

DCMA General Counsel conducts Cost Accounting Standards Courses

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As part of the Defense Contract Management Agency's contract

administration services mission, contracting officers are responsible to determine contractor compliance with the Cost Accounting Standards. As a general rule, a contractor is subject to CAS when it receives a negotiated contract in excess of \$7.5 million, meaning they must formally disclose their cost accounting practices and any changes made to those practices.

The potentially recoverable dollars due to CAS non-compliance are by far some of the highest dollar value and most complex issues DCMA contracting officers

and attorneys face. Knowledge of CAS is critical to lawyers in advising contracting officers on the proper determination of costs. To help better educate agency lawyers and contracting personnel about these standards, the DCMA Office of General Counsel hosted and conducted two simultaneous CAS Training Courses in August at Fort Lee, Va., for agency lawyers.

The CAS have been around since the 1970s and are designed to achieve uniformity and consistency in contractors' cost accounting practices in accumulating and reporting costs. When reviewing a particular legal matter, DCMA lawyers need to understand the standards' purpose

and history. They cover such areas as allocation of home office expenses to segments, pension costs, employee compensation, direct and indirect costs, capitalization of capital assets, and disclosure and changes to a contractor's accounting practices. These are just a few areas under CAS that may involve disputes and litigation.

"Since CAS is a highly specialized area that most contracting activities outside DCMA do not deal with, it is a challenge to bring new attorneys on board who have the relevant experience," said Sharron Philo, DCMA general counsel. "In 2010, we did a competency assessment within



Sharron Philo, Defense Contract Management Agency general counsel, presents Rachael House, associate counsel in the Western Region Headquarters, with the 2012 Carolyn J. Perry Award. (Photos by Patrick Tremblay, DCMA Public Affairs)

DCMA-GC and found through surveying all attorneys that we had a critical skill gap in CAS that needed to be addressed. We filled that gap partially through use of on-line webinars, but found the CAS issues were so complex that more in-depth hands on training for attorneys was necessary.”

Training has become critical due to the agency’s ongoing Cost Recovery Initiative and the number of contract audit follow-up actions involving CAS non-compliances. Philo said during the courses, the participants were taught about the standards’ regulatory history, case history and other historical data points about the regulations. The lawyers were shown how to apply each case’s unique facts and circumstances to this ongoing history.

“The CAS set out the accounting process rules that apply to all major defense contractors and many smaller companies,” said Terry Albertson, a CAS expert who presented one course on behalf of Federal Publications. “Because responsibility for administration, interpretation and enforcement of those rules are assigned entirely to administrative contracting officers who are the clients of DCMA lawyers, it is essential that DCMA lawyers understand the rules.”

“For the lawyers, they deal with these issues on a continuous, but irregular, basis,” said Lou Rosen, another class instructor. “It helped give the attorneys exposure to the regulatory background and issues that we deal with in the field. They really got an appreciation for the sophistication of the issues facing us.”

Albertson and Rosen, both nationally recognized experts in the field, trained 30 newer DCMA attorneys and personnel from DCMA Acquisitions on the basics of CAS. In total, 65 attorneys and acquisition specialists were trained during the three-

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Sharron Philo, Defense Contract Management Agency General Counsel, pins Paul Hadjiyane, DCMA-International chief counsel, with his Distinguished Civilian Service Medal. (Photo by Patrick Tremblay, DCMA Public Affairs)

day event.

“I hope that we gave the attendees a solid and accurate summary of the CAS fundamentals,” Albertson said. “Second, I hope we helped them to understand the contractor’s perspective on some issues. There are at least two sides to many of the issues we covered, and it is essential that both contractors and DCMA understand the other side’s perspective and motivation.”

For the more senior DCMA attorneys, the Office of General Counsel used their own in-house CAS experts to conduct scenario-based training. This training, conducted at the Women’s Army Museum at Fort Lee, took the students through real-world CAS scenarios tied to specific CAS standards. Attorney Aaron Lincoln said, “The practical exercises provided valuable insight into why CAS matters.”

For Philo, the decision to hold the training at Fort Lee was an easy one. With the abundance of classroom facilities available on post, holding the training in the Fort Lee area kept costs down and provided field attorneys the chance to visit the new agency headquarters.

These training courses and other work by the Contracts Dispute Resolution Center are helping the agency achieve its goals. “The CAS training has increased the knowledge of attorneys involved at

all levels,” Philo said. “Our Contract Law Steering Group and CDRC trial attorneys personally review all contracting officer final decisions to ensure that no more than 25 percent of the decisions are appealed. In the past year, 108 COFDs — a record number — were issued with only 24 of those, or 22 percent, being appealed.”

The three-day training session included a General Counsel barbecue at Fort Lee’s Hide-Away Club and was capped off with recognition of two DCMA attorneys. Rachael House, associate counsel in the Western Region Headquarters, was recognized with the 2012 Carolyn J. Perry Award. House was recognized by her peers for her outstanding legal support to the agency, her positive influence on others and superior work ethic. The award is named in honor of a long-standing DCMA attorney Carolyn Perry, who retired in 2011.

The Office of General Counsel also recognized Paul Hadjiyane, DCMA-International legal counsel, with the Distinguished Civilian Medal in recognition of his 20 years of service with DCMA. Hadjiyane has returned to the Washington, D.C., area; he now serves as a senior attorney with the DOD Inspector General’s Office. 