

# HOUSEKEEPING



- All participants are muted to reduce background noise
- Use the chat feature to ask questions
- This training is being recorded
- We will be pausing throughout the presentation to address questions
- Please be patient
- Complete the post-event evaluation



# LUNCH AND LEARN MODULE 5

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<https://www.sdivsbdc.org/>



# MODULE 5: THE FINAL FRONTIER

- What is your cost
- Financial Statements
- Fixed Price Contracts Versus Pay for Performance
- Cost Reimbursement
- Accounting Systems
- Direct Versus Indirect
- Corrective Action

# DEFINE COST

Cost is the actual dollar amount the project is going to cost you without profit!

This is the starting point!

Be sure to include ALL costs!

- Direct labor
- Indirect labor
- General and Administrative
- Other Direct Costs (ODCs)

Do you  
know your  
cost?

# DEFINING...

## DIRECT

- As the name implies
- Cost directly associated with the project
- Labor
- Materials
- Supplies

## INDIRECT/G&A

- Costs associated with running the business
- Not directly related to the project
- Rent
- Utilities
- Insurance

## ODCs

- Other Direct Costs
- Specific to the project
- Travel
- Project specific equipment

# CRUNCHING THE NUMBERS



- How much do you need to earn?
- How much does it cost you to operate your business (G&A)?
- What is your labor category?
- What other labor categories does your business have?
- What are industry standards for your labor categories?
- Is this prevailing wage?
- What restrictions are there?

*For assistance with identifying your cost, please email us at [centerinfo@miracosta.edu](mailto:centerinfo@miracosta.edu)*

# ACCOUNTING AND STATEMENTS

- What accounting system do you use?
  - ✓ QuickBooks
  - ✓ Wave
  - ✓ Excel
- Are you following GAAP: Generally Accepted Accounting Principles
- How do you account for your income/expenses?
- Income Statement / Profit and Loss (P&L)
- Project specific income statement
- Schedule of expenditures
- Contract audits (2 CFR 200: <https://www.law.cornell.edu/cfr/text/2/part-200>)

# ARTICLE 11

## AUDIT AND INSPECTION

### ARTICLE 11 AUDIT AND INSPECTION OF RECORDS

The County shall have the audit and inspection rights described in this section.

- 11.1 Audit and Inspection. Contractor agrees to maintain and/or make available within San Diego County accurate books and accounting records relative to all its activities under this Agreement. Authorized federal, State or County representatives shall have the right to monitor, assess, or evaluate Contractor's performance pursuant to this Agreement, said monitoring, assessments, or evaluations to include but not limited to audits, inspection of premises, reports, and interviews of project staff and participants. Contractor assertions of confidentiality shall not be a bar to full access to the records.

At any time during normal business hours and as often as County may deem necessary, Contractor shall make available to County, State or federal officials for examination all of its records with respect to all matters covered by this Agreement and will permit County, State or federal officials to audit, examine and make excerpts or transcripts from such records, and to make audits of all invoices, materials, payrolls, records of personnel, information regarding clients receiving services, and other data relating to all matters covered by this Agreement. If an audit is conducted, it will be done in accordance with generally accepted government auditing standards as described in "Government Auditing Standards," published for the United States General Accountability Office or the institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

If any services performed hereunder are not in conformity with the specifications and requirements of this Agreement, County shall have the right to require the Contractor to perform the services in conformity with said specifications and requirements at no additional increase in total Agreement amount. When the services to be performed are of such nature that the difference cannot be corrected, County shall have the right to (1) require Contractor immediately to take all necessary steps to ensure future performance of the services in conformity with requirements of the Agreement, and (2) reduce the Agreement price to reflect the reduced value of the services performed. In the event Contractor fails to perform



# SUGGESTIONS/RECOMMENDATIONS

- If you do not already have an accounting system in place: GET ONE!
- If you are using a Bookkeeper, be sure to monitor your financials weekly
- If you are using a Bookkeeper, make sure they understand contract financial management
- Create an account that is used specifically for the project
- Implement, practice, and review GAAP
- Develop, implement, practice a financial controls system

# TYPES

## Fixed Price

- Price that is not subject to any adjustment.\*
- This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss.
- Used when there is a definitive scope of work.

## Pay For Performance

- Acquiring supplies or services on the basis of- (1) Direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and. (2) Actual cost for materials.
- Rates are established prior to award.
- Used when a timeline is unknown.

<https://www.acquisition.gov/far/part-16>

# COST REIMBURSEMENT CONTRACT

- A cost reimbursable contract (sometimes called a cost plus contract) is one in which the contractor is reimbursed the actual costs they incur in carrying out the works, plus an additional fee.
- These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer.
- Costs and fees are established upon contract award.
- Typically requires submission of actual invoices for supplies, subcontractors, etc.

# TIPS

- Have an easy to use accounting system
- Monitor your financials regularly
- Create a separate account to track income and expenses per contract
- Know the type of contract BEFORE submitting a proposal
- Know your cost
- Don't freak out if you are audited; respond
- Understand cash flow
- Get access to funding early/before you need it

# NEXT STEPS?

- Establish your costs/labor categories
- Establish an accounting system
- Become familiar with the different types of contracts
- When in doubt, ASK
- Want to Fast-Track? On Demand Government Contracting Series starting with On Demand! Government Contracting Series Module 1: Establishing a Foundation for Success. To register for module 1 go to <https://www.sdivsbdc.org/on-demand-training-government-contracting/>

# NO COST SUPPORT



- Business Planning
- Strategic Planning
- Access to Capital
- Proposal Writing
- Capabilities Statements
- Certifications
- Startup
- Marketing
- Technology Commercialization

Live Trainings

On Demand Trainings

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# QUESTIONS

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