

Post-Award Accounting System Audit with QuickBooks



Redstone
Government Consulting

Helping You Navigate the Maze of Government Contracting



Instructor

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- 20+ Years Accounting Experience
 - Traditional CPA Firms
 - Started, grew, and sold small CPA practice
 - Industry Experience – both commercial & GovCon
- 2 Years with Redstone Government Consulting
 - Outsourced Accounting
 - Review & Oversight
 - Cleanup / Specialty Projects
 - Process improvement
 - Pre-Award Audit Prep
- AAS in Entrepreneurial Mgmt, Calhoun Community College; BS in Accounting & MBA, University of AL in Huntsville; CPA (Active License) – Alabama

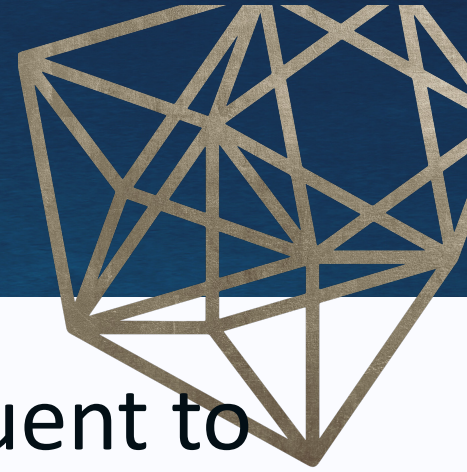
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What is a post-award accounting system audit?



- Conducted at non-major contractors subsequent to contract award
- Tests compliance with DFARS 252.242-7006(c)
- Self-initiated or requested by ACO
- Desired outcome is finding of ***No Significant Deficiencies***

DFARS 252.242-7006(c) lays out requirements for Accounting System Administration



- Some of the same requirements as in the SF1408 pre-award survey, but is more in depth
- Additional requirements specifically laid out include but are not limited to:
 - A sound internal control environment, accounting framework, and organizational structure
 - Approval and documentation of adjusting entries

DFARS 252.242-7006(c) lays out requirements for Accounting System Administration



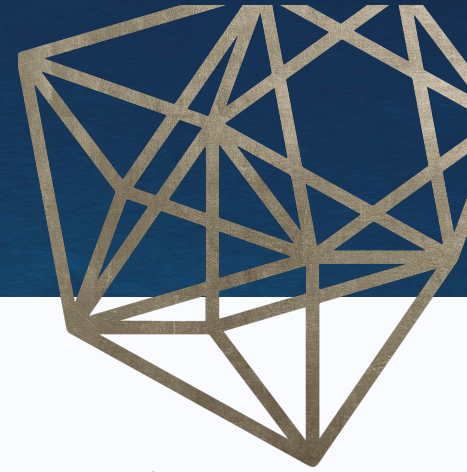
- Additional requirements specifically laid out include but are not limited to:
 - Cost accounting information, as required—By contract clauses concerning limitation of cost (FAR 52.232-20), limitation of funds (FAR 52.232-22), or allowable cost and payment (FAR 52.216-7); and To readily calculate indirect cost rates from the books of accounts
 - Billings that can be reconciled to the cost accounts for both current and cumulative amounts claimed and comply with contract terms

DFARS 252.242-7006(c) lays out requirements for Accounting System Administration



- Several things to be addressed not specific to the accounting software itself
 - Policy / procedure
 - Org chart
 - Accounting Process Flowchart
- [https://www.acquisition.gov/dfars/252.242-7006-accounting-system-administration.](https://www.acquisition.gov/dfars/252.242-7006-accounting-system-administration)

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Chart of Accounts

- Recommend numbering structure – Revenue, Direct Costs, Fringe, Facilities, G&A, OH all with separate sections
- Use standard, recognized account types and groupings – if additional detail is desired, use sub-accounts
- Do not recommend using specific accounts for different vendors / suppliers – use accounts to segregate types of expenses and the vendor / payee field for further segregation / identification

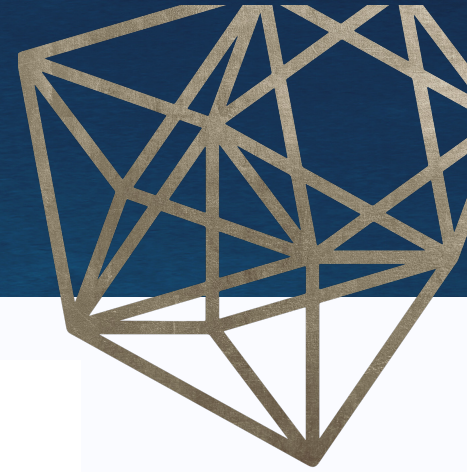
How Does a Contractor Demonstrate Compliance Using QuickBooks?



- **Chart of Accounts cont.**

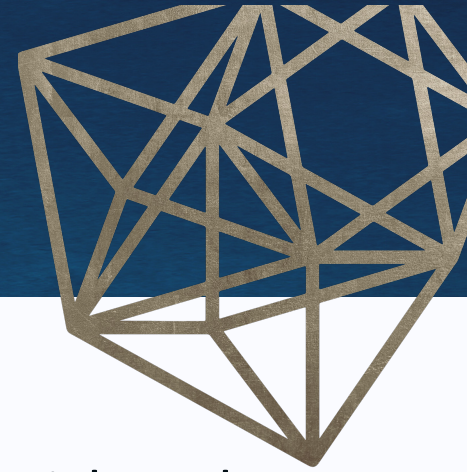
- Pull the Chart of Accounts report directly from QB to provide to the auditor
- QBO / QBD: Reports > Account List
- Filter the “Account” field to just include Income / Expense Accounts

How Does a Contractor Demonstrate Compliance Using QuickBooks?



Account List			
ACCOUNT #	ACCOUNT	TYPE	DETAIL TYPE
4010	Government Income	Income	Service/Fee Income
4020	Commercial Income	Income	Service/Fee Income
4030	Uncategorized Income	Income	Service/Fee Income
	Billable Expense Income	Income	Service/Fee Income
	Sales of Product Income	Income	Sales of Product Income
5000	Direct Costs	Cost of Goods Sold	Other Costs of Services - COS
5010	Direct Costs:Direct Subcontractors	Cost of Goods Sold	Other Costs of Services - COS
5020	Direct Costs:Direct Labor	Cost of Goods Sold	Other Costs of Services - COS
5030	Direct Costs:Direct Supplies & M...	Cost of Goods Sold	Other Costs of Services - COS
5040	Direct Costs:Other Direct Costs	Cost of Goods Sold	Other Costs of Services - COS
5050	Direct Costs:Direct Travel	Cost of Goods Sold	Other Costs of Services - COS
	Cost of Goods Sold	Cost of Goods Sold	Supplies & Materials - COGS
6500	G & A Expense:Fringe Benefits	Expenses	Other Business Expenses
6510	G & A Expense:Fringe Benefits:Fr...	Expenses	Other Business Expenses
6511	G & A Expense:Fringe Benefits:Fr...	Expenses	Other Business Expenses
6512	G & A Expense:Fringe Benefits:Fr...	Expenses	Other Business Expenses
6513	G & A Expense:Fringe Benefits:Fr...	Expenses	Other Business Expenses

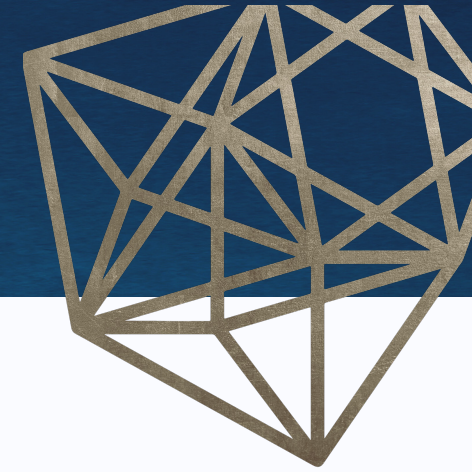
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Segregation of Direct & Indirect Costs

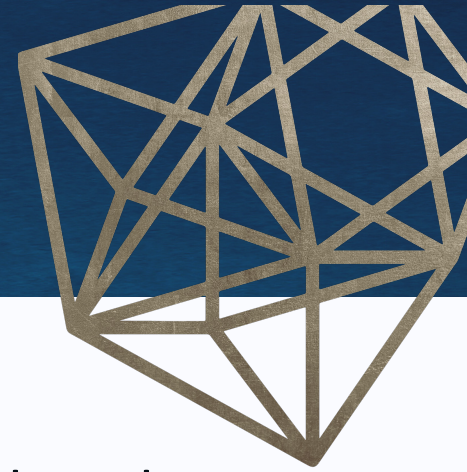
- Recommend using the “Cost of Goods Sold” account *type* in QuickBooks to more clearly differentiate direct costs
- Anything coded to a direct expense account (i.e. direct materials, direct labor, direct travel, ODC) must be also tagged to a Contract or CLIN
- Demonstrate in the audit via both the Chart of Accounts report and transactional examples, including P&L with Direct Costs segregated in the COGS section

How Does a Contractor Demonstrate Compliance Using QuickBooks?



Rocket City Engineering	
Profit & Loss	
January 1 through December 15, 2024	
	Jan 1 - Dec 15, 24
▼ Ordinary Income/Expense	
▶ Income	211,429.26 ◀
▼ Cost of Goods Sold	
▶ Other Direct Costs (ODC)	7,610.08
Direct Subcontractors	3,125.00
▶ Direct Materials	34,691.25
Total COGS	45,426.33
Gross Profit	166,002.93
▼ Expense	
▶ Facilities	6,921.91
▶ OH	735.00
▶ G&A	-67,529.11
▶ Fringe	144,728.15
Total Expense	84,855.95
Net Ordinary Income	81,146.98

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Unallowable Costs

- Recommend using the “Other Expense” account *type* in QuickBooks to more clearly differentiate expressly unallowable costs
- Recommend using top-line accounts for “Unallowable – G&A” and “Unallowable – OH”
- Utilize separate QuickBooks sub-accounts for each specific type of expressly unallowable cost; Set up placeholder accounts for the most common, even if you don’t currently have any

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Unallowable Costs cont.

- Demonstrate in the audit via both the COA report & transactional examples – be able to show YTD P&L with all unallowable costs segregated

Rocket City Engineering Account Listing December 15, 2024

Account	Type	Accn...
9100 · Unallowables - G&A	Other Expense	9100
9100 · Unallowables - G&A:9110 · Alcoholic Beverages	Other Expense	9110
9100 · Unallowables - G&A:9120 · Bad Debt	Other Expense	9120
9100 · Unallowables - G&A:9130 · Interest Expense	Other Expense	9130
9100 · Unallowables - G&A:9130 · Interest Expense:9131 · Interest on Loan	Other Expense	9131
9100 · Unallowables - G&A:9130 · Interest Expense:9132 · Finance Charges	Other Expense	9132
9100 · Unallowables - G&A:9140 · Lobbying	Other Expense	9140
9100 · Unallowables - G&A:9150 · Unallowable Travel	Other Expense	9150
9100 · Unallowables - G&A:9190 · Unidentified Expense	Other Expense	9190
9500 · Unallowables - OH	Other Expense	9500
9500 · Unallowables - OH:9550 · Unallowable Travel - OH	Other Expense	9550

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Month-End Close

- Key control to demonstrate that the accounting structure, functionality & accounting process / procedure is being properly used & followed
- Not a system internal process in QuickBooks – recommend having a detailed close checklist of procedures performed each month
 - Bank, credit card, and loan accounts should be reconciled using the reconciliation functionality within QuickBooks – demonstrate via the Bank Reconciliation Report
 - Reports > Banking > Previous Reconciliation (QBD)
 - Reports > For My Accountant > Reconciliation Reports (QBO)

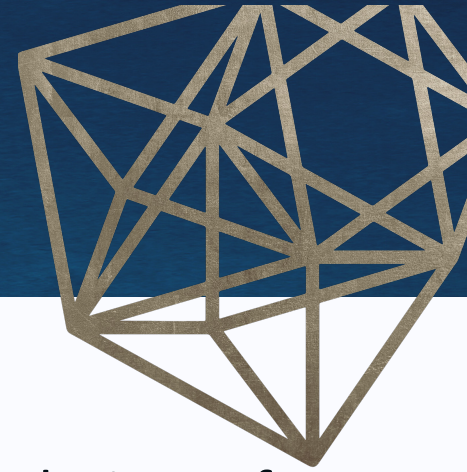
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Month-End Close cont.

- Accrual-basis accounting is required, so close should include monthly expense and payroll accruals, prepaid expense amortization, etc.
- Demonstrate during audit via closed Balance Sheet with accrual balances
- Need to be able to trace accrued liability balances to the corresponding journal entries, as well as the supporting workpapers where the accruals were calculated / determined – be prepared to walk the auditor through the process
- Labor accruals should be calculated and recorded specifically by contract / CLIN based on timekeeping reports

How Does a Contractor Demonstrate Compliance Using QuickBooks?



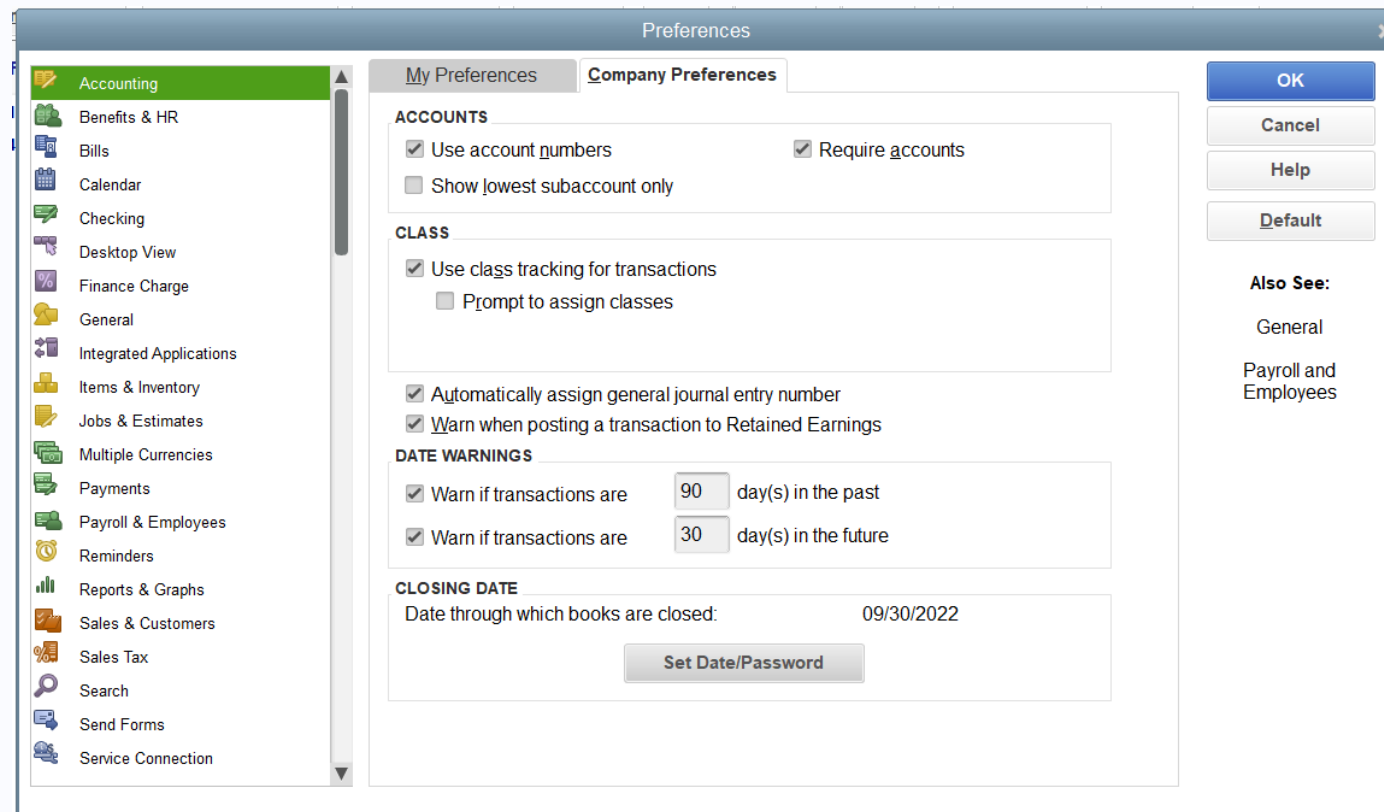
■ Month-End Close cont.

- System should be locked down with a password upon completion of monthly close – demonstrate during audit via lockdown screen in QuickBooks
- Gear Icon > Company Settings > Advanced (QBO)

Accounting	First month of fiscal year	January
	First month of income tax year	Same as fiscal year
	Accounting method	Accrual
	Close the books	09/30/2022

How Does a Contractor Demonstrate Compliance Using QuickBooks?

- Company > Set Closing Date (QBD)

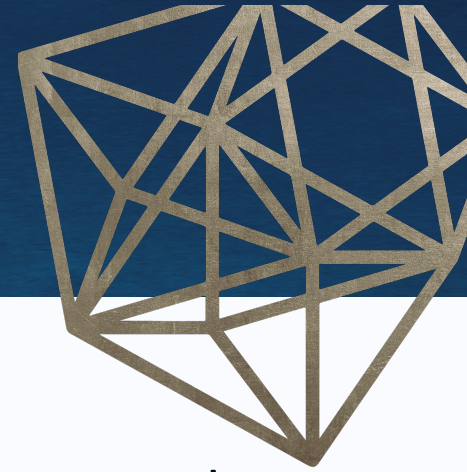


The screenshot shows the 'Preferences' window in QuickBooks, with the 'Company Preferences' tab selected. The left sidebar lists various categories, with 'Accounting' highlighted. The main area contains several sections with checkboxes and input fields:

- ACCOUNTS**
 - ☒ Use account numbers
 - ☒ Require accounts
 - ☐ Show lowest subaccount only
- CLASS**
 - ☒ Use class tracking for transactions
 - ☐ Prompt to assign classes
- DATE WARNINGS**
 - ☒ Warn if transactions are 90 day(s) in the past
 - ☒ Warn if transactions are 30 day(s) in the future
- CLOSING DATE**
 - Date through which books are closed: 09/30/2022
 - Set Date/Password button

On the right side of the window, there are buttons for 'OK', 'Cancel', 'Help', and 'Default'. Below these buttons, the 'Also See:' section lists 'General' and 'Payroll and Employees'.

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Project Accounting

- Need to be able to show capture of BOTH revenue & expenses at the contract / CLIN level
- Best way to do that in QuickBooks is via the Customer list
 - Actual customer that you invoice = Top Line Customer in QB
 - Your contract / PO number with that customer = sub-customer (QBO) or job (QB Desktop)
 - Each individual CLIN = sub-customer (QBO) or sub-job (QB Desktop) under the Contract level

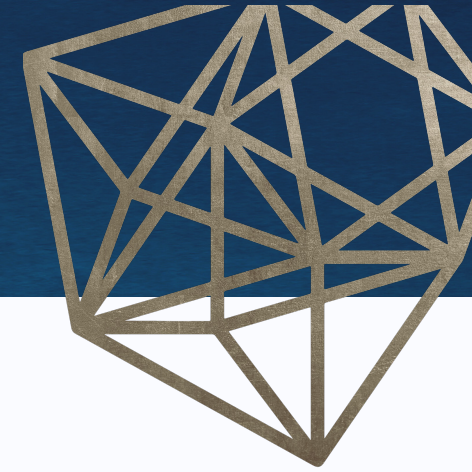
How Does a Contractor Demonstrate Compliance Using QuickBooks?



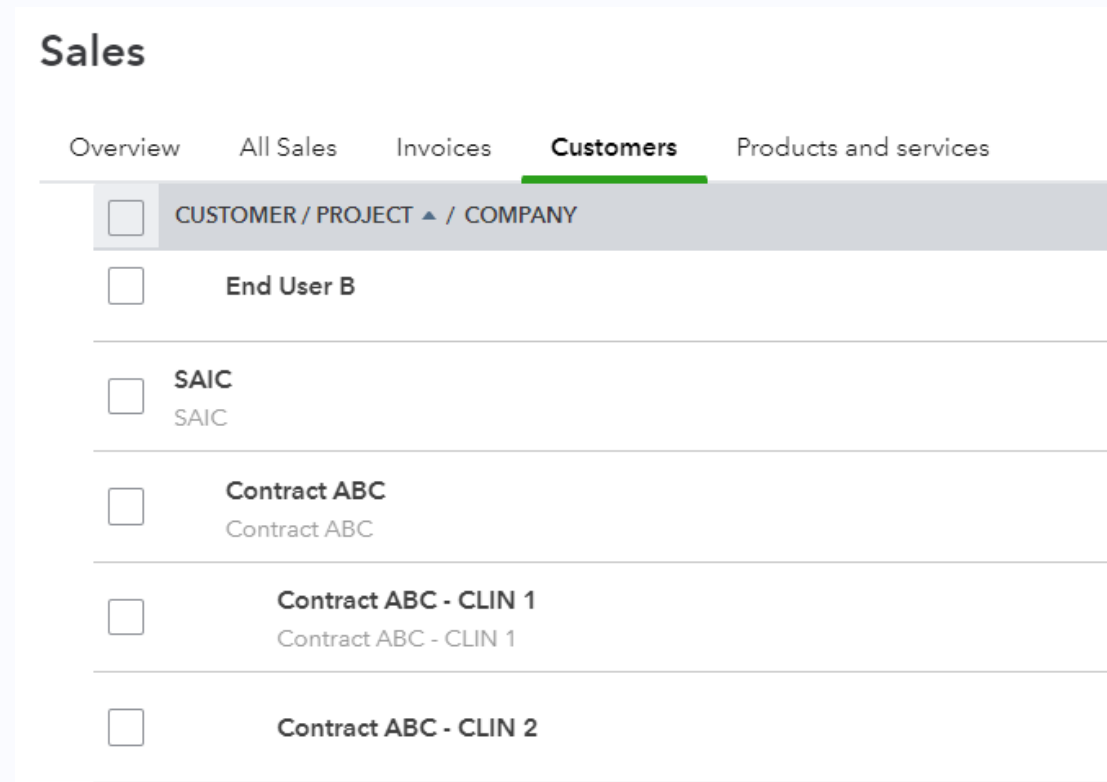
- Customers > Customer Center (QBD)

◊ Jacobs	
◊ Contract xxx - Launch Support	
◊ CLIN 001	
◊ CLIN 002	
◊ CLIN 003	
◊ Contract 2 - Design Support	

How Does a Contractor Demonstrate Compliance Using QuickBooks?



- Sales > Customers (QBO)



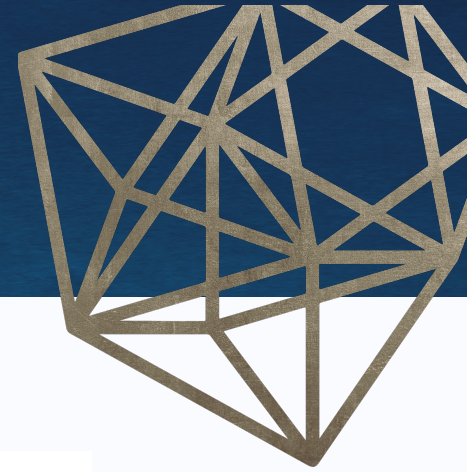
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Project Accounting cont.

- Indirect projects would follow this same thought process – Recommend a top line ADMIN or INTERNAL customer, with separate sub-jobs for IR&D, B&P, etc.
 - Can then track individual IR&D or B&P projects as subs of those headers
- If there are separate CLINs on a contract, then the appropriate CLIN is what should be selected for each direct expense entry – NOT the top line contract or customer
- Demonstrate during audit via both the Customer List and the Job Ledger

How Does a Contractor Demonstrate Compliance Using QuickBooks?



- Reports > Company & Financial > Profit & Loss by Job (QBD)

Rocket City Engineering Profit & Loss by Job January 1 through December 15, 2024							
	ADMIN	CLIN 002 (Contract xxx...	Total Contract x... (Jacobs)	Contract 2 - Des... (Jacobs)	Total Jacobs	TOTAL	
▼ Ordinary Income/Expense							
▼ Income							
Engineering Services	0.00	0.00	0.00	15,000.00	15,000.00	15,000.00	
▶ 4100 · Landscaping Serv...	0.00	0.00	0.00	12,900.00	12,900.00	12,900.00	
Retail Sales	0.00	50.00	50.00	0.00	50.00	50.00	
Total Income	0.00	50.00	50.00	27,900.00	27,950.00	27,950.00	
▼ Cost of Goods Sold							
▶ 7110 · Direct Materials	0.00	0.00	0.00	18,000.00	18,000.00	18,000.00	
Total COGS	0.00	0.00	0.00	18,000.00	18,000.00	18,000.00	
Gross Profit	0.00	50.00	50.00	9,900.00	9,950.00	9,950.00	
▼ Expense							
▶ G&A	30.00	0.00	0.00	0.00	0.00	30.00	
Total Expense	30.00	0.00	0.00	0.00	0.00	30.00	
Net Ordinary Income	-30.00	50.00	50.00	9,900.00	9,950.00	9,920.00	
Net Income	-30.00	50.00	50.00	9,900.00	9,950.00	9,920.00	

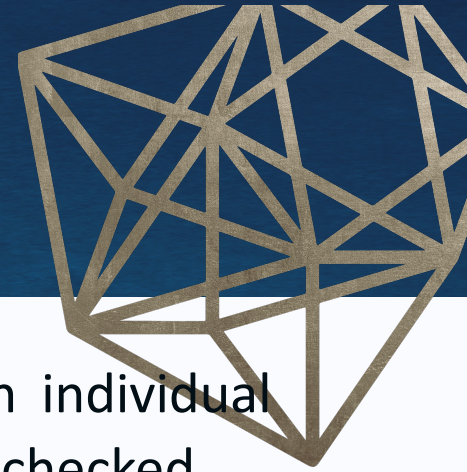
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Timekeeping

- Workforce Setup / Charge Line Assignment
 - Each contract / CLIN must have its own charge line in timekeeping
 - Each separate internal project must have its own charge line in timekeeping
 - Need to have a documented process for how employees are assigned access to a charge line
 - Demonstrate that employees do NOT have access to charge lines across the board

How Does a Contractor Demonstrate Compliance Using QuickBooks?



- If using QB Time – demonstrate via Manage Customers > each individual customer should NOT have the “Assign to all team members” box checked

Edit Customer

Name

SAIC

Imported from QuickBooks

Short code ⓘ

Assignments

☐ Assign to all team members [Edit](#)

LOCATION CUSTOM FIELDS

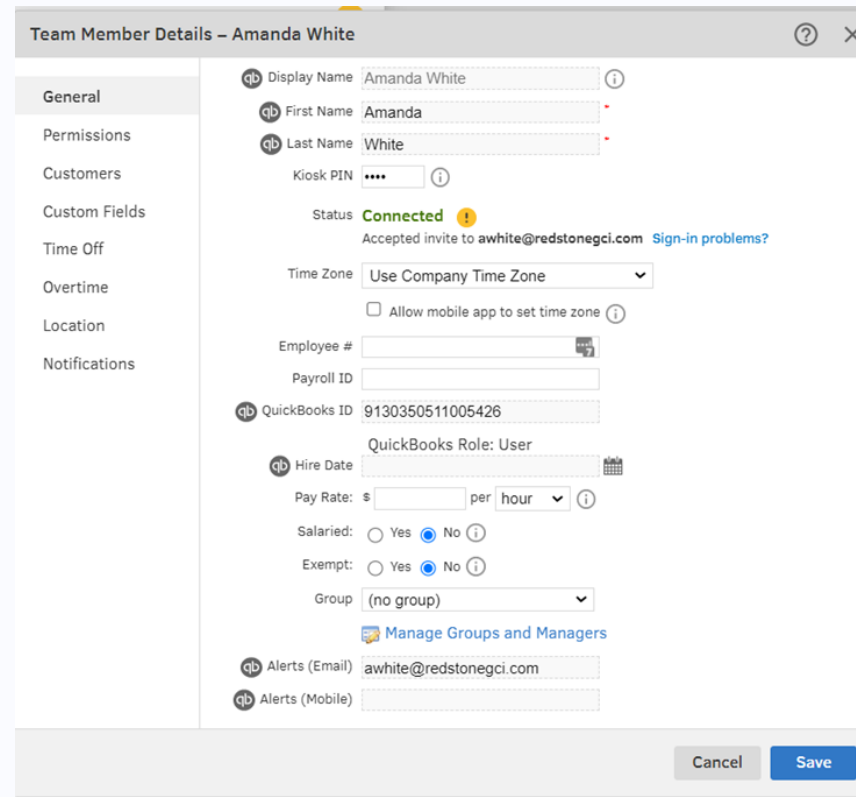
Address or GPS Coordinates ⓘ

No Location
Address will be imported automatically.

More ▼ Cancel Save

How Does a Contractor Demonstrate Compliance Using QuickBooks?

- If using QB Time – also demonstrate via My Team > individual employee charge line assignments are made by selecting the three dots on the right and then going into the Customers Tab from the Team Member Details screen



Team Member Details – Amanda White

General

Permissions

Customers

Custom Fields

Time Off

Overtime

Location

Notifications

qb Display Name: Amanda White

qb First Name: Amanda

qb Last Name: White

Kiosk PIN: ****

Status: Connected

Accepted invite to awhite@redstonegci.com [Sign-in problems?](#)

Time Zone: Use Company Time Zone

☐ Allow mobile app to set time zone

Employee #

Payroll ID

qb QuickBooks ID: 9130350511005426

QuickBooks Role: User

qb Hire Date

Pay Rate: \$ per hour

Salaried: ☐ Yes ☒ No

Exempt: ☐ Yes ☒ No

Group: (no group)

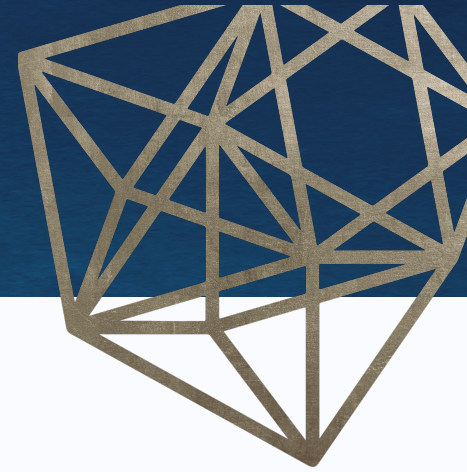
[Manage Groups and Managers](#)

qb Alerts (Email): awhite@redstonegci.com

qb Alerts (Mobile)

Cancel Save

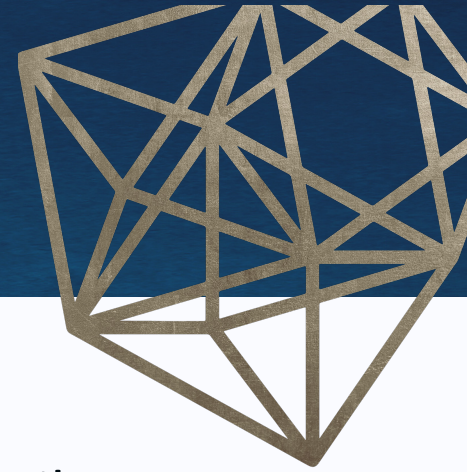
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Labor Distribution

- If using QB Time + Intuit payroll, the actual execution really straightforward since the timecards feed directly into QB
 - Demonstrate during audit by selecting an employee and tracing hours per job from the timecard for a given period into QB, and then the dollars from that matching payroll into the Job Ledger
 - If using something other than QB Time or a timekeeping system that feeds in with project level detail and / or a 3rd party payroll provider, the process should include a detailed manual reconciliation and calculation / breakdown of labor dollars by contract / CLIN to determine / validate the journal entry to record the payroll – Be prepared to demonstrate in detail

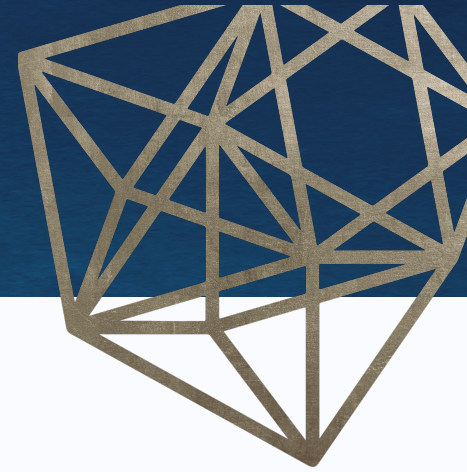
How Does a Contractor Demonstrate Compliance Using QuickBooks?



- **Labor Distribution cont.**

- Regardless of the systems used, have to be able to trace & reconcile timecard level detail all the way through the system to the Job Ledger (P&L by Job (QBD) / P&L by Customer (QBO))

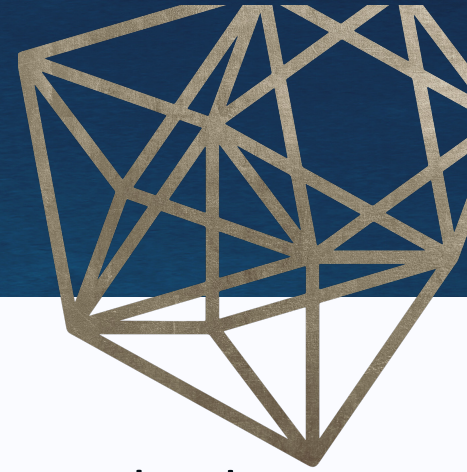
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Payroll Process

- Varies depending upon the payroll provider being used
- If using Intuit payroll native to QB, the Payroll Summary is a key report to have ready for demonstration during the audit
- Need to be able to reconcile the total hours / employee to the timecard report
 - Reports > Employees & Payroll > Payroll Summary (QBD)
 - Reports > Payroll > Payroll Summary (QBO)
 - QB Time: Reports > Payroll > Hours Summary by Team Member

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Payroll Process cont.

- Regardless of the timekeeping and payroll provider used, not only do these steps need to be demonstrated during audit, but should be part of the regular payroll process
 - Documented in process / procedure docs
 - Check figures built into any manual worksheets to help minimize error
- Need to have documented process in place to address timecard corrections and related controls
 - Be prepared to discuss & demonstrate during audit

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Accounts Payable

- Demonstrate during audit the screens to add a vendor in QB, specifically focusing on the selection of payment terms – these terms drive the due date

Vendor

Additional info

Taxes

Business ID No. / Social Security No.

☐ Track payments for 1099

Expense rates

Cost rate (/hr)

Payments

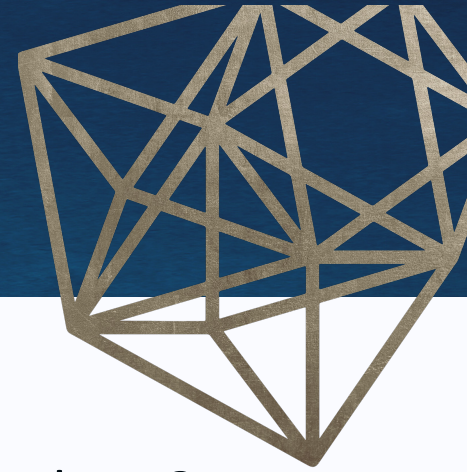
Terms

Net 30 ✓

Account no.

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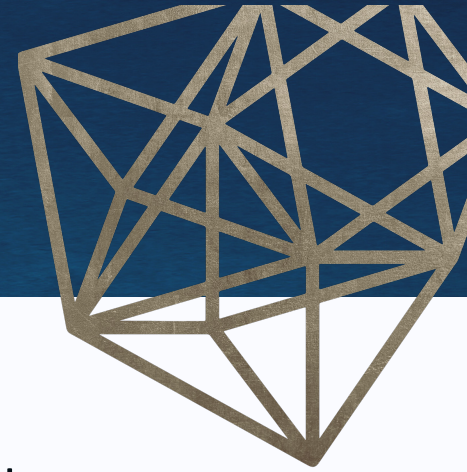
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Accounts Payable cont.


- Demonstrate A/P Aging with no past due balances: Reports > Vendors & Payables > AP Aging Detail
- Also be able to demonstrate with actual historical direct cost to show timely payment specifically on direct costs
 - Select an actual subcontractor or other ODC bill to show in the audit & trace the payment that was actually processed & show execution within payment terms – Be prepared to go from the vendor invoice in QB to the verification of pmt clearing in the bank stmt


How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Accounts Payable cont.





- Discuss the process of expense entry, including who determines whether costs are direct or indirect & determination of allowability –demonstrate entry in QB

 **Bill** ⚙️ ? Help

Vendor
 

Mailing address
Terms Bill no.

Tags ? [Manage tags](#)

	#	CATEGORY	DESCRIPTION	AMOUNT	BILLABLE	CUSTOMER / PROJECT	
	1						
	2						
						Total	\$0.00

Memo

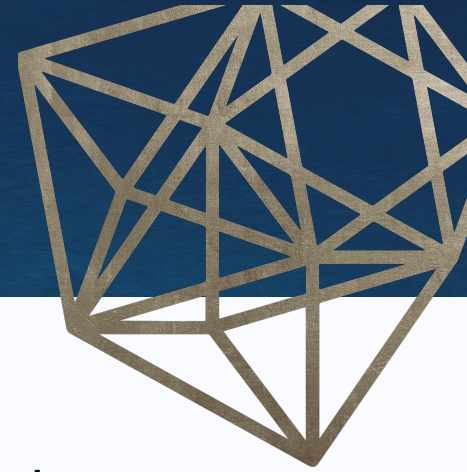
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Billing

- Customer invoices should be generated within QB, not offline
- Be prepared to walk through the invoicing process from start to finish, particularly for T&M and Cost-Reimbursable contracts
- Documented process / procedure for both should include a reconciliation of hours from the source data (i.e. timecards) to what is invoiced
- For cost reimbursable, documented process / procedure should include review / reconciliation of the Job Ledger (i.e. P&L by Job / Customer in QB) to the costs invoiced to the customer

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ **Billing**

- Demonstrate during audit by selecting an invoice and tracing the hours invoiced back to an hours report by project from the timekeeping system; Trace other costs invoiced to the P&L by Job / Customer
- Demonstrate during audit the reconciliation of cumulatives per project as a standard part of the invoicing process
 - For each contract / CLIN, pull the P&L by Job (QBD) or P&L by Customer (QBO)
 - Filter for the contract / CLIN in question

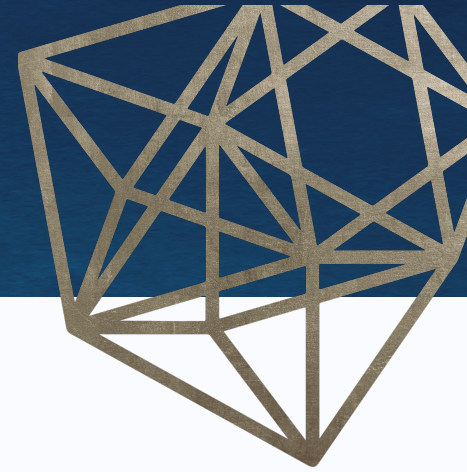
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ **Billing cont.**

- Set the date range to open and select the last day of the billing period as the end date
- Verify that the cumulative total of each direct cost category per the QB report ties to the cumulatives invoiced to the customer – This reconciliation should be documented as part of the process each month, and you should be able to show proof of that being performed via workpapers on file
- Reports > Business Overview > Profit & Loss by Customer (QBO)

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Billing cont.

Filters: Customer X

Collapse Sort Add notes See a chart Edit titles

awhite@redstonegci.com's Company

Profit and Loss by Customer
January 2000 - September 2022

	SAIC	CONTRACT ABC	CONTRACT ABC - CLIN 1	TOTAL CONTRACT ABC	TOTAL SAIC	TOTAL
▼ Income						
Government Revenue			19,769.00	19,769.00	19,769.00	\$19,769.00
Total Income	\$0.00	\$0.00	\$19,769.00	\$19,769.00	\$19,769.00	\$19,769.00
▼ Cost of Goods Sold						
Direct Subcontract			822.00	822.00	822.00	\$822.00
Total Cost of Goods Sold	\$0.00	\$0.00	\$822.00	\$822.00	\$822.00	\$822.00
GROSS PROFIT	\$0.00	\$0.00	\$18,947.00	\$18,947.00	\$18,947.00	\$18,947.00
▼ Expenses						
Fuel			71.55	71.55	71.55	\$71.55
Total Expenses	\$0.00	\$0.00	\$71.55	\$71.55	\$71.55	\$71.55
NET OPERATING INCOME	\$0.00	\$0.00	\$18,875.45	\$18,875.45	\$18,875.45	\$18,875.45
NET INCOME	\$0.00	\$0.00	\$18,875.45	\$18,875.45	\$18,875.45	\$18,875.45

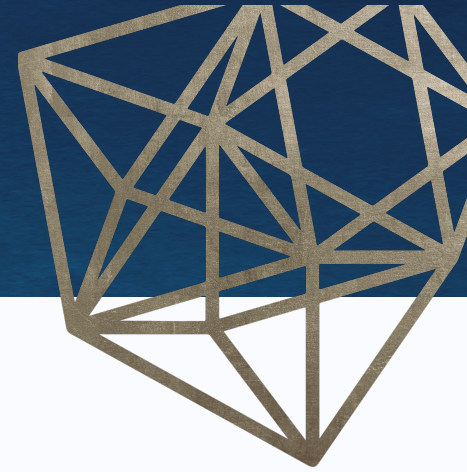
How Does a Contractor Demonstrate Compliance Using QuickBooks?



- **Billing cont.**

- Be prepared to show how Provisional Rates are set up in QB for cost reimbursable contracts, as well as how contractual T&M rates are set up
 - Recommend setting up a top-line group (“Category” in QBO) in the Items in QB for each year of Provisional Rates
 - Recommend setting up top-line group (“Category” in QBO) in the Items in QB for each contract with T&M rates – this should be done at contract award as part of setup & be documented in the process
 - Gear Icon > Products & Services (QBO); Lists > Item List (QBD)


How Does a Contractor Demonstrate Compliance Using QuickBooks?





- **Billing cont.**

Sales

Overview All Sales Invoices Customers **Products and services**

Find products and services 

<input type="checkbox"/>	NAME ▲	TYPE	SALES DESCRIPTION	SALES PRICE	CC
	SAIC - T&M Contract ABC				
<input type="checkbox"/>	 SW Engineer III - CY 2022	Service		150	
<input type="checkbox"/>	 Systems Engineer II - CY 2022	Service		147	

How Does a Contractor Demonstrate Compliance Using QuickBooks?




- **Billing cont.**




Sales

Overview All Sales Invoices Customers **Products and services**

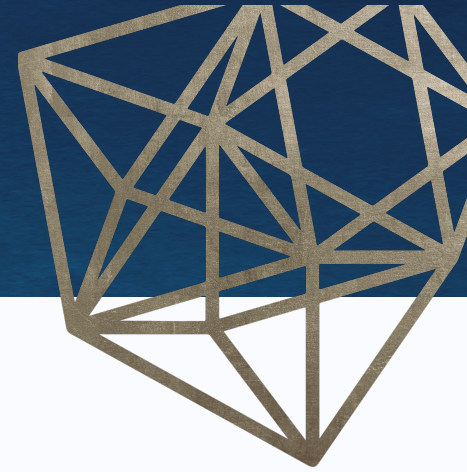
Products and Services [More](#)

[All Lists](#)

Find products and services 

<input type="checkbox"/>	NAME ▲	TYPE	SALES DESCRIPTION	SALES PRICE	COST
	CY2022 Provisional Rates				
<input type="checkbox"/>	 CY2022 - Fee	Service	CY2022 Fee - 8.00%		
<input type="checkbox"/>	 CY2022 - G&A	Service	CY 2022 G&A - 10.00%		
<input type="checkbox"/>	 CY2022 - OH	Service	CY2022 OH - 8.35%		

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Limitation of Cost / Funds Monitoring

- This is something you cannot do directly in QuickBooks
- Recommendation is to have a workbook to track offline
 - Each individual CLIN should be tracked
 - Monitor PoP End dates, ceilings, funding, total invoiced, funding remaining, etc.
 - Most T&M and Cost-Type Contracts require written notification to the ACO when getting into the last 25% of funding, so need to be able to clearly see this in whatever monitoring tool is being used

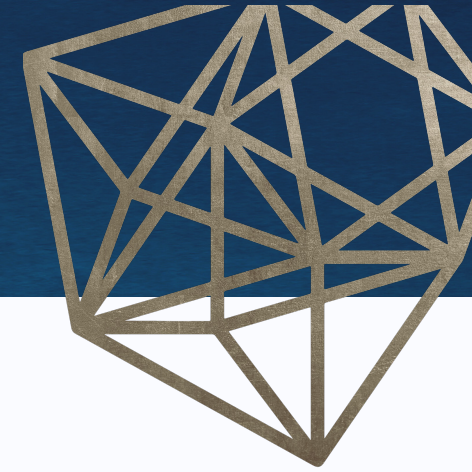
How Does a Contractor Demonstrate Compliance Using QuickBooks?



- **Limitation of Cost / Funds Monitoring cont.**

- Billing process should include a reconciliation of total amount invoiced per QB to the total invoicing per the monitoring worksheet – need to be able to demonstrate this
- Use the same P&L by Job (QBD) or P&L by Customer (QBO) report for this validation; Can also see the total invoiced in QB from the Customer List
- Documented processes should address how this monitoring worksheet is maintained – i.e. new CLIN's added, updates to existing CLINs, etc.

How Does a Contractor Demonstrate Compliance Using QuickBooks?



- Limitation of Cost / Funds Monitoring cont.

Sales

Overview All Sales Invoices **Customers** Products and services

→ SAIC | ... | Contract ABC - CLIN 1

Contract ABC - CLIN 1

[Add notes](#)

Transaction List Projects Customer Details Late Fees

Batch actions Filter Last 365 Days X Invoices X [Clear filter / View all](#)

<input type="checkbox"/>	DATE ▼	TYPE	NO.	DUE DATE	AGING	BALANCE	TOTAL	
<input type="checkbox"/>	08/31/2022	Invoice	1005	09/30/2022	23	\$35,000.00	\$35,000.00	
<input type="checkbox"/>	03/22/2022	Invoice	1002	04/21/2022	185	\$19,769.00	\$19,769.00	
Total						\$54,769.00	\$54,769.00	

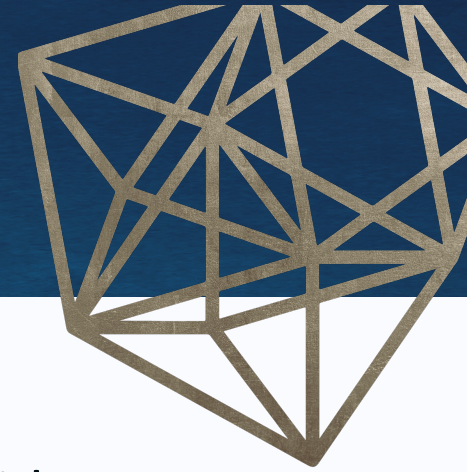
How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Indirect Rates

- Another function that cannot be performed directly in QB
- The Chart of Accounts (COA) is structured to facilitate ease of use
- Need to have an offline model for the calculation of actual rates that clearly reconciles back to the accounting system financials and cost groupings
- Recommendation is to utilize the trial balance after close each period as the basis for rate calculation
 - Format should clearly show what accounts make up both the pool and the base of each indirect rate

How Does a Contractor Demonstrate Compliance Using QuickBooks?



■ Indirect Rates cont.

- Be prepared to show and demonstrate this model, as well as validate reconciliation back to the QB P&L / cost data during the audit
- Also be prepared to show application of the calculated indirect rates to each individual contract / CLIN; This is part of the limitation of costs / funds monitoring & has to be done in excel when using QB
 - Revenue and direct costs per CLIN in this offline calculation must also reconcile back to the QB data (using the P&L by Job (QBD) / P&L by Customer (QBO), so be prepared to demonstrate that reconciliation

How Does a Contractor Demonstrate Compliance Using QuickBooks?



SUMMARY

- Critical difference between pre-award audit and post-award accounting system audits is that historical transactions are likely to be pulled as part of a post-award audit – Having processes & capability is not sufficient – must demonstrate actual compliant execution
- Post award audit is much more in depth
- We can often get a client ready for a pre-award audit in just a few weeks, but post-award preparation can require much more lead time if compliant processes haven't been followed
- P&L by Job / P&L by Customer serves as the “Job Ledger” in QuickBooks and is a critical report for essentially all processes – reconciliation to / from this report should be a key component of accounting procedures
- DOCUMENTATION!

Questions and Discussion



About Redstone Government Consulting, Inc.



Who Are We?

- A consulting team of the most experienced industry veterans, ex-DCAA auditors, and the brightest new talent in the industry.
- Our expert consultants focus solely on the needs of Government Contractors.
- Many of our Consultants previously worked in CPA firms, DCAA, law-firms, and Executive-level positions with Government Contractors.

What Do We Do?

- FAR/CAS Compliance, DCAA and DCMA Approved Systems, Outsourced Accounting, HR Compliance and Outsourcing, Contracts/Subcontracts Consulting, Costpoint, Unanet, and Training Programs for Government Contractors.

Why Redstone?

- We help you navigate the maze of government contracting. Our mission is to provide you the expertise and support you need to comply with all the government regulations impacting your back office and administration, thus allowing you to focus on what you do best – Supporting your customers and fulfilling the needs of our Government and the Warfighter.



Consulting Services



- Compliant Approved Accounting Systems
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- Accounting & Billing Systems
- Human Resources Compliance
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