

GovCon audit checklist

Use this checklist to prepare for your next audit.

GovCon audit checklist – tailored for your organization

1. Accounting system & documentation

- Accounting system clearly segregates direct and indirect costs for each contract.
- Chart of accounts is mapped to government contract requirements.
- All financial records (invoices, receipts, timesheets) are organized and easily accessible for audit review.

2. Timekeeping & labor charging

- Employees are trained on accurate timekeeping and labor charging policies.
- Timesheets are completed daily, approved by supervisors, and changes are documented.
- Labor costs are properly allocated to the correct contract and task.

3. Cost allowability & billing

- Only allowable costs (per FAR and contract terms) are billed to the government.
- All billed costs are supported by clear documentation (receipts, vendor invoices, etc.).
- Invoices are reviewed for accuracy and compliance before submission.

4. Indirect rates & allocations

- Overhead and G&A rates are calculated using current, accurate data.
- Provisional and final indirect rates are reconciled and documented.
- Indirect costs are allocated consistently and in accordance with contract requirements.

Notes

5. Internal controls & policies

- Written policies and procedures exist for accounting, billing, and compliance.
- Regular internal reviews or mock audits are conducted to identify and address gaps.
- Segregation of duties is maintained to prevent errors or fraud.

6. Subcontractor & vendor oversight

- Subcontractor costs are reviewed, approved, and documented.
- Proper flow-down clauses and compliance requirements are included in all subcontracts.
- Subcontractor performance and billing are monitored regularly.

7. Records retention & accessibility

- All records are retained for the required period (typically 3-7 years, or per contract).
- Documents are stored securely but are readily accessible for audit requests.

8. Management & communication

- Management is informed of audit requirements and findings.
- Audit findings are addressed promptly, with corrective actions documented and tracked.
- Communication channels are established for audit-related questions or concerns.