoint solution. Designed with FAR and CAS in mind, key functionalities of Costpoint allow for:

- Integrated project financial modules that provide the controls and framework to implement the contractor-defined processes and workflows for providing reliable and accurate accounting and financial data.
- The ability to identify, segregate and track direct and indirect costs at the project, contract line item, part or unit level based on the contract's requirements.
- A logical and consistent method for the allocation of indirect costs to intermediate and final cost objectives.



The FAR specifies what is allowable to charge to the government through a government contract—and what you cannot. According to [GSA.gov](https://www.gsa.gov), FAR is “the primary regulation for use by all Federal Executive agencies in their acquisition of supplies and services with appropriated funds.” The purpose of FAR is to provide a set of consistent, uniform policies and procedures within the federal acquisition process. It defines when, and to what extent, costs can be recovered under a government contract.



The CAS contains sets of standards and rules established by the federal government to help achieve uniformity and consistency in the cost accounting principles within federal contracting. CAS also contain detailed regulations that require contractors to disclose their cost accounting practices, to follow the disclosed practices consistently, and to comply with specified standards. It says how you charge to contracts, what gets charged to which contracts, dictates how you maintain your accounting systems, and tells you how the costs have to flow from incursion to the final costs. It also instructs contractors on how to account for certain types of costs.

- Exclusion from costs charged to government contracts of amounts which are not allowable in terms of FAR 31, Contract Cost Principles and Procedures, or other contract provisions.
- Automated flow-downs of contract requirements both internally and to external vendors and subcontractors.
- Pre-configured dashboards and reports specifically for government contractors to enable access to project/contract information for reporting purposes as well as the ability to create custom reports and dashboards.

DCAA Audit Readiness + Costpoint

The DCAA performs contract audits for the DoD and many other agencies, and the scope of their influence is significant. That’s because the DCAA provides definitive recommendations to contracting officers that affect negotiations with thousands of contractors each year.

Costpoint establishes a foundation from which many audit requirements can be met and by which good business practices can be monitored. Tools and functionality within Costpoint to aid in DCAA or DCMA audit readiness include:

- Approval workflows that require items to pass through the workflows setup by the contractor.
- Audit trails and traceability on every transaction at all project levels, including inventory and information on price paid.
- Tracking of purchasing data and all communications between buyers and sellers.
- Creation of a digital thread where all information is within one system, enabling timely analysis of cost and price.

Audit Types

Forward pricing	Forward pricing audits are generally completed before contract award. The DCAA evaluates a contractor’s estimate of how much it will cost the contractor to provide goods or services to the government.
Special audits	Special audits can be conducted before or after contract award. Most of the reports in this category are issued in response to requests from contracting officers. In these instances, the contracting officers need an independent financial opinion on specific elements of a contract or on a contractor’s accounting business system in order for the contract work to proceed—making special audits a high priority.
Incurred cost	Incurred cost audits determine the accuracy of a contractor’s annual allowable cost representations. When a contract price is not fixed, the DCAA conducts an incurred cost audit after contract award to determine the accuracy of contractor cost representations.
Pre-award surveys	Many small businesses are affected by DCAA Standard Form (SF) 1408 pre-award surveys. The major objectives of this audit are to gain an understanding of the contractor’s accounting system, complete the SF 1408 form, Preaward Survey of Prospective Contractor Accounting System, and form an opinion as to whether the contractor’s system design is acceptable for the award of a government contract. Contractors that are audited must be able to demonstrate their accounting system to the auditor and implement it before incurring any costs on a contract. For a breakdown of the areas that the SF-1408 focuses on, read the white paper Accounting Systems, Compliance & the Government Contractor .
Business system audit	The DCAA typically initiates these type of audits when there is high risk, such as where the contractor has inadequate business systems.
Other Audits	Other audits primarily consist of audits performed after contract award, and can be requested by a contracting officer or initiated by the DCAA.

CMMC Compliance + Costpoint

What is Cybersecurity Maturity Model Certification (CMMC)?

Every year cybersecurity attacks against the US Government's Defense Industrial Base (DIB) increase in frequency and sophistication. To combat these attacks, the DoD developed the [CMMC](#) program in order to enhance cybersecurity standards for its contractors and subcontractors. CMMC assesses how well contractors creating or possessing Controlled Unclassified Information (CUI) are adhering to data handling requirements defined in [NIST SP 800-171](#).

Examples of CUI Data

- US Government-provided financial information
- Personally identifiable information (PII)
- Bills of materials
- Blueprints
- Schematics

Prime contractors and sub-contractors for the DoD may see CMMC requirements in requests for information (RFIs), requests for proposal (RFPs), and as contract flow-downs; failing to meet these requirements could cause them to miss out on new contract awards.

Gain Compliance Faster with Costpoint GovCon Cloud

Regulatory Compliance. Deltek has invested heavily in cybersecurity and compliance requirements for the government contracting industry and, by leveraging Costpoint GCC's CMMC compliant foundation, regulatory compliance can be achieved faster than if you were to handle it on your own.

Preparation for the Future. You also get the peace of mind of ensuring compliance with future government standards thanks to Deltek's team of cybersecurity and government compliance experts who continually monitor the shifting regulations and act on them swiftly.

Scalability. Costpoint GCC supports businesses of all sizes from small firms to large, multi-national organizations; its scalability features ensure your needs continue to be met as your organization grows, while maintaining reliable performance and secure, 24/7 system accessibility.

Customer Support. Further ensuring your business' success is Deltek's best-in-class customer support and streamlined delivery system for enhancements, ensuring your software stays current while providing new capabilities to your end users faster.

Deltek Remains Committed to CMMC

For contractors that want to take advantage of the security, scalability and accessibility of a cloud-based ERP deployment, Deltek has two Costpoint Cloud offerings that meet the unique cybersecurity needs of government contractors.

- **Costpoint GovCon Cloud (GCC)** offers support for handling Federal Contract Information (FCI) and most CUI.
- **Costpoint GovCon Cloud Moderate (GCCM)** is enhanced with support for International Traffic in Arms Regulation (ITAR) and FedRAMP Moderate equivalent controls to effectively handle more sensitive CUI data types like export-controlled, Covered Defense Information (CDI) and Controlled Technical Information (CTI).

Both Costpoint GCC solutions formally incorporate NIST SP 800-171 controls into their infrastructure, which serves as the basis for assessing CMMC compliance. In addition, Deltek will continue to pursue CMMC 2.0 certification at Maturity Level (ML) 2 for GCCM, which is the equivalent of CMMC ML 3 from the CMMC 1.0 framework.



“As CMMC requirements progress, we wanted to have peace of mind knowing that our next solution had FedRAMP Moderate equivalent or higher authorization. We will not be storing CUI right away, but it’s important that we have the security levels in place for when that time comes.”

*– **LEE BURNS**, DIRECTOR OF OPERATIONS, METAMAGNETICS*

Consequences of Noncompliance

Every contractor is responsible for remaining compliant with all the government rules and regulations that apply. Misconduct could be exposed by a whistleblower, audit, investigation, Freedom of Information Act (FOIA) request or other means. Consequences of noncompliance include:

- **Civil and Criminal Penalties:** Civil penalties for noncompliance are determined per violation, per invoice. The government can recoup thousands of dollars, and the contractor runs the risk of paying the government up to three times the damage. Criminal penalties are much more serious—up to several years imprisonment for whoever signed the certificate of cost and pricing data.
- **Debarment:** This is one of the most serious punishments the federal government can impose on a contractor. A contractor can be debarred for committing fraud in obtaining or performing a contract, violating antitrust laws or a number of other offenses. A debarment from one agency has government-wide effects. Solicitation bids and proposals from debarred contractors cannot be considered, unless the agency head determines a compelling reason to do so in writing.
- **Voided or Terminated Contracts:** The FAR gives agencies the ability to void and rescind contracts for which there has been:
 - » Final conviction for bribery, conflict of interest, disclosure or receipt of contractor bid or proposal information
 - » Final conviction of source selection information in exchange for either a thing of value or to give anyone competitive advantage
 - » Agency head determination of any of the above.

Is it time to level up your business with Costpoint?

Accounting solutions that are not already built for government compliance can become more and more limited in terms of capability and process management. It is possible to continue some business functions with generic solutions like QuickBooks®, but when the DCAA performs a contract audit, having a solution that is purpose-built for compliance is essential.

Designed specifically for government contractors, Costpoint supports compliance requirements like DFARS 252.242-7005, NIST 800-171 and CMMC, while enabling improvement of operational efficiency and gaining real-time insights that impact your business. Additionally, [Costpoint GovCon Cloud](#) enables the secure storage of your data and is consistently enhanced to meet the most up-to-date governmental and agency cybersecurity compliance standards.

Don't settle for anything less than the gold standard of compliance!

Get a quote today at Deltek.com/Costpoint »



“If the DCAA were to audit you tomorrow, would you pass? How much of your time and resources would be spent preparing for the audit? When it comes to audits and compliance, Deltek is the industry expert that will save you time and aggravation, and moving to Costpoint is the best decision our small business has ever made!”

– **JASON LEE**, VICE PRESIDENT AND CORPORATE CONTROLLER, [APPLIED INSIGHT](#)

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