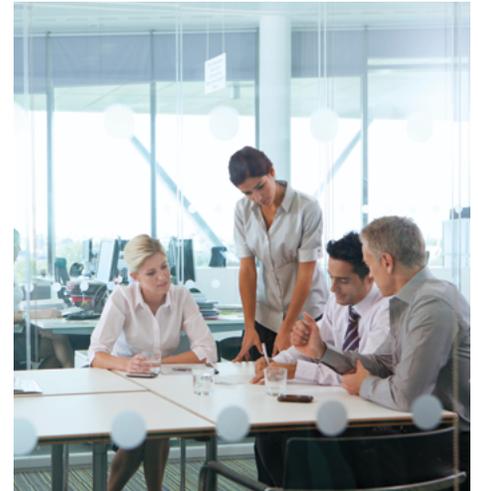


AN ALERT FROM THE BDO GOVERNMENT CONTRACTING PRACTICE

# BDO KNOWS: GOVERNMENT CONTRACTING

## SENATE ARMED SERVICES COMMITTEE PROPOSES CAS BOARD



The National Defense Authorization Act (NDAA) is an annual bill that authorizes appropriations for procurement, research, development, test and evaluation, operation and maintenance, and the revolving and management funds of the Department of Defense (DOD) for the following fiscal year. On May 18, the Senate Armed Services Committee (the Committee) published the NDAA for fiscal year 2017. Each year, provisions are added to the bill affecting many areas within the DOD.

Under Title VII of the NDAA—Acquisition Policy, Acquisition Management and Related Matters—the Committee proposes amendments to general contracting authorities, procedures and limitations (Subtitle B). Among these recommendations, the Committee is seeking to establish a new cost accounting standards (CAS) board:

In efforts to better meet national security needs and enact credible reform, the Committee proposes establishing an independent CAS board chaired by the chief financial officer of the DOD to prescribe, amend and rescind cost accounting standards as they affect DOD operations.

### WHAT DOES THE COMMITTEE PROPOSE TO REFORM?

The Committee has concerns about the barriers non-traditional, small-business and commercial contractors face to win defense contracts, arguing that the current CAS board favors organizations that have previously secured DOD contracts. The proposed CAS board would “level the competitive playing field,” allowing for “new sources of innovation.” To minimize the requirement for government-unique cost accounting systems, the provision requires that the new CAS board be aligned with Generally Accepted Cost Accounting Principles (GACAP).

While the main goal of the new CAS board is clear—to ease the barrier of entry into the defense contracting realm—the NDAA’s plan of action isn’t yet clear, leading the industry to wonder whether the new CAS would provide relief or strain for contractors.

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BDO understands the unique needs of government contractors and the complex and highly regulated environment in which they operate. For more information, contact:

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## WHAT QUESTIONS REMAIN?

There are many gaps the Committee has not addressed, including:

- ▶ Who will make up the new DOD CAS board?
- ▶ How will the new CAS board minimize conflicts with other bodies, like the Financial Accounting Standards Board (FASB)?
- ▶ Does the new CAS board replace the existing one? If not, would it supersede existing CAS board defense pronouncements?

- ▶ Will an additional disclosure statement for the CAS board be required?
- ▶ Will the added cost for existing contractors to comply with new CAS board promulgations be recoverable?

These are all details that will be important to contractors old and new, particularly existing defense contractors that would have to comply with both the existing CAS requirements and newly established DOD CAS requirements.

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