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# The BDO GovCon Week Ahead – July 2023

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## Takeaways From the Defense Contract Audit Agency's Report to Congress for Fiscal Year 2022

Each year the Defense Contract Audit Agency (DCAA) provides a report to congress, highlighting their accomplishments for the past fiscal year and detailing their roadmap for the upcoming year. This offers contractors and potential contractors the opportunity to gain important insights into trends that will impact their businesses going forward. The report highlights high-level metrics (i.e. audit dollars reviewed, audit dollars questioned) and other related metrics, while also speaking about the overall strategy of DCAA moving forward. We share the report's key data points below.

DCAA reviewed \$262.2 billion dollars of contract cost in 2022, identifying \$5 billion of audit exceptions, and questioning \$3 billion dollars of contract cost. Forward pricing audits were the

number one driver of questioned costs, making up roughly 65 percent of all questioned costs. OTA's continued to be an area of focus for DCAA as they prioritized eliminating unnecessary cost. In FY 2022 DCAA examined \$375 million and questioned \$981K related to OTA agreements, while taking an "advisory" role to support cost savings initiatives. DCAA continued to use Independent Public Accountants to help them with the Incurred Cost Audits backlog. The report to congress indicated that DCAA still estimates 15% of their workload is not being met because of staffing issues. DCAA has begun working to improve workers training programs to ensure they can obtain top available talent for the agency.

Business systems were also a leading topic for DCAA auditors in 2022 as they attempted to meet their 2019 goal of completing 285 audits by EOY 2022. They met their goal, completing 288 audits for larger contractors by the end of FY 2022. This will continue to be an area of focus for smaller contractors as DCAA completed 1,300 business system audits of those businesses. Cost Accounting Standards (CAS) audits were also an area of focus and will continue to be going forward. This increased focus in CAS and Business System audits are the result of DCAA's plan to optimize the prevention of cost discrepancies related to these focus areas. However, the report indicated the DCAA Business System team would be passing full responsibility for those reviews to field offices. DCAA education programs are another initiative undertaken in 2022 that will help provide contractors with information to help them prepare for business system and CAS audits. These are carried out through memos, webinars and communication.

In conclusion, contractors should continue to prepare for DCAA audits, particularly business systems and CAS audits, throughout 2023 and into 2024. The in-office focus, continued emphasis on hiring and use of independent public accountants indicates DCAA will continue to try to identify savings for the American taxpayer.

DCAA touted Fiscal Year 2022 as a productive year for its Auditors as they returned to the office (hybrid work) for the first time since the COVID Pandemic. Fiscal Year 2022 also saw the establishment of the DCAA "Operations Business Enterprise and Data Intelligence Division" (OBD). The division was created with the goal of developing innovative solutions to complex data challenges using emerging technologies. The office is composed of data professionals who are tasked with integrating data generated by DCAA, Contractors or Federal/ DoD agencies to enhance audit processes and managerial decision-making.

## July 24, 2023

# **DOL Sets New Service Contract Act Health & Welfare**

## Rates for 2023-2024

The U.S. Department of Labor's Wage Hour Division has released its annual summer memorandum (All Agency Memorandum Number 243) with the rate increases for Service Contract Act (SCA) Health and Welfare (H&W) benefits. The new rate of \$4.98 per hour (up from the 2022-2023 rate of \$4.81) is required in all government contract bids or other service contracts awarded on or after June 27, 2023. A special rate of \$2.15 per hour (up from the 2022-2023 rate of \$2.04) is set for Hawaii, which takes into account that state's mandatory health insurance coverage.

### Rates under Executive Order 13706 (Federal Contractor Paid Sick Leave)

For SCA contracts subject to Executive Order 13706, which requires covered contractors to provide employees up to 56 hours of paid leave sick leave annually, DOL has set a new H&W rate of \$4.57 (\$1.74 in Hawaii) per hour (up from the 2022-2023 rates of \$4.41/\$1.65, respectively) for covered contracts. This rate applies only if the contract has this federal paid sick leave requirement and only to employees covered by the requirement.

### Solicitations/Contracts Affected

- ▶ All invitations for bids opened or other service contracts awarded on or after June 27, 2023, must include the new H&W rates with an updated Wage Determination (WD).
- ▶ For contracts beginning on or after June 27, 2023, contracting agencies are directed to make pen-and-ink changes to the current WD received for the contract for which the updated fringe benefit rate was not included.
- ▶ For all other contracts (except those awarded or starting after June 27, 2023), revised WDs reflecting the new fringe benefit rate will be available at SAM.gov ([www.sam.gov](http://www.sam.gov)) soon after June 27, 2023. However, the new rate does not go into effect automatically for existing contracts; rather, it goes into effect only when a contracting agency modifies an SCA covered contract with an updated WD.

## July 10, 2023

The General Services Administration's (GSA) Office of Professional Services and Human Capital (PSHC) has released the Final OASIS+ RFPs. There are six solicitations for contracts that will

makeup the OASIS+ program. These are:

- ▶ Unrestricted (UR)
- ▶ Total Small Business (SB)
- ▶ SBA-Certified 8(a) SB
- ▶ SBA-Certified HUBZone (HZ) SB
- ▶ SBA-Certified Service-Disabled Veteran-Owned SB (SDVOSB)
- ▶ SBA-Certified Women-Owned SB (WOSB)

The main differences between the six different solicitations are the unrestricted does not contain small business set-asides, allowing for full and open competition. Therefore, the thresholds are higher. The small business and socioeconomic small business solicitations are very similar, aside from their specific applicable clauses, provisions, and certification status.

## Evaluation Strategy

Each OASIS+ Domain has a corresponding Qualifications Matrix and qualification threshold. Offerors will have to reach a qualified threshold in order to be considered for an award. GSA has set the following qualifying thresholds:

- ▶ Small Business and Socioeconomic Set-asides: 36 out of 50 available credits.
- ▶ Unrestricted: 42 out of 50 available credits, except for the Enterprise Domain which has a threshold set at 45 out of 50 available credits.

Offerors for OASIS+ have the opportunity to receive evaluation credits for demonstrating that they have adequate or approved Contractor Business Systems, as well as certain Certifications and Clearances. Note that points can only be claimed if the qualification is included in the proposed Domain qualification matrix.

GSA also added a requirement to submit a cost/price template an evaluation factor. The solicitation outlines as part of the evaluation strategy, in order to determine fair and reasonable pricing, GSA will use the DOL BLS SOC direct labor rate ranges provided as an attachment to the solicitation.

## Maximize Your Score

In the case of OASIS+, Contractor Business Systems, Certifications and Clearances are not minimum or mandatory requirements. However, offerors who demonstrate having these Systems, Certifications and Clearances within their proposal will receive evaluation points against the total points available.

While third-party audits will not be considered for evaluation credits, BDO can assist potential offerors to help maximize qualification credits by:

- ▶ Developing and assessing Business Systems and indirect rates.
- ▶ Preparing offerors for a DCAA, DCMA or CFA review.
- ▶ Providing assistance with other Certifications, Clearances, and Plans, including a C-SCRM Plan, GHG reporting and representations, and facility clearances.

BDO will continue to monitor updates from GSA related to the OASIS+ Solicitation and any amendments to the solicitation. If you're interested in pursuing this contract vehicle, our experienced professionals in BDO's Government Contracting practice can help you prepare for the proposal.