DCAA AUDIT PACKET CHECKLIST

DCAA Audit Packet Checklist

This checklist is ready-to-use for both **announced DCAA audits *and* surprise floor checks.**

It contains all the documentation you must retain to prove your organization followed a **compliant timekeeping process** and all costs are **documented, justified, and reasonable.**

1. Timekeeping System Controls

Timekeeping is the backbone of DCAA compliance. Therefore, your **system controls need to be robust and clearly documented.**

Retain

- ☐ A signed and dated copy of the written timekeeping policy
- ☐ DCAA timekeeping training materials (slides, handouts, etc.)
- ☐ Signed employee timekeeping acknowledgement forms
- ☐ Training attendance logs, with names of employees and dates of when they completed the initial training, plus any refresher training
- ☐ System and user access controls (who can edit, approve, and override time entries)
- ☐ Segregation of duties matrix
- ☐ Chart of accounts with direct vs. indirect work mapping
- ☐ Project and charge code structure guide
- ☐ Archived copies of all previous versions of documentation

Store

It's good practice to ensure the **latest approved versions of documents** are saved in PDF format and kept readily available for when anyone needs to view them.

For training logs and acknowledgement forms, **collate them into a spreadsheet** and keep it updated so you can export it in XLS format whenever required.

- Latest approved document versions in PDF format
- XLS Spreadsheet of employee acknowledgment
- XLS Spreadsheet of training attendance logs

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Annually review policies, training materials, structures, and maps as standard practice.

You also need to **update documentation as soon as there's a policy or system adjustment**. You can add new entries to logs for employee training and attendance as events occur.

2. Core Timekeeping Documentation

Timesheets **tie labor costs to government contract expenditure.** Documents have to be complete with all necessary information and not reconstructed after the fact.

Retain

- ☐ Timesheets of all employees charging to government contracts
- ☐ Each timesheet must reflect daily time entry
- ☐ Time entries must include:
    - ☐ Employee name
    - ☐ Role
    - ☐ Date
    - ☐ Project name
    - ☐ Relevant charge codes
    - ☐ Hours worked
    - ☐ Description of work carried out
- ☐ Digital approvals of all timesheets with timestamps
- ☐ Audit logs of late timesheet submissions and documented reasons why
- ☐ Audit logs of all modified time records, including who modified, the timestamp, and the reason for the change

Store

You will need to export:

- ☐ Timesheets of all employees and projects
- ☐ Timesheet edits and approvals log
- ☐ Late or unsubmitted timesheet log
- ☐ Missing time report
- ☐ Overtime report

These can be exported in **XLS or PDF format.**

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All employee time documentation should be **exported every week** so it stays up-to-date.

Another option is to **export all timesheet data whenever you run payroll.** For example, if your organization pays employees bi-weekly, then export time data with this frequency.

3. Labor Distribution and Payroll Linkage

Labor distribution shows **how recorded hours become allocable costs.** You must be able to demonstrate that the hours entered on timesheets flow accurately into payroll, the general ledger, and other calculations and reports.

Retain

- [ ] Labor distribution reports that show:
    - [ ] Employee
    - [ ] Project/contract
    - [ ] CLIN/charge codes
    - [ ] Labor category
    - [ ] Cost element - direct vs. indirect
- [ ] Reconciliation between timesheet hours and payroll hours
- [ ] A structured mapping document that shows how hours recorded in your timekeeping system turn into payroll, general ledger postings, job cost reports, and indirect rate calculations.

Store

Export payroll to labor reports in **PDV or XLS format.** The mapping document can be stored as a flowchart.

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Generate reports monthly and archive them. **Reconcile payroll at least monthly**, as well as at the fiscal year-end.

4. Payroll Support

This information substantiates that labor costs billed to government contracts are based on the **actual compensation paid** to employees.

Retain

- [ ] Payroll registers with gross and net pay, including any withholdings
- [ ] Pay rate documentation (offer letters, employee contracts, etc.)
- [ ] Overtime calculations and approvals
- [ ] Report that shows base rates and effective dates

Store

Keep working registers in **XLS or CSV.** Pay rate documentation can be stored as a PDF.

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Archive reports after each payroll run. You should also conduct a **semi-annual review** to check that billed labor costs align with payroll.

5. Contract, Project, and Job Cost Records

Your accounting system has to **mirror the structure of the government contracts.** This means all contractual and funding documentation has to align with how labor and other direct costs are accumulated and reported.

Retain

- ☐ Current awarded contracts
- ☐ Fully executed contracts
- ☐ Any contract modifications
- ☐ Statements of work
- ☐ CLIN/charge code structures
- ☐ Funding documents
- ☐ Pricing and rate agreements
- ☐ Job cost reports by contract or CLIN/charge codes
- ☐ Budget vs. actual reports
- ☐ Detailed transaction exports

Store

Summary reports can be held in **PDF format** and labeled by contract number.
Retain detailed reports in XLS format, also labeled by contract number.

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- Generate job costs, budget vs. actual, and transaction reports **every month.**
- **Update relevant documentation** if it is modified or a funding action is carried out.
- Review whenever contracts are updated or modified.

Note: Higher-risk contracts, such as Cost Plus Fixed Fee or Cost Plus Incentive Fee, may require more frequent reporting.

6. Accounting Documentation

During an audit, the DCAA will typically evaluate **the integrity of your overall accounting system.** Therefore, your setup must demonstrate proper cost segregation and defensible direct/indirect cost calculations.

Retain

- ☐ Current chart of accounts
- ☐ Segregation of direct, indirect, and unallowable costs

- [ ] Documentation of indirect charge codes
- [ ] A documented cost flow explanation
- [ ] Budget, provisional, and final indirect rates
- [ ] Incurred cost submissions
- [ ] DCAA correspondence

Store

Keep the general ledger export, along with a **PDF narrative** explaining the cost allocation logic. Include the accounting **working spreadsheets with cost formulas** and PDF copies of submitted incurred costs.

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- Maintain **working files monthly**
- Update documentation whenever there is a change to the chart of accounts
- **Finalize and archive accounting data annually**
- Archive each fiscal year's incurred cost submissions data

7. Supporting Costs

Labor is typically the largest cost element. However, subcontractors, consultants, and expenses (such as travel) can play a significant role. These direct costs are also subject to audit scrutiny, as the **DCAA will check that costs are documented, justified, and reasonable.**

Retain

- [ ] Existing subcontracts
- [ ] Fully executed subcontracts
- [ ] Rate structures and statements of work
- [ ] Vendor invoices
- [ ] Evidence of subcontracting selection and approval
- [ ] Procurement justification (that subcontractor charges are allowable, reasonable, and justified)
- [ ] Expense reports supported by receipts or invoices
- [ ] Documented expense justification, who it was for, and which project it is connected to
- [ ] Documented per-day expense limit and mileage allowance
- [ ] Allowability reference, including expense limits and alignment with the organization's travel and expense policy

Store

Keep **PDFs of all agreements,** receipts, and invoices, plus the AP ledger and all expense system exports in CSV or XLS format.

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- Export and archive documentation **monthly**
- Pull a sample of documentation **every quarter** for review

8. Internal Monitoring and Mock Audits

Effective compliance means regularly **testing your systems and processes.** Performing regular internal reviews can help you spot and remediate gaps before auditors arrive on the scene.

Retain

- ☐ Internal floor check reports and results
- ☐ Timesheet reviews
- ☐ Internal audit checklists
- ☐ Report findings and remediation actions
- ☐ Employee interview notes andmanagement sign off

Store

Save **PDF copies** of reports and reviews with dated file names.

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Perform a mock floor check **at least annually.** If you found issues that required remediation, then perform an additional audit to test the effectiveness of the improvements.

You should also perform internal checks **after any significant business change,** such as growth, acquisitions and mergers, or reorganization.

9. Monthly DCAA Audit Packet

Although the DCAA can request to see any government contract-related documentation, certain documents are frequently asked for, particularly during surprise floor checks.

Additionally, **DCAA requests are time-sensitive.**

Maintaining a **pre-assembled monthly audit packet** ensures you can respond to requests immediately with organized information.

Export and store these documents together in a clearly labelled folder:

- ☐ Final locked timesheets for the month
- ☐ Labor distribution report
- ☐ Payroll register
- ☐ Timesheet to payroll reconciliation
- ☐ Labor costs to general ledger reconciliation

☐ List of corrections made after report submissions
☐ Timesheet approvals log
☐ File user access report
☐ Training attendance log

Compliant Record Retention

You are required to **store all records for a certain number of years.** While you can store them for longer periods, you cannot delete them until the minimum retention period has expired, even if an employee has left the organization.

Minimum retention periods are as follows:

- **General ledger, journals, trial balances:** At least 2 years
- **Timesheets and audit logs:** 3 years after the final contract payment is made
- **Accounts receivable, payable ledgers, and schedules:** At least 4 years
- **Payroll and administration records:** At least 4 years
- **Government contracts, invoices, and billing documentation:** At least 4 years
- **Freedom of Information Act request denials:** At least 6 years

Important: Your state labor laws may have longer retention periods for payroll records. Make sure you check the requirements that apply to your specific location.

Regulatory Sources

This checklist is based on regulatory and documentation requirements as described in:

- [FAR Subpart 4.7](#): Contractor record retention
- [FAR 4.703:](#) Policy
- [FAR 4.705-1:](#) Financial and cost accounting records
- [FAR 4.705-2:](#) Pay administration records
- [FAR 4.705.3](#): Acquisition and supply records
- [FAR 31.201-2](#): Determining allowability
- [FAR 31.201-6:](#) Accounting for unallowable costs
- [FAR 31.205-46:](#) Travel costs
- [FAR 52.215-2](#): Audit and Records-Negotiation
- [FAR 52.232-7](#): Payments under Time-and-Materials and Labor-Hour Contracts
- [DCAA Information for Contractors Manual](#)
- [DCAA Contract Audit Manual](#)

Suggested Folder/File Structure

It is considered best practice to keep your documentation stored in a **logical format.** This will make it much easier to save, export, and retrieve exactly what you need whenever the DCAA requests it.

Here's a suggested folder structure. Feel free to adapt it to your own organization:

- DCAA Audit Packet
  - Instructions on folder use
    - What to export and how often
    - Monthly close instructions
    - Record retention policy
  - FY<Year>
    - 01 Timekeeping System Controls
      - Timekeeping Policy Current
      - Timekeeping Policy Archived Versions
      - Training Materials
      - Employee Acknowledgements
      - Access Control Documentation
      - Segregation of Duties Matrix
      - Charge Code Structure Guide
      - Direct vs Indirect Mapping
    - 02 Core Timekeeping Documentation
      - Monthly Exports
        - <Date>
          - Timesheets
          - Edit Log
          - Approvals Log
          - Late Submission Log
          - Missing Time Report
          - Overtime Report
      - Fiscal year archive
    - 03 Labor Distribution and Payroll Linkage
      - Monthly Labor Distribution Reports
      - Payroll to GL Reconciliations
      - Timekeeping to GL Crosswalk
    - 04 Payroll Support
      - Payroll Registers
      - Pay Rate Documentation
      - Overtime Calculations
      - Base Rate Effective Dates Report
    - 05 Contracts and Job Cost Records
      - Contract Files By Number
        - Contract Modifications
      - Monthly Job Cost Reports
      - Budget vs. Actual Reports
      - Transaction Exports
    - 06 Accounting Documentation
      - Chart of Accounts

- Cost Segregation Documentation
- Indirect Rate Calculations
- Incurred Cost Submissions
- DCAA Correspondance
- Cost Flow Narrative

- 07 Supporting Costs
  - Subcontracts
  - Vendor Invoices
  - Procurement Justifications
  - Travel and Expense Reports
  - Allowability References
  - AP Ledger Exports

- 08 Internal Auditing
  - 2026-01 Audit Packet
    - Locked Timesheets
    - Labor Distribution
    - Payroll Register
    - Reconciliations
    - Corrections Log
    - Approvals Log
    - User Access Report
    - Training Log
  - 2026-02…etc.