



What is an Incurred Cost Audit?



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An incurred cost audit is a type of performance audit that is designed to assess if federal funds are being used in accordance with specific regulations. During an incurred cost audit, costs are assessed for allowability and reasonability in line with legal or contractual terms.

Key Regulations

Many recipients of funding from the U.S. federal agencies are required to maintain compliance with the following regulations:

- Federal Acquisition Regulations
- OMB's Uniform Guidance on Assistance Awards
- Cost Accounting Standards
- Other common contractual requirements

With the acceptance of federal funds, compliance with numerous financial management regulations is required. Noncompliance with these regulations may result in cost disallowances. KPMG LLP (KPMG) has a depth of experience over the management of federal grants and can use these skills to identify and report instances of noncompliance, thereby identifying the need for repayment of funds to the government.

Potential benefits

-  Assists in identifying noncompliance matters, such as unallowable cost recovery under federal contracts; **identifying noncompliance with regulations reduces waste or abuse of federal funding**
-  **Promotes a risk-aware culture**, supporting informed decision-making and addressing compliance and assurance requirements
-  **Provides a systematic approach** to promptly, consistently, and efficiently respond to challenges from evolving risk profiles and rapidly changing regulatory requirements
-  **Assists in meeting compliance objectives** while improving performance in support of strategic objectives
-  **Assists contract administration** with responsibilities such as negotiation of indirect rates, administrative closeout of contracts, and providing management with prospective recipient responsibility determinations

In conducting hundreds of postaward audits for the federal government, KPMG professionals have the technical knowledge to aid recipients of federal funds and to help ensure compliance with the appropriate legislative and contractual requirements.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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