



**Redstone**  
Government Consulting

# **The Importance of Accurate LCAT Mapping and Avoiding Common Pitfalls**

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# Session Overview

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We will walk through the process of accurate labor category mapping, from recruitment throughout the employment life cycle, and discuss the intersection between DCAA, OFCCP and Wage and Hour (SCA) expectations. We will also share recent experiences involving DCAA's questioned costs associated with inaccurate mapping and provide you with the knowledge to apply HR best practices during the mapping process.



# Why is This Important?

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- DoD-IG semi-annual reports include a section on “Services”.
  - An Air Force OSI investigation (supported by DCAA) indicated weaknesses in the contractor’s billing system controls to reasonably ensure that employees (billed under labor categories in multiple T&M contracts) met the labor qualifications (contract specified). After the initial mandatory disclosure, per FAR 52.203-13, DCAA apparently determined that at least eight employees did not meet the contractual qualifications and the contractor’s more expansive internal audit determined that there were more than 300 instances of unqualified labor billed.
  - DCAA auditor questions direct labor charges - unallowable per FAR 31.201-2(a)(4).
  - The contractor ultimately repaid \$10.6M (\$8.3M in overpayments and \$2.2M in interest).
  - Possible DOJ False Claims Act issue?

# Labor Categories

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- Labor Category Descriptions are provided in the contract:
  - HR/Management needs to recruit, interview and hire the best qualified candidate with the supporting documentation (resume/application/interview notes) that meet the LCAT requirements (education and experience).
  - Contractual Issues – Interpreting the permissible labor categories/substitutions.
  - Don't forget that compliance with OFCCP is also required!



# Best Practices

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- Contractor formulates Job Posting consistent with LCAT requirements.
- Review/evaluate resumes received and choose applicants for interviews.
  - Contractor should check the specific contract requirements in the contract against the education and experience of the employee's resume/application.
  - Are basic qualifications met?
- Interview Stage
  - Address and document gaps in resume and actual experience/education.

# Best Practices

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- After employee is hired, generate updated resume.
- Hiring Manager should submit the following to HR:
  - All Candidate Evaluation Forms (HR to review and maintain Applicant Flow Log)
  - A completed and signed Labor Category Certification Form (provided to Contract Admin)



# Best Practices

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- Recommend completion of a “Labor Category Certification Form” for each employee establishing they meet the requirements. Also include resume and application if applicable.
  - Provide specific comments for any employee who does not technically meet the letter of the requirements but through additional training, skills, etc., meet the spirit of the requirement and are therefore considered qualified for the position.
- A labor certification form and a resume for each employee should be provided to HR. This provides a record that all personnel meet the qualifications for the position they are charging against.

# Qualifications

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- The “basic qualifications” which an applicant must possess means qualifications that the contractor advertised to potential applicants or criteria which the contractor established in advance. In addition, the qualifications must be:
  - Noncomparative features of a job seeker (e.g. three years’ experience in a particular position, rather than a comparative requirement such as being one of the top five among the candidates in years of experience);
  - Objective (e.g., a Bachelor’s degree in accounting, but not a technical degree from a good school); and
  - Relevant to performance of the position.



# Process

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- Ensure job description, inclusive of LCAT requirements, is provided to the employee and signature obtained for the file.
- Work Authorization is issued.
- Employee submits a resume following the Company template.
  - If there was a discrepancy between the resume and the LCAT requirements which were revealed during the interview process, ask the candidate to ensure their resume reflects the specific years of experience /education required. This new resume becomes the resume for the employee file.

# Job Posting/Job Descriptions

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- Ensure essential requirements/responsibilities are included.
- Include experience/education.
- Avoid overstating requirements.
- What if the “best candidate” does not have all of the requirements listed in the posting?



# Response to Audit Issues

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- DCAA auditor opines that questioned direct labor charges were unallowable per FAR 31.201-2(a)(4).

## Possible Responses:

- The company maps the employee's actual experience to the specific responsibilities/duties provided to the customer and those set forth in the appropriate labor category.
- Some LCATs cover a broad range of “functional responsibilities” and are not intended to be applied in an “all-inclusive” manner.

## Related Issues to Address

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- Ensure position is properly classified as Exempt/Non-Exempt.
- Is the position covered by the Service Contract Act?
- Ensure compliance with your GSA Schedule, if applicable.



# Have Questions?

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