



Thank you for joining us!

The presentation will begin shortly.



accountingTODAY

2023 **Best Firms to Work For**

accountingTODAY

2023 **Firms to Watch**

accountingTODAY

2023 **Regional Leaders**

Compliance Tips & Tools for 8(a) and Small Business Government Contractors

Tuesday, February 27, 2024



CPAs & ADVISORS

Yevgeniy Sukhenko, CPA
Partner, OAAS

Paul Calabrese
Principal, OAAS

Steve Lyons, CPA
Senior Manager, OAAS

Tommy Benz
Principal, Growth Lab

Presenters

Meet the instructors



**Yevgeniy
Sukhenko**
CPA



**Paul
Calabrese**



**Steve
Lyons**
CPA



**Tommy
Benz**



Housekeeping

Additional Information

Learning Objective To provide government contractors with a comprehensive toolkit for maintaining compliance.	Instructional Delivery Methods Group Internet-based
Recommended CPE 1 CPE Credit	Recommended Fields of Study Specialized Knowledge
Prerequisites None required	Advance Preparation None
Program Level Basic	Course Registration Requirements None
Refund Policy No fee is required to participate in this session.	Cancellation Policy In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.
Complaint Resolution Policy GRF CPAs & Advisors is committed to our participants' 100% satisfaction and will make every reasonable effort to resolve complaints as quickly as possible. Please contact kdavis@grfcpa.com with any concerns.	
Disclaimer This webinar is not intended as, and should not be taken as, financial, tax, accounting, legal, consulting or any other type of advice. Readers and users of this webinar information are advised not to act upon this information without seeking the service of a professional accountant.	

GRF CPAs & Advisors



Personal
Service With
Powerful
Solutions

Audit & Advisory Firm Headquartered in Washington, DC Metro Region,
servicing clients across the United States and worldwide

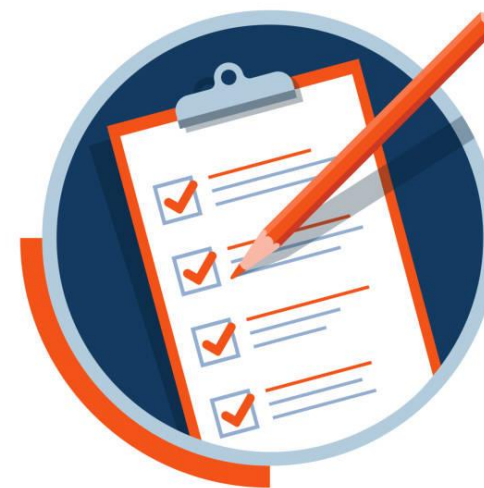
GRF Solutions



CPAs & ADVISORS

Topics

1. Annual Budget & Projected Indirect Rates
2. Annual Financial Statement Requirements of 8a Participants
3. System Considerations
4. Free Tools to Identify Federal Opportunities
5. Closing and Q&A



Annual Budget & Projected Indirect Rates



Provisional Billing Rates (PBR) for DCAA

- DCAA “Demand” Letter for yearly PBRs
 - Projected / forecasted indirect rates for upcoming fiscal year
 - Usually if you have mix of CPFF contracts
- The need for an annual budget
 - Forecasts indirect rates for upcoming year
 - The auditors will want to see both the prior year PBR and the prior year indirect rate submission.



Provisional Billing Rates (PBR) for DCAA

- What if DCAA does not require PBRs
 - Your contract mix may be fixed price / T&M, with no CPFF contracts
 - You are only a subcontractor to prime government contractors
- Reasons for Forecasted Indirect Rates based on Annual Budget
 1. Annual budget is important to view your revenues and expenses from a 20,000 foot strategic view
 - Personnel required to perform contracts or support indirect functions
 - Financial resources needed, i.e. cash flow and year-end tax planning
 - The expense “roadmap” by G/L account, by contract, by labor distribution, direct and indirect cost, segregating and understanding impact of unallowable expenses



Provisional Billing Rates (PBR) for DCAA

2. Prepare indirect rates from direct and indirect costs to view end-of-year rate
3. Build annual budget monthly to replace projected months with actual monthly data to ascertain the changing indirect rates at year-end
4. If your mix is fixed price / T&M, higher burdens than expected could result in losses
 - Caution: “Guess-timating” indirect rates can cause problems
 - Article on Indirect Rates: <https://www.grfcpa.com/resource/strategies-for-indirect-cost-recovery-for-fixed-price-government-contractors/>



Polling Question #1

Are you struggling in forecasting your indirect rates for each upcoming fiscal year?

- A. *Yes*
- B. *No*
- C. *Unsure*



Provisional Billing Rates (PBR) for DCAA



5. If your mix is CPFF, lower actual rates than provisional = cash liability; or higher rates than provision means you might not recover indirect due to ceiling rates or funding limitations
6. Forecasted indirect rates are used on funding mods, and new proposals



Annual Financial Statement Requirements of 8a Participants



Overview of Financial Statement Audit, Review, and Compilation

- **Audited Financial Statements** - The audit is the highest level of assurance service that a CPA performs and is intended to provide a user comfort on the accuracy of financial statements. CPA performs procedures in order to obtain reasonable assurance that the financial statements are free from material misstatement.



Overview of Financial Statement Audit, Review, and Compilation



- **Reviewed Financial Statements** - A financial statement review engagement is to provide limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial reporting framework.



Overview of Financial Statement Audit, Review, and Compilation

- **Compiled Financial Statements** - In a compilation engagement, the objective is to assist management in presenting financial information in the form of financial statements without undertaking to provide any assurance that there are no material modifications that should be made to the financial statements so they will conform to the acceptable financial reporting framework.



Annual Financial Statements Requirements of 8a Participants



*Note: Deadline for required financial statements is within **90 days** after the close of the year for compilations & reviews, and **120 days** for audits.*





> \$10,000,000 Gross Receipts

1

Financial Statement Requirements

1. Annual gross receipts > \$10,000,000
2. Must submit *AUDITED* financial statements
3. Prepared by a licensed independent public accountant in accordance with accounting principles generally accepted in the United States of America
4. Within 120 days of the close of the fiscal year

SBA REPORTING REQUIREMENTS

Exceptions to Audited Statements

1. In the 1st year where gross receipts exceed \$10 million, the participant may provide audited balance sheet with income statements and cash flow receiving the level of service required for previous year, review or none depending on sales.
2. SBA District Director may waive requirement for a show of good cause.
3. Unexpected sales growth towards the end of fiscal year that causes unforeseen need for audit or cannot afford the audit or participant < 12 mos

2

SBA DEFINITION OF RECEIPTS

Calculating Annual Receipts

1. RECEIPTS means all revenue in whatever form
2. Received or accrued
3. From sales of products, services, interest, dividends, rents, royalties, fees, commissions, reduced by returns and allowances.
4. Receipts are considered "total income" or "gross income" plus the Cost of Goods Sold as defined by the IRS.

Between \$2,000,000 - \$10,000,000

Financial Statement Requirements

1. Annual gross receipts between \$2,000,000 and \$10,000,000
2. Must submit *REVIEWED* financial statement
3. Prepared by a licensed independent public accountant in accordance with accounting principles generally accepted in the United States of America
4. Within 90 days of the close of the fiscal year

< \$2,000,000 Gross Receipts

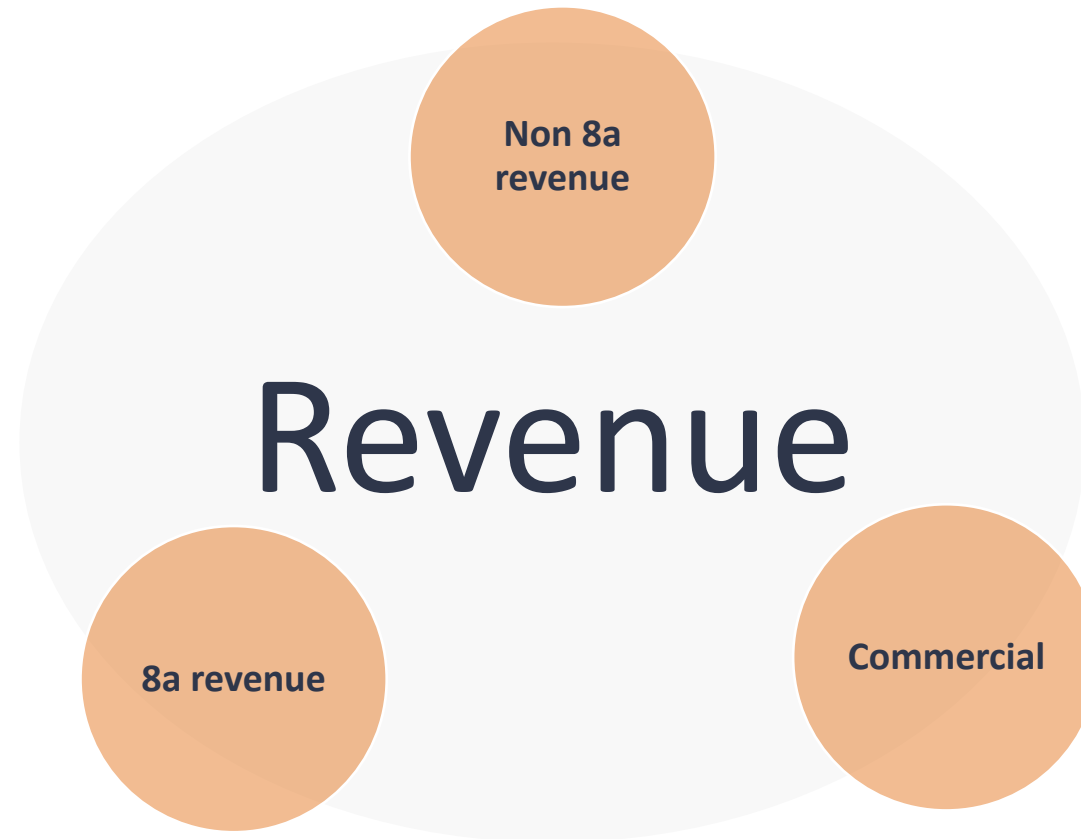
1

Financial Statement Requirements

1. Annual gross receipts less than \$2,000,000
2. Must submit either:
 - a. In-house prepared annual statement
 - b. Prepared by a licensed independent public accountant
 - c. Verified accuracy by an authorized officer, partner, limited liability member or sole proprietor, including signature and date
3. Within 90 days of the close of the fiscal year



Additional Highlights of 8a Financial Statements Submitted to the SBA



Polling Question #2

True or false: You are required to have a compiled financial statement if you have revenues between 2 million and 10 million within your calendar or fiscal year?

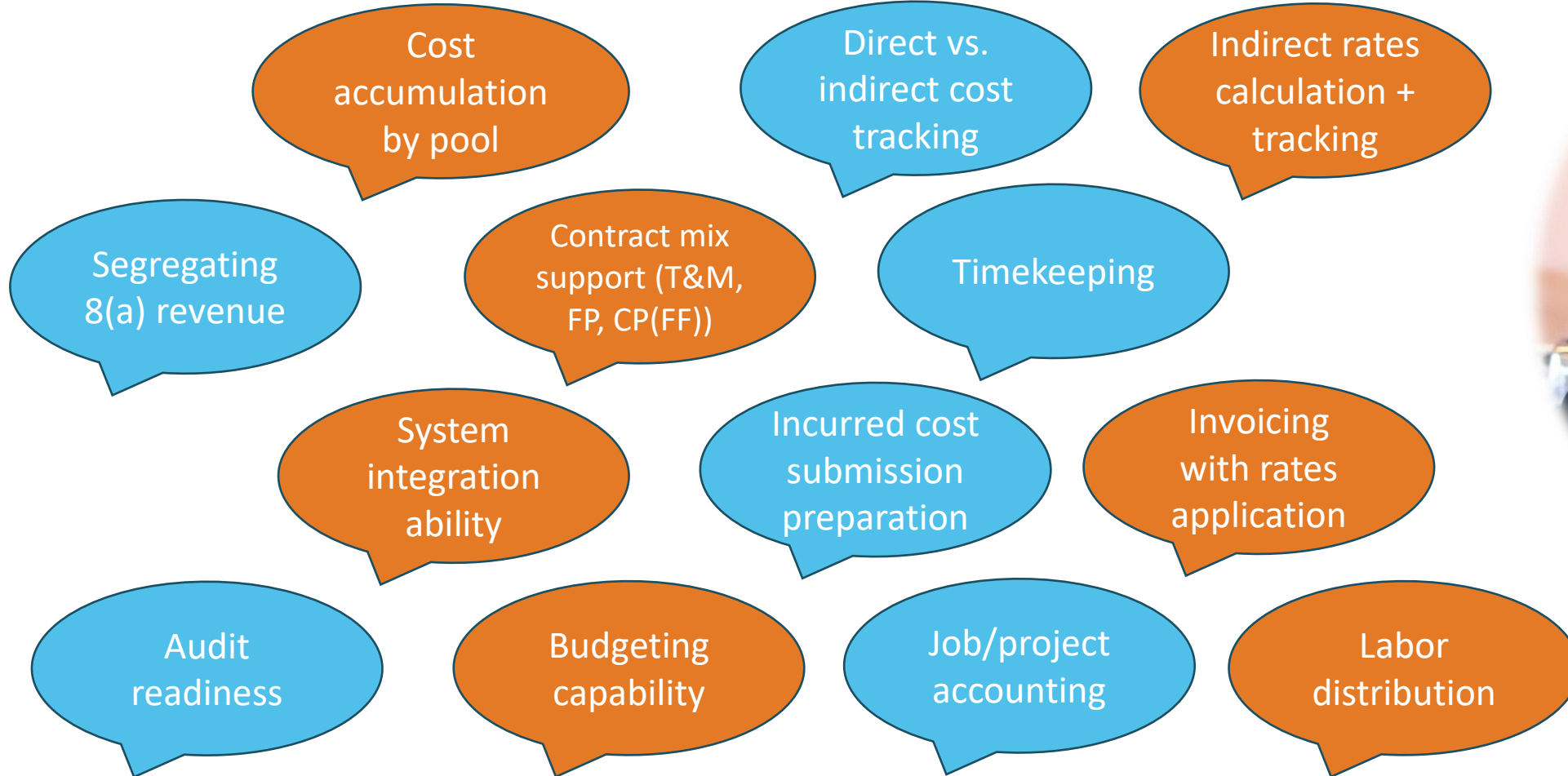
- A. *True*
- B. *False*
- C. *Unsure*



System Considerations



General System Considerations



There's a lot to think about here!



Key System Considerations – 8(a)

Segregating 8(a) Revenue

- Via chart of accounts
- Via system “tags”/dimensions

Direct vs. Indirect Cost Tracking

- Clear distinction in chart of accounts
- Support allocation methodologies for indirect cost distribution

Job/Project Accounting

- Detailed project/profitability tracking
- Application of indirect rates



Key System Considerations – GovCon

Indirect Rates Calculation + Tracking

- Set-up + monitoring of pools and bases
- Real-time reporting of indirect rates

Cost Accumulation by Pool

- Support for management of multiple cost pools
- Posting to GL accounts updates pool balances

System Integrations

- Open API
- Synchronization with project management, procurement, and HR systems



QuickBooks Online (www.apps.com)



**GOVCON
CONNECT**



GovieRates



emburse

nexonia



Sage Intacct (Sage Marketplace)



- Dynamic allocations for automatic and recurring labor distribution
- Milestone, % complete, and custom revenue recognition patterns ensure compliance with ASC 606 and IFRS 15
- Dimensional and non-financial reporting for visibility into P&L by project, labor utilization, budget v. actual by project, etc.



Other Solutions

Deltek.
Costpoint >

SYMPAQ
*Project Cost Accounting Software
for Government Contractors*

 **JAMIS**[®]

 **grf** CPAs & ADVISORS


Unanet[™]

 **RKPLAN**

 **PROCAS**[®]



Polling Question #3

Which GovCon or 8(a)-specific system considerations are you finding the most difficulty with handling?

- A. *Detailed project/profitability tracking*
- B. *Calculating and monitoring real-time indirect rates*
- C. *Integrating with other systems (like project management, procurement, HR, etc.)*
- D. *Other*



Free Tools to Identify Federal Opportunities

Leverage free tools to identify opportunities.



FedConnect

**Department /
Agency
forecasts**

SAM.gov is a great tool to receive / review opportunities



- Receive alerts for contract opportunities, awards, and updates to opportunities
- Review publicly available RFPs / RFIs
- Review award data and company information

USASpending is a great tool for a snapshot of a contract



- The data is more accessible than FPDS, but it's not live. They are required to do an update every 30 days.
- Contract data is presented in simple charts and graphs that do not change - until the next upload is done

FPDS is a great tool for real-time contract data.



- Live data provided by contracting
- Official source for contract data by the federal government
- Contains the summary level data for contracts, e.g. contractor, length of contract, and awarded amounts

GSA eBuy is a great tool for live opportunities



- Requires GSA Schedule to view
- More reactive with shorter windows to reply
- Limited competition, limited to companies with that Schedule and/or SIN

Agency forecasts are great too

- One of the best sources of information particularly for new requirements
- Each year (est.), government agencies publish a list of anticipated contracts
- Some are rolling, others are once per year
- Varying degrees of how current they are
- Agencies are better than others. Many do the bare minimum while others provide meaningful detail.



Connect with Tommy on LinkedIn.

Tommy Benz
tommy@8astrategies.com

Questions?

Contact Us



CPAs & ADVISORS



Offices in DC and NYC

Serving clients across the globe

301-951-9090 | www.grfcpa.com



**Yevgeniy
Sukhenko**
CPA

ysukhenko@grfcpa.com



**Paul
Calabrese**
CPA

pcalabrese@grfcpa.com



**Steve
Lyons**
CPA

slyons@grfcpa.com



**Tommy
Benz**
CPA

tommy@growthlab.us





Disclaimer

This webinar is not intended as, and should not be taken as, financial, tax, accounting, legal, consulting or any other type of advice. While we use reasonable efforts to furnish accurate and up-to-date information, we do not warrant that any information contained in or made available in this webinar is accurate, complete, reliable, current or error-free. We assume no liability or responsibility for any errors or omissions in the content of this webinar.

The use of the information provided in this webinar does not establish any contractual or other form of client engagement between GRF CPAs & Advisors and the reader or user. Any U.S. federal tax advice contained in this webinar is not intended to be used for the purpose of avoiding penalties under U.S. federal tax law. Readers and users of this webinar information are advised not to act upon this information without seeking the service of a professional accountant.