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KL CONTRACT CONSULTING LLP

Cost Allowability and Allocability Review

Allowability and allocability are important factors in evaluation of what constitutes “unallowable cost.” Contractors may not receive reimbursement in any form for a cost that is expressly unallowable by the Federal Acquisition Regulation (FAR). If a contractor subject to Cost Accounting Standards (CAS) receives payment for costs that are determined by Government audit to be unallowable, the Government is entitled to recover such costs plus interest.

Objective Identify unallowable costs and maintain or improve profit by enhancing allowable cost recoveries.

Approach Review chart and text of accounts for indications of unallowable costs.

Review accounting policies, procedures and CAS/DS (if applicable and available) used to identify and account for unallowable costs.

Review historical data, including DCAA audit reports, bid packages, and financial information.

Interview appropriate personnel regarding treatment of specific cost items for potential non-compliance with FAR and CAS.

Output Report of potential exposures, recommended corrective actions, and cost recovery strategies

Benefits Improve productivity of resources employed in the business, overall effectiveness, and credibility with customers, lenders, and shareholders.

Enhance recovery of allowable direct and indirect costs and identify allowable costs that are not included in cost proposals and invoices relating to U.S. Government contracts.

Resolve open cost allowability issues and develop negotiation alternatives.

Determine the cost accounting system’s effectiveness in complying with the fundamental requirement for collecting costs by contract.

Prevent inclusion of expressly unallowable costs in cost proposals and invoices for Government contracts.

Assure consistency of cost accumulating and cost estimating practices.

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