

Incurring Cost Submission Preparation Checklist

A complete guide to preparing your annual Incurred Cost Submission (ICS) using the DCAA ICE Model. Covers all required schedules, data gathering, adequacy requirements, and common errors that delay review.

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ICS KEY FACTS

Required by: FAR 52.216-7(d)(2)(iii) for all contractors with flexibly-priced contracts (cost-reimbursable, T&M, incentive-type, or price redeterminable). Due: 6 months after the end of your fiscal year. Late filing: triggers payment withholding and decrement factors (unilateral rate determination that almost never favors the contractor). Who signs: Schedule N (Certificate of Final Indirect Costs) must be signed by a corporate officer or VP-level or higher. A bookkeeper signature gets the submission returned on day one.

1 Before You Start — Pre-ICS Preparation

- Year-end close is complete (all entries posted, reconciled)
No pending journal entries, all bank reconciliations current through year-end
- General ledger reconciled to subsidiary ledgers
Job cost ledger ties to GL, payroll ties to labor distribution
- All indirect rate pools verified and balanced
Fringe, overhead, G&A totals match GL account balances
- Unallowable costs identified and segregated
All FAR 31.205 unallowable costs in dedicated accounts, excluded from pools
- Direct costs traced to individual contracts
Every direct charge assigned to a specific contract/task order
- Timesheets reconciled to labor distribution report
Total timesheet hours = total labor distribution hours for every pay period
- All contracts and subcontracts listed with current information
Contract numbers, types, values, period of performance, CO name

Provisional billing rates documented and compared to actual

Know your over/under-billing position before filing

Fiscal Year Being Submitted:

Fiscal Year End Date: _____

ICS Due Date (FYE + 6 months): _____

Prepared By: _____

2 ICE Model Schedules — Complete Reference

The DCAA ICE (Incurred Cost Electronically) Model is a free Excel workbook available at dcaa.mil. It contains all required schedules. You may use the ICE Model or submit equivalent schedules in your own format, as long as all required data is included. Below is every schedule with what data it requires.

Schedule	Name	What It Contains	Data Source
A	Summary of Direct/Indirect Costs	Total claimed costs: direct + indirect by cost element	General ledger trial balance
B	Direct Costs by Contract	Direct labor, material, subcontracts, ODCs for each contract	Job cost ledger
C	Direct Labor Dollars by Contract	Labor dollars allocated to each contract by cost element	Payroll / labor distribution
D	Direct Labor Hours by Contract	Total hours charged by contract and labor category	Timekeeping system
E	Schedule of Fringe Benefits	Fringe pool total, allocation base, computed rate	Fringe GL accounts
F	Schedule of Overhead	Overhead pool total, allocation base, computed rate	Overhead GL accounts
G	Schedule of G&A Expenses	G&A pool total, allocation base, computed rate	G&A GL accounts
H	Other Indirect Cost Pools	Material handling, site-specific pools, special allocations	Pool-specific GL accounts
I	Cumulative Contract Cost	Cumulative direct + indirect costs by contract (inception)	Historical cost records

J	Subcontract Information	All subcontracts: vendor, value, type, CO consent status	Subcontract files
K	Summary of Hours	Total hours by employee: direct, indirect, leave, OT	Timekeeping system
L	Listing of Contracts/Grants	All contracts: number, type, value, billing status, CO	Contract files
M	Reconciliation	Reconcile total claimed costs to financial statements	GL + financial statements
N	Certificate of Final Indirect Costs	Officer certification that costs are accurate and allowable	VP or higher must sign
O	Contract Closing Information	Contracts physically complete during the fiscal year	Contract files

SCHEDULE N IS CRITICAL

Schedule N is the Certificate of Final Indirect Costs. It certifies that all costs included are allowable under FAR Part 31 and CAS. This schedule must be signed by a corporate officer at VP level or higher. Not the bookkeeper. Not the accountant. An officer of the company. Submitting with the wrong signer gets the entire ICS returned as inadequate on day one. The signer is personally certifying accuracy under penalty of law.

3 Data Gathering Checklist

- Year-end trial balance (final, after all adjusting entries)
- Job cost ledger by contract (direct costs)
- Labor distribution report (hours and dollars by employee by contract)
- Payroll registers for the fiscal year
- Indirect rate pool calculations (fringe, overhead, G&A, other)
- Allocation base calculations and supporting documentation
- List of all active contracts (number, type, value, CO, DCMA contact)
- Subcontract list with values, types, and CO consent documentation
- Billing history by contract (amounts billed vs. costs incurred)

- Employee list with names, positions, annual compensation, and start dates
- Bank reconciliations for all 12 months
- Financial statements (P&L and balance sheet) for the fiscal year
- Prior year ICS and any DCAA correspondence about prior submissions
- CAS Disclosure Statement (DS-2) if applicable
- Contract closing documentation for physically complete contracts

4 DCAA Adequacy Checklist

DCAA first reviews your ICS for adequacy before starting the actual audit. An inadequate submission gets returned, and the clock keeps ticking on your 6-month deadline. DCAA publishes their adequacy checklist at dcaa.mil. Use this section to self-check before submitting.

- All schedules (A through O) are included and complete
Missing any schedule = automatic inadequacy determination
- All schedules are mathematically accurate and cross-reference correctly
Schedule A totals must equal sum of Schedules B through H
- Claimed costs reconcile to financial statements (Schedule M)
Total ICS costs must tie to your audited or compiled financials
- Schedule N (Certificate) signed by authorized corporate officer
VP-level or higher. Name, title, date, and original signature required.
- All contracts listed on Schedule L match Schedules B, C, D
Every contract with direct charges must appear consistently across schedules
- Indirect rate calculations are supported with pool/base details
Show the math: $\text{pool total} / \text{allocation base} = \text{rate}$, for each pool
- Subcontract information on Schedule J is complete
Vendor name, subcontract number, value, type, and consent status
- Unallowable costs identified and excluded from claimed pools
Show how unallowable costs were identified and where they reside in GL
- Cumulative costs on Schedule I reconcile to prior year submissions
Current year starting balance must equal prior year ending balance
- All schedules cover the same fiscal year period
No mixing of calendar year and fiscal year data

5 Common Errors That Delay Adequacy Review

Schedule N signed by wrong person

The certificate must be signed by a VP or higher corporate officer. A bookkeeper, accountant, or manager signature is not accepted.

Schedules do not cross-reference

Schedule A totals do not match the sum of individual schedule totals. Internal inconsistencies flag the entire submission as inadequate.

Missing reconciliation to financial statements

Schedule M must show exactly how ICS claimed costs reconcile to your P&L and balance sheet. Unexplained differences are not accepted.

Prior year cumulative costs do not match

Schedule I beginning balances must equal prior year ending balances. Discrepancies require explanation and documentation.

Subcontracts not disclosed on Schedule J

Every subcontract must be listed regardless of size. Missing entries raise concerns about undisclosed cost relationships.

Unallowable costs not separately identified

You must show which specific costs are unallowable and demonstrate they are excluded from rate calculations. Lump-sum exclusions are insufficient.

Late filing without notification

If you cannot meet the 6-month deadline, contact your ACO/DCMA office in writing before the deadline. Unexplained late filing triggers decrement factors and potential payment withholding.

6 ICS Timeline and Consequences

Event	Deadline	Consequence if Missed
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Fiscal Year End	Your FYE date	ICS clock starts ticking
ICS Due	FYE + 6 months	Decrement factors applied; payment withholding begins
DCAA Adequacy Review	30-60 days after receipt	Inadequate: returned for correction (clock paused)
Audit Assignment	Varies (backlog: 12-36 months)	Provisional rates continue until audit completes
Final Rate Negotiation	After audit completion	Billing adjustments: over/under-billed amounts settled
Contract Closeout	After final rates established	Final billing, contract files archived

DECREMENT FACTORS AND LATE FILING

When you file late or do not file at all, DCAA can unilaterally establish your indirect rates using decrement factors. This means DCAA calculates rates based on whatever information they have (often unfavorable to you), reduces them further as a penalty, and uses those rates for all your contracts. The unilateral rate determination is almost never in the contractor's favor. Filing on time, even with minor imperfections, is far better than filing late.

NEED HELP PREPARING YOUR ICS?

Amerifusion Bookkeeping prepares annual incurred cost submissions for government contractors. We build ICS preparation into our monthly close process so year-end is a compilation, not a reconstruction. CPA-managed, DCAA-experienced. Schedule a free consultation at amerifusionbookkeeping.com/contact

Your GovCon Bookkeeping Toolkit:

1. DCAA Accounting System Readiness Checklist
2. Indirect Rate Setup Worksheet
3. Unallowable Cost Quick Reference
- >>> 4. **ICS Preparation Checklist**
5. GovCon Chart of Accounts Template

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