



GUIDE GSC

Government Contract Service Center

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Compliance Toolkit

Essential tools and resources to maintain compliance and avoid costly mistakes.

Available Resources

FIVE-PART TOOLKIT

REGULATORY

I

FAR/DFARS Compliance Checklist

The contract-clause and Reps-and-Certs walkthrough used in monthly compliance reviews. Reflects the modernized FAR/DFARS Reps and Certs released March 24, 2026 and the FAR Part 19 overhaul.

[READ THE RESOURCE →](#)

COST ACCOUNTING

II

Timekeeping Requirements Template

DCAA-compliant timekeeping under FAR Part 31 — daily-entry rules, supervisor approval workflow, edit logs, and the documentation that survives floor checks and incurred-cost audits.

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AUDIT DEFENSE

III

Audit Preparation Guide

DCAA, DCMA, IPA, and incurred-cost audits — what gets requested, what gets sampled, and the document-control practices that keep audits short and resolution clean.

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CONTROLS

IV

Internal Controls Framework

Segregation of duties, approval thresholds, monthly reconciliations, and the operational controls that prevent the most common findings on federal awards before they reach an auditor.

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Contract Administration Best Practices

Mod tracking, deliverable management, ACO/COR communication discipline, and the CPARS-positioning practices that turn each contract into a stronger past-performance asset for the next bid.

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FAR/DFARS Compliance Checklist

FAR and DFARS compliance is not a one-time event at award — it is a recurring operating discipline. Solicitations, modifications, and the annual Reqs-and-Certs cycle all introduce new clauses or surface old ones in updated form. The contractors who never get tripped up are the ones running a structured monthly review against a known baseline.

Why a monthly cadence

Federal contracts pull clauses from FAR Part 52 and DFARS 252 by reference, and the underlying regulations change continuously. A monthly review catches new flow-down obligations from modifications, surfaces compliance items tied to changes in your workforce or contract portfolio, and creates the documentation trail an auditor or DCMA contracting officer will look for if questions arise. A 60–90 minute monthly review beats a 60-hour audit-prep scramble.

What changed in March 2026

On March 24, 2026, the modernized FAR and DFARS Representations and Certifications were released in SAM.gov. Existing registrations were not auto-migrated to the new framework — every active registrant must re-review and re-confirm their Reqs and Certs against the updated structure. If you have not done this yet, it belongs at the top of next month's review.

What changed in September 2025 — FAR Part 19 overhaul

FAR Part 19 (Small Business Programs) was substantially restructured. The most consequential change for incumbents: “Once 8(a), Always 8(a)” is gone. Follow-on contracts originally awarded under 8(a) can now be moved to HUBZone, SDVOSB, or WOSB set-asides without SBA approval. Capture strategy on incumbent recompetes is materially different than it was 12 months ago.

The five categories a monthly review must cover

1. Active contract clauses — flow-down obligations from primes, agency-specific clauses, and any new clauses added by modifications. **2. Reps and Certs status** — last update date, modernized framework migration status, any pending changes triggered by ownership or size shifts. **3. Small-business size status** — recalculated against current NAICS thresholds; a single large award can push you over. **4. Certification status** — recertification cadence (HUBZone every 3 years, WOSB every 3 years, SDVOSB renewal in MySBA). **5. Cybersecurity posture** — CMMC level mapping, NIST 800-171 control coverage on contracts handling CUI.

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II

COST ACCOUNTING

Timekeeping Requirements Template

Direct labor is typically the single largest cost on federal contracts, and timekeeping is the audit trail behind every dollar of it. DCAA expects compliant timekeeping not as best practice but as a precondition to claiming labor cost. Get this right and most other cost-accounting concerns shrink; get it wrong and even strong contracts produce findings.

The five DCAA non-negotiables

1. Daily entry. Time must be recorded at the end of each work day, not at the end of the week. **2. Total time accounting.** Every hour worked must be charged somewhere — direct, indirect, leave, or unpaid. There are no “missing” hours. **3. Employee responsibility.** Each employee

enters their own time. Supervisors approving without the employee's entry is a finding. **4. Supervisor review and approval.** Each timesheet must be approved by a supervisor with first-hand knowledge of the work performed. **5. Audit trail.** Every change must be logged with original value, new value, who made it, when, and why. Whiteout, overwrites, or untracked corrections are findings.

What floor checks look for

A DCAA floor check is an unannounced, observation-based audit. The auditor will arrive at your facility and ask employees to show their current timesheet and explain the charge codes they are using. They are checking three things: that the employee is physically present at the time-recording location, that the time entered matches what the employee is actually doing right now, and that the employee can articulate the project they are charging to. Failure on any axis turns a routine check into a substantive finding.

The edit-log discipline

Edits to timesheets after submission are not prohibited — they are required when errors are discovered. What matters is the trail. Every edit must be made by the employee (not the supervisor), retain the original entry, capture the new entry, log the date and time of the change, and capture a written reason. Software-based timekeeping systems (Deltek, Unanet, JAMIS, Replicon, Hour Timesheet) handle this automatically; spreadsheets and paper systems require manual discipline that rarely survives audit scrutiny.

The Pre-Labor Adjustment (PLA) rule

When an error in the original charging is discovered after the timesheet is closed, a Pre-Labor Adjustment must be processed — not a backdated edit. PLAs require their own approval workflow, separate documentation, and a clear narrative explaining what was originally charged, what should have been charged, and why the change is being made. Inconsistent PLA discipline is one of the most common DCAA findings on incurred-cost audits.

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III

AUDIT DEFENSE

Audit Preparation Guide

Federal audits are not adversarial by design, but they reward preparation and punish improvisation. The contractors who emerge from audits with clean reports are not necessarily the most compliant — they are the ones who responded quickly, produced documentation in the format requested, and kept the engagement professional and tight.

The four audit types you should know

1. DCAA Pre-Award Survey of Prospective Contractor Accounting System (SF 1408).

Triggered when bidding cost-reimbursable contracts above the simplified acquisition threshold; assesses whether the accounting system is capable of segregating direct, indirect, and unallowable costs. **2. DCAA Incurred Cost Audit.** Annual review of submitted indirect cost rate proposals; samples direct and indirect costs, tests allowability. **3. DCMA Contractor**

Purchasing System Review (CPSR). Triggered above \$25M of subcontracted dollars; reviews subcontract management, competition, source selection, and consent procedures. **4.**

Independent Public Accountant (IPA) audits. Required for various financial certifications; performed by a CPA firm rather than a federal agency.

The 6 / 30 / 7 prep windows

6 months out. Run an internal mock audit using the Standard Form 1408 framework or the relevant DCAA audit program. Identify gaps in evidence, system limitations, and policies that have drifted from documented practice. **30 days out.** Pull the document inventory — chart of accounts, indirect cost rate calculations, time records, contract files, organizational chart. Identify the single auditor liaison who will manage the engagement. **7 days out.** Finalize the workspace, confirm system access, brief the staff who may be interviewed, and pre-stage the most likely sampled items in a controlled-access folder.

Document-control practices that keep audits short

Centralize contract files in a single repository with consistent folder structure (one folder per contract, with standard subfolders for award, mods, deliverables, invoices, correspondence, and CPARS). Lock historical files against editing. Maintain a standing index of where each document type lives. When the auditor requests a document, you should be able to locate, copy, and produce it in under 10 minutes — not 10 hours.

Engagement posture

Auditors are not enemies, but they are also not friends. Be professional, prompt, and complete. Provide what is requested — nothing more, nothing less. Volunteer no commentary. Route every substantive question through your single liaison. If you do not know the answer to a question, say so and commit to researching it. Speculation under audit pressure is the source of most adverse findings on otherwise compliant contracts.

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CONTROLS

Internal Controls Framework

Every audit finding traces back to a missing or unenforced internal control. The good news: federal contracting does not require sophisticated controls, just consistently applied ones. A small business with a five-person finance team can operate at audit-defensible quality if the right separations and reconciliations are in place and documented.

The four incompatible functions

Authorization (approving a transaction), **Custody** (handling the asset or funds), **Recording** (entering the transaction in the books), and **Reconciliation** (verifying balances against external sources). No single individual should perform more than one of these on the same transaction. In a small organization, perfect separation is impossible; the goal is documented compensating controls — typically supervisor review or independent reconciliation by a second person.

Approval thresholds

Every organization needs a documented approval matrix. Common structure: under \$1,000 — direct manager approval; \$1,000 to \$10,000 — department head; \$10,000 to \$50,000 — CFO or finance director; over \$50,000 — CEO or board. The exact thresholds matter less than that they exist, are documented, and are followed. Auditors test approval against the documented matrix, not against intuition about what should have been approved.

The five monthly reconciliations

1. Bank. Every operating, payroll, and savings account against bank statements. **2. General ledger.** Trial balance reviewed against the prior month for unexpected variances. **3. AR aging.** Outstanding invoices reviewed for collectibility and follow-up status. **4. AP aging.** Vendor balances reconciled against vendor statements. **5. Contract revenue.** Billed-vs-earned reconciliation on each active contract — particularly important on cost-reimbursable work where billed amounts can drift from incurred costs.

Documenting practice vs. policy

The single most common audit finding is not a missing control — it is a control that exists in policy but is not actually performed, or is performed inconsistently. If you write a policy, attach the evidence that it is being followed: signed reconciliations, approval emails, exception reports. Auditors test what you do, not what you say you do.

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LIFECYCLE

Contract Administration Best Practices

Award is the start of the contract, not the end. The administration discipline you apply between award and closeout determines whether each contract becomes a stronger past-performance asset for the next bid — or a record you would rather hide. Past performance is the single most weighted evaluation factor on most federal awards, and CPARS ratings persist for three years.

Modification tracking

Every contract collects modifications — sometimes dozens over a five-year period of performance. Maintain a modification log with version control: the mod number, effective date, type (administrative, supplemental, change order), what changed (scope, period, dollars, terms), the dollar impact, and the redlined comparison against the prior baseline. When the next mod arrives, confirm it builds on the current baseline — not an outdated one.

ACO and COR communication discipline

The Contracting Officer (KO/ACO) is the only person with formal authority to bind the government on the contract. The Contracting Officer's Representative (COR) is the day-to-day technical liaison and has no authority to modify the contract. This distinction matters: when a COR asks for additional work or a different deliverable schedule, you have a choice. Either confirm the request in writing and get the KO to formalize it, or document the conversation as a no-cost accommodation that does not establish a new baseline. Performing scope creep without paper is the most common path to lost margin and difficult CPARS conversations.

Deliverable management

Maintain a deliverable registry per contract: each required deliverable, its CDRL or contract reference, due date, current status, submitted date, and acceptance documentation. Acceptance — formal sign-off by the COR or KO — is a separate event from submission. Many contractors treat “submitted” as equivalent to “done,” and discover at closeout that several deliverables were never formally accepted, which complicates final invoicing and CPARS narrative.

CPARS positioning

The Contractor Performance Assessment Reporting System captures formal ratings on completed contracts, and those ratings are visible to every contracting officer evaluating you on future bids. Negative ratings persist for three years. The contractors who consistently earn strong CPARS ratings do not just perform well — they manage the conversation: scheduled performance check-ins with the COR, a written project status cadence, prompt resolution of any concerns before they become formal issues, and a draft narrative submitted alongside the contract closeout. CPARS is too important to leave to whatever the customer happens to write at the end.

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