**Procedures necessary to ensure compliance with the Federal Acquisition Regulations (FAR) and the Cost Accounting Standards (CAS)**

Phase II SBIR, STTR, R01 and BAA grants and contracts are usually awarded on a cost-plus fixed fee basis in accordance with government procurement rules contained in Federal Acquisition Regulation (FAR), specifically FAR 52.216-7.

This checklist serves to document the ongoing tasks that need to be performed in order to maintain a compliant accounting system.

**Jameson Accountant Client**

**Ongoing Cash Management**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Review incoming invoices from vendors and ensure that there are no duplicate charges, returns, or unapplied payments for checks recently issued. |  |  |  |
| 1. Stamp and code invoices as a direct, indirect or unallowable expense in accordance with the chart of accounts. |  |  |  |
| 1. Enter invoices into QuickBooks to pay. |  |  |  |
| 1. Collect 1099 information for all new non-corporate vendors. |  |  |  |
| 1. Issue payments twice a month for manual or electronic signature (after ensuring that adequate cash is on hand). |  |  |  |
| 1. Reconcile QuickBooks general ledger to bank statement monthly. Note: A strong systemic check and balance is provided by having someone other than the person who manages the checkbook, reconcile cash. |  |  |  |
| 1. Resolve “stale” outstanding checks that don’t clear the bank within 6 months. |  |  |  |
| 1. Continuously monitor cash balance as necessary and follow up on collection status of all customers billed. Release payments to vendors accordingly. |  |  |  |

**Credit Card Management**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Obtain supporting documentation for all company credit card charges (and other online purchases) from all authorized employees. |  |  |  |
| 1. Properly code monthly credit card charges as direct, indirect, or unallowable in a VERY TIMELY manner as interest charges can be steep if the bill is paid late. |  |  |  |

**Timecard and Employee Resource Planning and Management**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Collect all timecard and ensue that they are filled out properly (i.e. people working on holidays). |  |  |  |
| 1. Maintain weekly, semi-monthly, or monthly labor distribution – distribute $85,000/2,080 across all time charged for the week (being careful of retroactive raises and uncompensated overtime). |  |  |  |
| 1. Develop company policies (i.e. vacation, holiday, sick, capitalization, etc.). Enforce as issues arise. |  |  |  |
| 1. Reconcile the labor distribution throughout the general ledger to the outside payroll tax reports (required schedule in annual incurred cost submission). |  |  |  |

**Cutoff**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Generally cutoff is not an issue with standard monthly closing. However, at the end of the Company’s fiscal year (typically 12/31) it is CRITICAL to ensure that all 2011 charges (for products received in 2011 or for services performed in 2011) are coded to December of 2011 and all charges for all goods or services received in 2012 are coded in January of 2012. One of the most important steps here is to call all consultants (who may be motivated by avoiding taxes) to get their November and December invoices into the system as early in 2012 as possible as these must be accounted for as 2011 costs. Similarly, hospitals, universities, and some other subcontractors have very poor billing practices and may need to be prodded. |  |  |  |

**Other Assets**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Material prepaid expenses should be recorded on the balance sheet and amortized into the profit and loss statement. |  |  |  |
| 1. Potentially depreciable items with a useful life > 1 year (that are not directly charged to a specific grant or contract) should be capitalized in accordance with the Company’s accounting policies and procedures. These capital assets should be recorded on the balance sheet and depreciated in accordance with their GAAP useful life (tax is not allowable). |  |  |  |

**Accrued Expenses**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Accrued expenses should be maintained as balance sheet liabilities. As an example, vacation should be charged to the profit and loss statement as earned. The resulting liability should be tracked on an employee by employee basis on the balance sheet in accordance with the Company’s accounting policies and procedures. Any vacation taken by the employee should reduce the liability. |  |  |  |
| 1. If retirement plan is part of the Company’s fringe benefit package a monthly accrual should be made to the balance sheet and profit and loss to accrue for this liability. Employee census information should be provided to the Company actuary prior to the year end to ensure that the Company does not run afoul of the ERISA top-heavy rules. Retirement plans funded on a monthly basis, or plans that allow employees to self-direct pre-tax contribution must be administered in a timely manner. |  |  |  |

**Debt**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. If the Company has borrowed money, special care needs to be taken to carefully plan cash flow so as to minimize (unallowable) borrowing costs. A repayment plan is essential. |  |  |  |
| 1. Loan obligations from the bank or investors (true notes payable) must be monitored and met in accordance with terms and conditions. |  |  |  |

**Equity**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. If the Company has third party investors, a capitalization table must be maintained. |  |  |  |
| 1. Stock options and warrants must be tracked and accounted for when issued and exercised. |  |  |  |

**Contract and Grant Management**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. All new grants and contracts (or modifications) should be summarized in a contract briefing summary. This executive summary should outline the major financial highlights and budgetary constraints of each cost category of the project. |  |  |  |
| 1. Run a job cost report in QuickBooks and reconcile it to the Company’s mechanism for allocating provisional indirect rates. |  |  |  |
| 1. Maintain a job cost report on a monthly basis for all active projects in EXCEL (as QuickBooks is not able to run job cost reports at provisional rates). Reports should be run using targeted or provisional rates with an annual analysis of indirect rate over/ under runs that have/ have not been billed to each project. These reports are the BACKBONE of the cost accounting system and a CRITICAL managing tool! These reports are used for government billings, managing, employees and ensuring the profitability of each project. |  |  |  |
| 1. Monitor the period of performance dates for all active contracts and grants and alert management of all projects as they hit the 80% spent point or have 2 months prior to ending so they can be spent out or extended. |  |  |  |
| 1. Maintain an executive summary of the following items on a monthly basis: 2. Targeted indirect rates vs. the actual cumulative indirect rates on a monthly basis (and resulting cost impact). 3. Cumulative contract spending backlog remaining, and 4. Period of performance end dates 5. “Months to live” based on the monthly spending rate vs. current funding, amounts awarded but not yet funded, and “hopes” to provide management with a feeling of the balance between proposing new work and preforming on existing work. |  |  |  |
| 1. Prepare all Financial Status Reports 90 days after a grant ends or DoD equivalent for contracts re: contract close out documents. |  |  |  |
| 1. Prepare quarterly FFR reports reporting actual grant spending with the Payment Management System. DoD equivalent exists for some customers. |  |  |  |

**Indirect Rate Monitoring**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Prior to year end – perform a search for assets improperly expensed (typically to repairs or computer supplies) that should have been capitalized. |  |  |  |
| 1. Annually - perform a fluctuation analysis and investigate all material deviations as this is a standard auditor test and they will ask questions on all material deviations. |  |  |  |
| 1. Annually – perform a recurring items test (a.k.a 12 months test) to ensure that the P&L reflects 12 months of rent, 12 phone bills, etc. |  |  |  |
| 1. Annually – prepare a written comparison of all budget vs. actual for all expense categories as this is a standard auditor test and they will ask questions on all material deviations. |  |  |  |
| 1. Review all costs for those specifically unallowable. Make note of all “marginal” expense items in order to advise management of potential risks upon audit. |  |  |  |
| 1. If applicable, calculate unallowable rent paid to related parties. |  |  |  |

**Revenue Recognition – Tracking Customer Advances & Unbilled Receivables**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Invoice all clients. Document all PMS draws and WAWF billings. |  |  |  |
| 1. After invoicing a client, compare cumulative revenue recognized in QuickBooks to the total revenue earned in the job cost/backlog report. |  |  |  |
| 1. Analyze net income on the profit and loss statement to ensure that it properly reflects income earned by the company. Specifically, any indirect rate under run should be reflected as a liability on the balance sheet and will reduce revenue and net income as that under run either needs to be spent or will be refunded to the overbilled customer(s). |  |  |  |

**Other items –**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. Other miscellaneous items not included in previous points: |  |  |  |
| 1. Prepare local property tax report. |  |  |  |
| 1. Prepare Federal Census report. |  |  |  |
| 1. Represent client during Workman’s Compensation audit. |  |  |  |
| 1. Prepare sales and use tax filings. |  |  |  |
| 1. Prepare 1099 and 1096 forms. |  |  |  |
| 1. Prepare Secretary of State annual report filing |  |  |  |
| 1. Prepare annual salary census for pension plan actuary. |  |  |  |
| 1. Prepare fringe benefit information and report it to payroll service. |  |  |  |