

# DOE Technical Assistance Training

GovCon 101 – Business Readiness  
March 30, 2022

Timm Johnson – Director, Mason SBDC

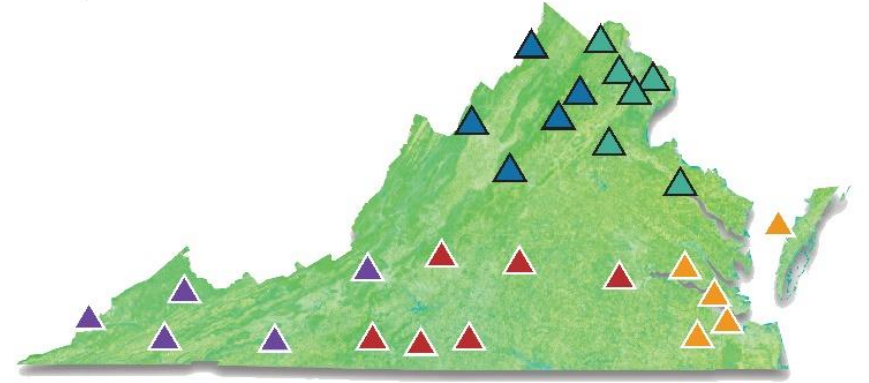


# Technical Assistance Cohort – Goals and Schedule

- Small Business Technical Assistance Webinar Series Program
- 9 Week Cohort Schedule
- Today's Schedule
- Goals – Preparing for Success, best practices for Contractors entering or growing within the Government Contracting Marketplace
- Attendees will have an active status in SAM.gov
- Who is attending today?

# Small Business Development Centers

- 27 Virginia SBDC Centers
- over 1000 Centers Nation Wide
- Visit <https://www.sba.gov/local-assistance/resource-partners/small-business-development-centers-sbdc>
- Visit <https://americassbdc.org/>



"Funded in part through a Cooperative Agreement with the U.S. Small Business Administration."





Helping business do business with government

# Find Your PTAC! – <https://www.aptac-us.org/>

- HOME
- ABOUT US
- GOVERNMENT CONTRACTING ASSISTANCE
- APTAC PARTNERS
- PTAC LOGIN
- CONTACT US

Find a PTAC

Find a Procurement Technical Assistance Center  
Click on the map below or select your state above to find the Procurement Technical Assistance Center nearest you.  
[Find American Indian PTACs »](#)



- ASSISTANCE FOR SMALL BUSINESSES
- GET THE TRAINING YOU NEED TO SUCCEED
- PTAC CLIENT SUCCESSSES

Special announcements and links

- ▶ Defense Logistics Agency (DLA) touts PTAC help for Small Businesses and Government agencies
- ▶ See *PTACs in the News* for PTAC activities and accomplishments across the nation.

## HELP FOR GOVERNMENT CONTRACTING

**Procurement Technical Assistance Centers (PTACs)**

**Free Help with SAM Registration** – and other government contracting issues.

System for Award Management (SAM) registration *is FREE*, and your PTAC can help you with this *and everything else you need* to sell to federal, state and local government agencies at little or no charge

- ▶ **Workshops and Matchmaking Events** teach you what you need to know and connect you with other businesses and agency buyers.
- ▶ **One-on-One Counseling** tailored to your specific needs – *always free* of charge!

[Find your PTAC now! »](#)

see also APTAC's *Government Contracting Intelligence* blog.



[Find National PTAC Day Events in Your Area](#)

### Hurricane/Disaster Contracting Resources

- ▶ Blog post: *Hurricane Disaster Contracting – Steps to take now*
- ▶ Federal Emergency Management Agency (FEMA) website

### Contracting Success

*In 2019, PTAC clients were awarded*

**\$24 BILLION IN CONTRACTS**

*with over*

*57,000 businesses receiving assistance.*

[Learn More ▶](#)

### APTAC Partners

APTAC and NIST-MEP Enter Partnership to Help Expand Industrial Base ([read more](#))



[Learn More ▶](#)



# 2022 DOE Training Schedule

Week	Date	Duration	Class
1	March 23, 2022	1pm – 5pm	Developing Your Value Proposition
2	March 30, 2022	1pm – 5pm	Gov Con 101
3	April 6, 2022	1pm – 5pm	Financing Business Growth
4	April 13, 2022	1pm – 5pm	Proposal Writing - Part 1
5	April 20, 2022	1pm – 5pm	Marketing to the Government - Matchmaker Prep
6	April 27, 2022	1pm – 5pm	Proposal Writing – Part 2
7	May 4, 2022	1pm-3pm	DOE Proposal Information (Class with DOE Procurement Cos to discuss what they look for in Proposals)
8	May 11, 2022	1pm – 5pm	Cost Estimation
9	May 18, 2022	1pm – 5pm	Teaming and Joint Venturing

# March 23 Session – Value Proposition Design

- Introduction to VPD – George Siragusa
- Navigating Research Sites
- Connecting your Value Proposition to Market Needs
- Building Marketing Material including Capability Statements

Past Events - <https://www.energy.gov/diversity/calendar-events>

# March 30 – GovCon Business Readiness

- Accounting Readiness
- Insurance and Bonding
- Cyber Security – Dr. Teresa Piliouras, Technical Consulting Research Inc.
- Cleared Personnel Management – Allen Salazar, Rehan Mahmood, EngineeRD

# Accounting Readiness

- Basic Accounting principles
- Indirect Rates
- DCAA Audits
- Incurred Cost Submissions
- Accounting and Timesheet Systems
- Management Controls and Fraud Prevention
- Insurance
- Bonding





# Accounting for Small Business

- Tax Preparation – Tax CPAs
- Business Financing - Lenders
- Financial Management
- Government Contracting Requirements, Certification

# Accounting Methods

- Cash Basis – typical for Tax Returns, recognizes income and expense when processed through your bank
- Accrual Basis – Transactions are based on when a transaction occurs – Invoice date for sales, Bill date for expenses. And certain accrued or prepaid expenses are realized to reflect true Asset Value or Liability Value
- Accrual Basis GAAP Compliant – Additional rules for areas like revenue recognition and cost recognition are applied
- The Government wants you to work towards GAAP compliance AND Management Controls are in place (like segregation of duties).

# CPA support for Small Business

- Tax Accountants
  - Tax Returns
  - Tax Planning
- Audit Accountants
  - Review for GAAP Compliance
  - Revenue Recognition
  - Cost Recognition
  - Liabilities Review
  - Management Controls



# Accounting For Government Contractors

- Contracting Support – Cost plus Fixed Fee, Time & Materials
- Pricing Support
- Invoicing Support
- Fraud Prevention

# Accounting For Government Contractors

- Agencies requiring audit to determine adequacies of accounting system – DCAA Audits
- Indirect Rate Negotiation (NICRA)
- Proposal documentation supporting Labor Rates and Fees

# Chart of Accounts Structure - Expense

- Direct Costs (COGS)
- Fringe Expenses
- Overhead Expenses
- General And Administrative Expenses (G&A)
- Unallowable Expenses

# Cost Centers – Direct Costs

- Direct Labor
- Subcontractors/Consultants
- Travel
- Materials
- Other ODCs
  
- **All Entries** should have a Job Code Assigned

# Cost Centers – Fringe Benefits

- Vacation, Holiday, Sick Leave Labor
- Employer Paid Payroll Taxes
- Health Insurance Premiums
- Dental, Life, Disability Insurance
- 401k Employer Match
- Other Benefits (Metro Card, Gym Membership Etc)



# Cost Centers – Overhead

- Overhead Labor
- Non-Direct Travel
- Facility Expenses
- Office Supplies
- Consultants
- Proposal Support for Existing Clients

# Cost Centers – G&A

- G&A Labor (Accounting, Bookkeeping, HR, IT)
- Business Development Labor
- Professional Fees
  - Legal
  - Accounting
  - HR
  - IT
- Liability Insurance
- Bank Fees

# Cost Centers – Unallowable

- Loan Interest Expense
- Charitable Contributions
- Advertising
- Bad Debt Expense

# Indirect Rates

- Fringe
- Overhead
- General and Administrative

# Indirect Rate Calculations – Fringe Rate

Fringe Expense divided by Labor Expense

	Fringe	
Fringe Pool	277,229	
		Fringe Allocation
Direct Labor	696,741	146,981
Overhead Labor	531,993	112,226
G&A Labor	85,433	18,022
B&P Labor	-	-
IR&D Labor	-	-
	1,314,167	277,229
	21.10%	

# Indirect Rate Calculations – Overhead Rate

Overhead Expense Divided by Direct Labor and Fringe

<b>OVERHEAD</b>		
<b>Overhead Pool</b>	440,751	
Fringe - Overhead	112,226	
<b>Total OH Pool</b>	<b>552,978</b>	
		<u>OH Allocation</u>
Direct Labor	696,741	456,646
Fringe - Direct Labor	146,981	96,332
	<b>843,721</b>	<b>552,978</b>
	<b>65.54%</b>	

# Indirect Rate Calculations – G&A Rates

G&A Costs Divided by all other Costs

G&A	
G&A Pool	106,107
G&A Fringe	18,022
<hr/>	
Total G&A Pool	124,130
Direct Labor	696,741
Overhead	440,751
Overhead Fringe	112,226
DLFringe	146,981
ODCs	2,084,384
<hr/>	
	3,481,083
	<hr/>
	3.57%

# Labor Rate Table

**Fringe Rate** 21.10% of Direct Labor  
**Overhead Rate** 65.54% of Direct Labor and Fringe  
**G&A Rate** 3.57% of Direct Labor and Fringe and Overhead

<b>Labor Category</b>	<b>Annual Salary</b>	<b>Direct Rate</b>	<b>Fringe 21.10%</b>	<b>Overhead 65.54%</b>	<b>G&amp;A Cost 3.57%</b>	<b>Total Cost</b>	<b>Fixed Fee 10%</b>	<b>Loaded Rate</b>
ADMIN Sr	\$50,000	\$24.04	\$5.07	\$19.08	\$1.72	\$49.91	\$4.99	\$54.90
ADMIN Jr	\$30,000	\$14.42	\$3.04	\$11.45	\$1.03	\$29.94	\$2.99	\$32.94
Principal Investigator	\$150,000	\$72.12	\$15.21	\$57.24	\$5.15	\$149.72	\$14.97	\$164.69
Program Mgr Sr	\$150,000	\$72.12	\$15.21	\$57.24	\$5.15	\$149.72	\$14.97	\$164.69
Project Manager Jr	\$75,000	\$36.06	\$7.61	\$28.62	\$2.58	\$74.86	\$7.49	\$82.35
Tech Writer Jr	\$45,000	\$21.63	\$4.56	\$17.17	\$1.55	\$44.92	\$4.49	\$49.41
Communications Specialist	\$70,000	\$33.65	\$7.10	\$26.71	\$2.41	\$69.87	\$6.99	\$76.86



# Indirect Rate Calculations

- Based on Historical Financials
- Utilize a Forward Looking Budget
- Effect of Increasing Direct Labor (Billable FTEs)
- Effect of Increasing Overhead Expenses

# Audit Process - DCAA

- Request made through an agency
  - Accounting System Adequacy
  - Indirect Rate Certification
- Notification Letter
  - Evaluation Objectives and Examination Criteria
  - Pre-Audit Survey (SF 1408)

# Pre-Audit Document Request

- SF 1408 Pre Audit Check List
- Accounting System and System of Internal Controls (ICQ)
- Financial Documentation
  - Last Fiscal Year's Financials
  - Indirect Rates based on Financials (3 tier model)
  - Accounting Policy and Procedures
  - Timesheet Procedures
  - Employee Handbook

<b>Contractor Name:</b>				
<b>Point of Contact(Name/Ph #/Email:</b>				
<b>CAGE Code:</b>				
<b>READY FOR AUDIT (YES) / (NO):</b>				
<b>ALL QUESTIONS MUST BE ANSWERED</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Note</b>
1. Is the accounting system in accord with generally accepted accounting principles?				<u>1</u>
2. ACCOUNTING SYSTEM PROVIDES FOR:				
a. Proper segregation of direct costs from indirect costs.				<u>2</u>
b. Identification and accumulation of direct costs by contract.				<u>3</u>
c. A logical and consistent method for the allocation of indirect costs to intermediate and final cost objectives. (A contract is final cost objective.)				<u>4</u>
d. Accumulation of costs under general ledger control.				<u>5</u>
e. A timekeeping system that identifies employees' labor by intermediate or final cost objectives.				<u>6</u>
f. A labor distribution system that charges direct and indirect labor to the appropriate cost objectives.				<u>7</u>
g. Interim (at least monthly) determination of costs charged to a contract through routine posting of books of account.				<u>8</u>
h. Exclusion from costs charged to government contracts of amounts which are not allowable in terms of FAR 31, Contract Cost Principles and Procedures, or other contract provisions.				<u>9</u>
i. Identification of costs by contract line item and by units (as if each unit or line item were a separate contract) if required by the proposed contract.				<u>10</u>
j. Segregation of preproduction costs from production costs.				<u>11</u>
3. Accounting system provides financial information:				
a. Required by contract clauses concerning limitation of cost (FAR 52.232-20 and 21) or limitation on payments (FAR 52.216-16).				<u>12</u>

4. Is the accounting system designed, and are the records maintained in such a manner that adequate, reliable data are developed for use in pricing follow-on acquisitions?				<u>14</u>
5. Is the accounting system currently in full operation? (If not, describe in Page 2 narrative which portions are (1) in operation, (2) set up, but not yet in operation, (3) anticipated, or (4) nonexistent.)				<u>15</u>

Instruction: Use this section to explain how the current accounting system supports your response to each item. If a response is N/A provide further explanation. Use as much space as needed. Provide references to current policies and procedures if applicable.

Note	Narrative
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	

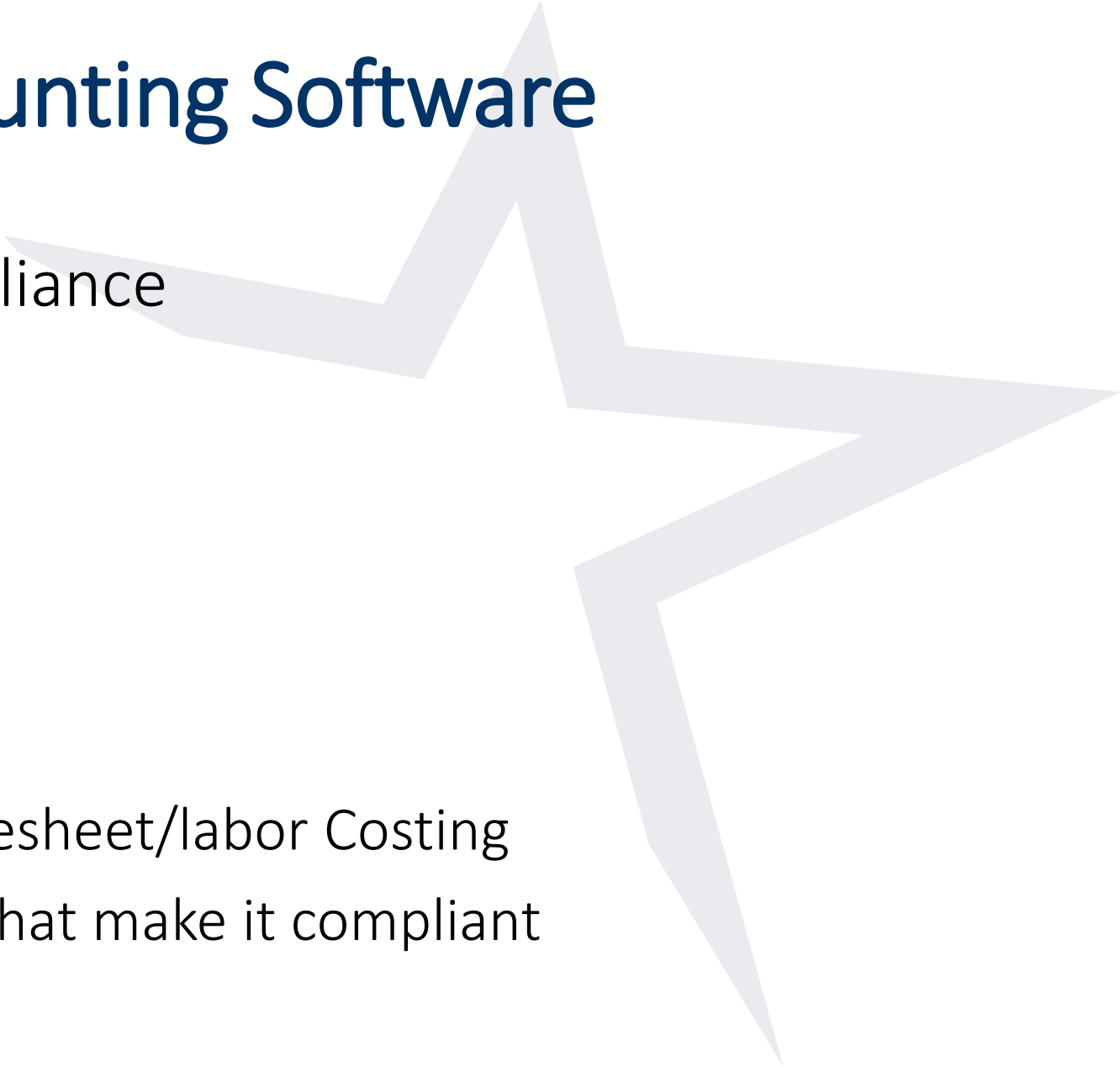
# Audit Expectations

- Utilize the SF -1408 Checklist
- “Show Me” item by item review in your System
- Screen Shots and Hard Copy Report
- Indirect Rate Calculations
- Timesheet Procedures and Labor Calculations

# Incurring Cost Submissions – CPFF Contracts

- Cost Plus Fixed Fee review of Indirect Rates at the completion of the Contract Year
- Most Contracts start with “Provisional Rates”
- Submission includes CPA 3<sup>rd</sup> party reviewed/audited financial package, and your financial documents supporting your indirect rates, job cost reports and account transaction lists
- Agency will assign auditor for review of transactions
- Adjustments to Cost for prior year depending on difference between your provision rates and actual rates
- Your Actual rate can be your NEW Year Provisional Rate

# DCAA Compliant Accounting Software

- Over 20 Vendors claim compliance
    - QuickBooks
    - Unanet
    - Aspire GovCon Accounting
    - Procas Accounting
    - Deltek Costpoint
  - Most lack integrated Payroll/Timesheet/labor Costing
  - It's really your Accounting SOPs that make it compliant
- 

# Accounting SOP table of contents

- Each Section describe the task performed, responsibilities and review process.
- Other SOPs and supporting documents include Timesheet procedures and employee manuals

## TABLE OF CONTENTS

<u>CHAPTER</u>	<u>PAGE</u>
I. Introduction .....	3
II. Division of Responsibilities .....	4
III. Chart of Accounts and General Ledger .....	6
IV. Posting Transactions and Journals .....	10
V. Journal Entry Preparation, Review and Approval .....	11
VI. Cost Policy .....	12
VII. Accounts Receivable .....	15
VIII. Accounts Payable & Expense Reimbursements .....	16
IX. Refunds and Credits .....	18
X. Credit/Debit Card Policy and Charges .....	19
XI. Bank Account Reconciliations .....	20
XII. Property and Equipment .....	21
XIII. Personnel Records .....	22
XIV. Payroll Processing .....	23
XV. End of Month and Fiscal Year-End Close .....	24
XVI. Financial Reports .....	25
XVII. Fiscal Policy Statements .....	26



# Compliant Electronic Timesheet System

- Employee Username and Password
- Submission by Employee, Review and Approval by Manger
- Audit Trail if Changes are made
- Codes for Cost Objective level accounts
- Codes for Overhead and Fringe accounts
  
- Employees MUST post Daily

# Cost Objective Level Job Cost

- Lowest Level Required by the Contract
- Hierarchical
  - Client
  - Job
  - Task or CLIN
  - Activity or Labor Category

# Cost Objective Level Job Cost

## CLIN Schedule

**CLIN 0001 - Project Management Support Services**

**CLIN 0002 - Inventory Support Services**

CLIN 0003 - Furniture, Fixtures, and Equipment Planning Support Services

CLIN 0004 - Furniture and Artwork Design Support Services

CLIN 0005 - Equipment and Medical Equipment Support Services

CLIN 0006 - IT/IM Planning Support Services

**CLIN 0007 - IOT&A Request for Proposal (RFP) Support Services**

**CLIN 0008 - Meeting Facilitation Services**

**CLIN 0009 - Transition Planning Services**

**CLIN 0010 - Knowledge Transfer**

**CLIN 0011 - Annual Reporting Requirements**

# Direct Labor and Other Direct Costs

- Transactions entered at the same Cost Objective Level
- Cost Reporting by Job
- Total Job Costs = Total Direct Cost on P&L
  
- Method for Calculating Direct Labor Job Cost
- Hourly Employees – Hours Worked by Job X Hourly Pay Rate
- Salaried Employers – Percent of Total Hours X Paid Payroll

# Employee Example

## Labor Distribution Example

Employee Name                      John Smith  
Employee Salary - Pay Period      \$5,000.00

### Chart of Accounts

Direct Labor  
Direct Labor  
Direct Labor  
G&A Labor  
Benefits Labor  
Total Hours

### Contract/Job

DOE Task Order 1  
DOE Task Order 3  
DOE Task Order 5  
Bids & Proposals  
Holiday

### Function

Project Management  
Project Management  
Project Management

### Hours

40.00  
8.00  
8.00  
16.00  
8.00  

---

**80.00**

### Labor Distribution    Labor Distribution

### Percent

50.00%  
10.00%  
10.00%  
20.00%  
10.00%  

---

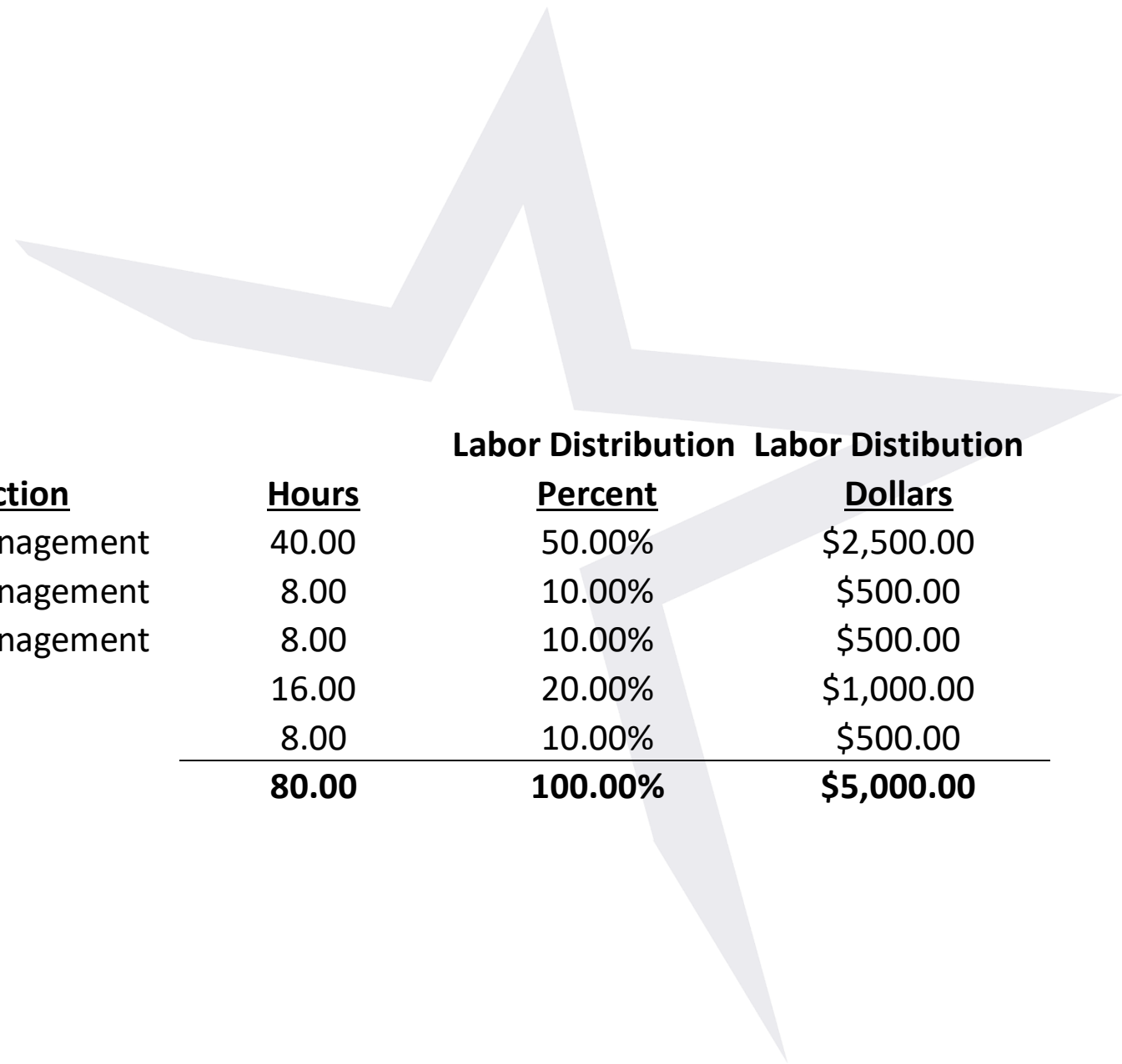
**100.00%**

### Dollars

\$2,500.00  
\$500.00  
\$500.00  
\$1,000.00  
\$500.00  

---

**\$5,000.00**



# Management Controls (ICQ)

- Roles and Responsibilities - Segregation of Duties
- Assignment of Codes
- Contract Signature Authority
- Independent Financial Audits – Review of Audit Findings

# Fraud Prevention

- Corporate Culture
- Financial Incentives leading to Falsifying Costs
  - Falsifying Timesheet Data
  - Travel
  - Materials
  - Accelerated Milestones
- Segregation of Duties – Separate Invoice creation from Approval
- Separate Cost recognition from payment authority

# Commercial Insurance

- General Liability
- Property Insurance
- Business Interruption Insurance
- Workers' Compensation Insurance
- Commercial Auto Insurance
- Cyber Liability Insurance
- Management Liability Insurance (D&O)
- Errors and Omissions Insurance (E&O)
- Crime Coverage



# What is a bond?

- **Bid Bond:** Is needed when you are bidding a project. You need to be approved for the full contract value not just the bid penalty (2%).

AND if Awarded the PROJECT

- **Payment Bond**

- Guarantees the Principal will pay all lower-tier subcontractors and vendors
- Normally written for 100% of the contract amount

- **Performance Bond**

- Guarantees work will be fully and satisfactorily completed according to the Contract Documents.
- Normally written for 100% of the contract amount

# What are the steps to be bondable?

- Anything less than **\$500,000** is similar to purchasing a **car** at a dealership
- All owner(s) and spouse(s) **personal credit** will be used for prequalification.
- The four items on the personal credit report is the following below:
  1. Current on all **payments**
  2. No open **tax liens**
  3. No open **judgements**
  4. No open **bankruptcy**

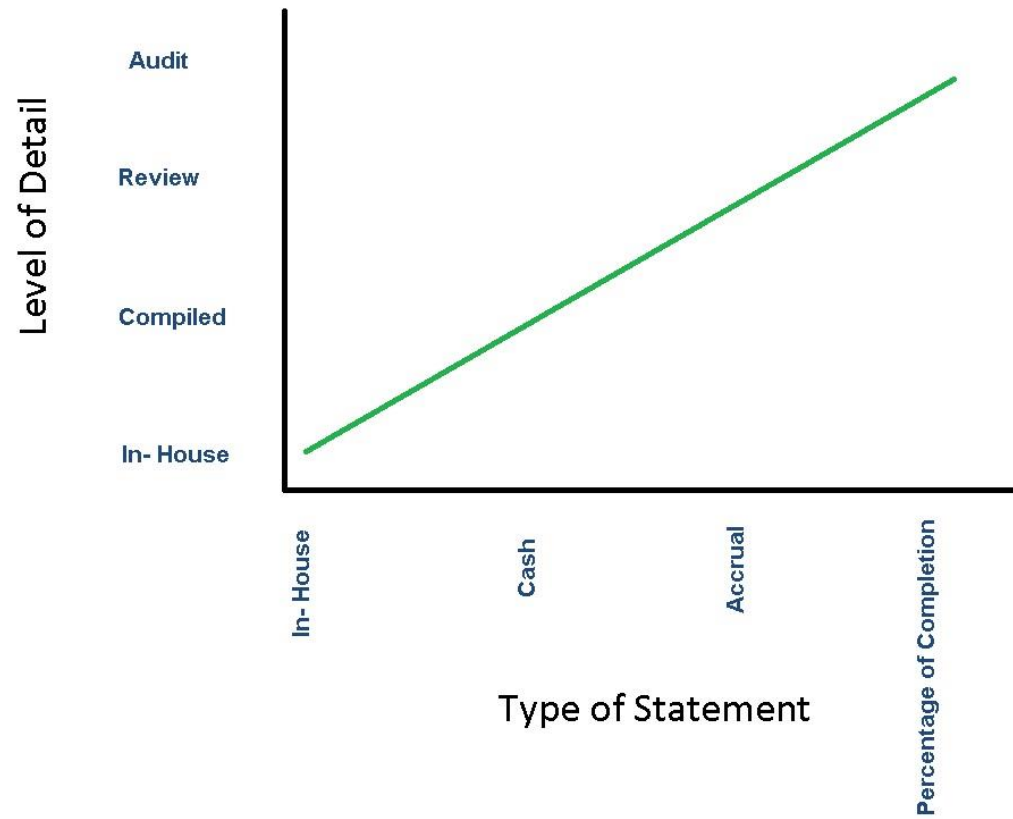


# What are the steps to be bondable?

- Anything over \$500,000 is most similar to buying a home
- The surety company will be asking for more information (resumes, company financials, past performance history..etc).
- How the surety calculates **working capital** then is from the company balance sheet
- The surety is taking the Current Assets (Cash and Receivables) and **subtracting** it with Current Liabilities (Account Payables..etc) to come up with something called **Working Capital**. That working capital is multiplied by **ten (10)** in the Standard market and by twenty (20) in the SBA Market. Also keep in mind a **bank line of credit** also counts as working capital in the SBA Market.



# What impacts your Bond Program



What Financial Statement Do you need?

# What impacts your Bond Program

Cash Basis Financial Statement

Total Current Assets – Total Current Liabilities = Working Capital

$$\$15,000 - \$5,000 = \$10,000$$

$$\text{Your Bond} = \$10,000 \times 10 = \$100,000$$

Sample Construction Company, Inc.

## BALANCE SHEET

December 31, 20##

ASSETS	20##
<b>CURRENT ASSETS</b>	
Cash	\$ 10,000
Money Market	5,000
<b>Total current assets</b>	<u>15,000</u>
<b>PROPERTY AND EQUIPMENT</b>	
Furniture and fixtures	20,000
Machinery and equipment	40,000
Leasehold Improvements	5,000
	<u>65,000</u>
Accumulated depreciation	(40,000)
	<u>15,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 30,000</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>20##</b>
<b>CURRENT LIABILITIES</b>	
Income taxes payable	5,000
<b>Total current liabilities</b>	<u>5,000</u>
<b>Long Term Liabilities</b>	5,000
<b>Total liabilities</b>	<u>10,000</u>
<b>STOCKHOLDERS' EQUITY</b>	
Common stock	1,000
Additional paid-in capital	4,000
Retained earnings	10,000
<b>Total stockholders' equity</b>	<u>\$ 20,000</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 30,000</u></u>

# What impacts your Bond Program

Sample Construction Company, Inc.		
BALANCE SHEET		
December 31, 20##		
ASSETS		20##
<b>CURRENT ASSETS</b>		
Cash	\$	10,000
Money Market		5,000
Accounts Receivables		635,000
<b>Total current assets</b>		<u>650,000</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and fixtures		20,000
Machinery and equipment		40,000
Leasehold Improvements		5,000
		<u>65,000</u>
Accumulated depreciation		<u>(40,000)</u>
		<u>15,000</u>
<b>TOTAL ASSETS</b>	\$	<u><u>665,000</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		20##
<b>CURRENT LIABILITIES</b>		
Income taxes payable		5,000
Accounts Payable		145,000
<b>Total current liabilities</b>		<u>150,000</u>
Long Term Liabilities		5,000
<b>Total liabilities</b>		<u>155,000</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock		1,000
Additional paid-in capital		4,000
Retained earnings		<u>505,000</u>
<b>Total stockholders' equity</b>	\$	<u>510,000</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$	<u><u>665,000</u></u>

Accrual Basis Financial Statement

Total Current Assets – Total Current  
Liabilities = Working Capital

$$\$650,000 - \$150,000 = \$500,000$$

$$\text{Your Bond} = \$500,000 \times 10 = \$5,000,000$$

# What impacts your Bond Program

Sample Construction Company, Inc.

**BALANCE SHEET**  
December 31, 20##

ASSETS	20##
<b>CURRENT ASSETS</b>	
Cash	\$ 10,000
Money Market	5,000
Accounts Receivables	635,000
Excess of billings on uncompleted contracts	200,000
<b>Total current assets</b>	<b><u>850,000</u></b>
<b>PROPERTY AND EQUIPMENT</b>	
Furniture and fixtures	20,000
Machinery and equipment	40,000
Leasehold Improvements	5,000
	<u>65,000</u>
Accumulated depreciation	<u>(40,000)</u>
	<u>15,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 865,000</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
20##	
<b>CURRENT LIABILITIES</b>	
Income taxes payable	5,000
Accounts Payable	145,000
Billings in excess of costs and estimated earnings on uncompleted contracts	100,000
<b>Total current liabilities</b>	<b><u>250,000</u></b>
Long Term Liabilities	5,000
<b>Total liabilities</b>	<b><u>255,000</u></b>
<b>STOCKHOLDERS' EQUITY</b>	
Common stock	1,000
Additional paid-in capital	4,000
Retained earnings	605,000
<b>Total stockholders' equity</b>	<b><u>\$ 610,000</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 865,000</u></b>

Percentage of Completion

Total Current Assets – Total Current Liabilities =  
Working Capital

$\$850,000 - \$250,000 = \$600,000$

Your Bond =  $\$600,000 \times 10 = \$6,000,000$

## How does having a surety company benefit you?

- Bonding capacity can increase your project opportunities
- Bonding is a competitive advantage
- Objective 3rd party with a broader perspective-evaluating contractors is what they do.
- Access to a trusted advisor and an advocate
- Access to expertise in accounting, law, with deep relationships and understanding of surety and construction



# Questions?

And take a break – Start back at 2:30pm

