

4 Essentials to Becoming a Successful Government Contractor



RULES

TOOLS

CONTROLS

SCHOOLS

How to tap expertise and systems to pass government audits and fulfill contracts efficiently



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Microsoft Partner



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Introduction

If you are a government contractor doing business with the Department of Defense (DoD), federal, civil, or state and local agencies, you face an enormous challenge: provide detailed cost information—direct and indirect expenses—for each contract, project, and task in order to remain compliant with government regulations, and be able to support your costs under audit by the Defense Contract Audit Agency (DCAA), Defense Contract Management Agency (DCMA) or other cognizant auditor.



Moreover, among other internal controls, you must prove to the government that you have “Contractor Business Systems” that adequately track and report on costs, demonstrate that you have purchasing methods that efficiently spend government funds, and have a well-trained financial management team ready for annual and surprise “floor-check” audits or one of the other eight possible audits. What’s more, the Federal Acquisition Regulation (FAR) requires that contractors properly apply costs to intermediate and final cost objectives, which necessitates the capability of tightly integrating project management and financial accounting.

The burden of compliance is not limited to major contractors. All contractors must adhere to both the applicable Federal Acquisition Regulation (FAR) and FAR clauses that your contracting agency has included in your contract. Some contractors are also subject to the requirements of the federal Cost Accounting Standards (CAS). Regardless, despite certain exemptions for small contractors, all contractors have specific requirements for (1) their system, (2) cost accounting procedures, and (3) incurred cost reporting. Most contractors will find that they are required to substantiate the adequacy of their accounting system during a pre-award audit, and many will find the DCAA returning for periodic incurred cost proposal and business system audits.

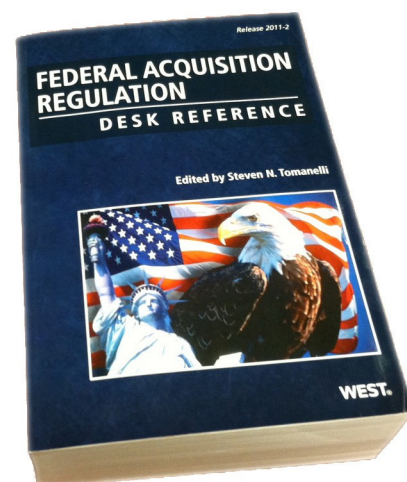
This document lays out four essential ingredients an organization needs to excel as a government contractor. They have to do with the **Rules, Tools, Controls, and Schools** necessary for government compliance. At Velosio, we specialize in helping organizations meet such requirements by implementing and configuring systems and advising on procedures that make compliance easier. With these four essentials as a foundation for fulfilling federal (or applicable state government) contracts, you will be well on your way to becoming a company that can more easily win government contracts and ensure that they are profitable.

#1 Understand the RULES

Know the regulations and how compliance works.

■ Engage with a Partner That Knows the Rules

The Federal Acquisition Regulation (FAR) is contained in a book that is 1,792 pages and almost two and a half inches thick. The government Cost Accounting Standards (CAS) are described in another book that isn't much smaller. It is 841 pages and 1.5 inches thick. These two publications make up the rules and regulations all government contractors must potentially follow and reinforce the fact that accounting for government contracts adds significant complexity to that required for commercial business. Also keep in mind that the rules can change as new administrations come in and new legislation is passed.



This complexity makes it all the more important to forge partnerships with professionals who have a mastery of government-contracting requirements, can keep abreast of changes, and have expertise in the tools necessary to help you develop and maintain compliance in your organization.

One of the first valuable relationships to develop is with a software and technology partner that specializes in serving government contractors. You need a partner that knows the business requirements typically encountered by a company that contracts with the government, can deliver a software/technology needs assessment that unearths your requirements, and can implement, configure, and if necessary, customize a financial software system that is fully FAR and CAS compliant, and ready to withstand DCAA audits. This partner should also be able to recommend a set of policies and procedures to operate that system and guide your organization.

Velosio is that partner. We are project-accounting experts focused on project-driven government contractors. Our consultants and staff are CPAs and CMAs trained at advanced classes in Federal Publications Government Contracting Seminars, certified as Microsoft Solution Professionals, experts in all the modules of Microsoft Dynamics SL (the flagship Microsoft solution for government contractors), and knowledgeable about other applications for government contractors that integrate with Dynamics SL.

■ Be Prepared to Uphold the Rules

As stated in the introduction, larger contracts can be subject to CAS requirements.

But “non-major” or small contractors may be required to meet strict standards as well. A recently amended Defense Federal Acquisition Regulation Supplement (DFARS) suggests the DCAA will soon apply the same business systems criteria in evaluating contractors who are not CAS covered.¹ Hence, today it is recommended that smaller contractors be prepared by implementing business systems that meet DFARS criteria.



At the very least, it makes sense for all government contractors to rightly utilize their software systems and follow government-approved processes during the lifecycle of each contract. Small contractors can still be audited and government auditors evaluate all cost accounting systems in similar fashion.

Smaller contractors that wish to grow and pursue larger, potentially CAS-covered contracts need to be prepared. Bidders will frequently be required to demonstrate in a pre-award audit that they will be able to comply with the FAR and other contract provisions. Hence, small contractors need adequate systems and procedures in place before winning a larger award.

To uphold the Rules, companies need three more essentials: the right project accounting and financial management system (Tools), company-wide policies and procedures to ensure compliance (Controls), and training (Schools) to know the Rules, use the Tools, and implement the Controls. Next, we'll look at what Tools you'll need to make upholding the Rules much easier.

¹ Capital Edge News, July 2012, Capital Edge Consulting

#2 Get the Right TOOLS

Acquire and configure optimum software that drives efficient and accurate compliance.

There is no such thing as “DCAA-approved” or “government-certified” accounting software. The DCAA and DCMA do not approve your software but rather audit the system as it is implemented in your business. Having said that, not all accounting software is created equal. It is important to select a system that is built to support the project cost accounting and allocations required for government contracting.

When selecting software, it’s critical that companies pay attention to the total cost of ownership (TCO), potential savings due to new efficiencies and ease of compliance, and return on investment (ROI). Otherwise, a government contractor may select a less-than-optimum system (or a poorly configured system) long run. Inadequate software or even poorly-configured, good software can result in audit failure and more costly penalties.

A robust, flexible system, easily configurable to meet government compliance, is essential. Microsoft Dynamics SL enables government contractors to adapt best practices, set up compliance procedures, integrate with other systems, serve customers better, and ultimately excel in their industry.

Velosio implements and supports **Microsoft Dynamics SL**, a project-accounting and financial-management system designed for the needs of government contractors. What’s more, Microsoft Dynamics SL integrates easily with other Microsoft systems, eliminating the need for redundant data entry in multiple systems. Also, **Dynamics 365 Business Central**, with certain extensions, is a powerful cloud-based solution that also can be configured to meet compliance requirements, and has integration with Office 365.

When a company submits a proposal for a government contract, their Contracting Officer (CO) will often request a Pre-award Accounting System Survey to determine if their accounting system is acceptable for accumulating costs under a government contract. This system audit looks for requirements spelled out in Standard Form 1408. Moreover, a CO may request of non-major contractors a Post-award Accounting System Audit as a follow up. Failing these audits can prevent contract award or lead to penalties and potential contract termination. Audit failure often cannot be quickly addressed, as the DCAA cannot always schedule a follow-up quickly, but must schedule as their calendar permits.

An optimum, well-configured system such as Microsoft Dynamics SL, or in some cases, Dynamics 365 Business Central, will help you Plan, Execute, and Report to support your government contracts:

A. PLAN

■ Handle Multiple Contracts

The type of contract awarded by the government largely determines the extent to which the government remains “actively involved with a contractor” during contract performance. Regardless, your accounting system needs to be able to handle multiple contract types, including:

Fixed Price

- a) Firm fixed price** – The contract price is not subject to adjustment by reason of cost performance.
- b) Fixed price with economic price adjustments** – The fixed price is adjusted upward or downward based on the occurrence of contractually specified economic contingencies.
- c) Fixed price incentives** – The profit is adjusted and final price established by an agreed-upon formula based on the relationship of final negotiated cost to target cost.
- d) Firm fixed price level of effort** – A fixed price is established for a specified level of effort over a stated period of time. If the level varies beyond specified thresholds, the price is adjusted.

Cost Reimbursement

- a) Cost** – Reimbursement consisting of allowable cost and no fee provision.
- b) Cost sharing** – An agreed portion of allowable cost is reimbursed.
- c) Cost plus fixed fee** – Reimbursement is based on allowable cost generally defined by the application of multiple billing rates (e.g., labor, burden, G & A) plus a fixed fee (may either be a percentage applied to cost or flat fee amount).

■ Set Up a Flexible Chart of Accounts

It is vital to have adequately detailed General Ledger natural accounts and other chart-of-account segmentation for the organizational breakdown structure (OBS), so that all costs can be clearly identified as direct, indirect, and unallowable and be properly included in their associated pools and bases. Dynamics SL provides this functionality.



■ Do Effective Budgeting and Financial Planning

Dynamics SL is capable of updating and maintaining multiple budgets (e.g., original budgets and revised versions). It also establishes a system workflow process that includes review and approvals of original budgets and budget revisions by persons involved in the estimating process.

With the Dynamics SL budgeting/planning tool called Forecaster, you can see exactly where your budget is and where it's going to be. You can coordinate plans with decision makers via web-based tools, create precise financial plans, and manage budgeting and planning with accurate information directly from the General Ledger.

The budget feature in Microsoft Dynamics SL lets us improve efficiency and productivity by following our 'Enter once, use many times' philosophy.

**William Maxwell, VP of Finance
CALIBRE**

■ Submit Accurate Estimates and Proposals

Since Dynamics SL and 365 Business Central are integrated with Microsoft Excel and third-party estimating packages, users can generate estimates and proposals directly using Dynamics data. This is highly desirable since historical cost data is stored in Dynamics already. This will eliminate manual data entry and enable users to easily base estimates on historical cost data to maximize accuracy.

For example, users can pull costs of labor, equipment, and inventory items into the estimate preparation process. In addition, they can generate request for material quotes and control bid submissions from outside suppliers and incorporate responses into the process.

Dynamics SL has the ability to budget costs by project or contract work breakdown structure in the following categories (and more):

- **Labor** – Applying labor rates by labor class to estimated hours.
- **Equipment** – Applying equipment cost rates to estimated usage hours.
- **Inventory** – Retrieving inventory items and inventory costs per unit for estimated usage quantities.
- **Subcontractors** – Applying hourly rates to estimated hours.
- **Other costs** – Entry of other direct costs on a contract.

Problems with cost overruns can be avoided with credible, reliable, and accurate cost estimates done in Dynamics.

B. EXECUTE

Account for Costs Accurately (Direct, Indirect, Unallowable)

It is vital to tightly track and segregate direct, indirect, and unallowable costs. Under cost reimbursement contracts (allowable costs defined by multiple billing rates and sometimes an additional fixed fee), invoices are submitted to the government customer for “costs incurred.” For fixed-price contracts, invoices are submitted to request “progress payments.”

Microsoft Dynamics SL is a **powerful government-cost-accounting system** that is able to manage:

- **Work Breakdown Structure (WBS)** – Break projects down to this structure when required.
- **Labor Costing** – Accurately charge labor costs to multiple cost objectives.
- **Timesheet Accuracy** – Including multiple levels of timesheet approval, e.g., by project manager, employee supervisor, and delegation of approvals if desired, and having the ability to document timesheet changes.
- **Indirect Rate Calculation and Allocation** – Examples of such costs are fringe benefits, overhead, general and administrative, and service centers such as reproduction, shipping, and IT. As a contractor, you can bill the government for the indirect costs of running your business if you can demonstrate that the costs are reasonably allocated to the contracts. This will allow you to more accurately assess the profitability of your projects, get fairly reimbursed by the government, and help with estimating future projects. Dynamics SL has addressed the most difficult task of calculating and applying indirect rates by providing an *Indirect Rate Calculator* in its Project Accounting system. This process calculates and documents the rates as budgeted and executed. Once rates are calculated, the user may use these rates in Dynamics SL’s Project Allocator, which applies indirect rates to projects and calculates revenue.
- **Audit Trails** – All transactions should be traceable from origin to final posting in the ledgers (also see Create a Time and Expense Audit Trail below).
- **Real-time, Accurate Reporting** – Job Summary Reports present period, year, and contract-to-date performance, budget and variances.
- **Unallowable Costs** – Dynamics SL can be configured to segregate unallowable and unbillable expenses to prevent rejected bills, audit failures, and penalties. This is critical, as the failure to submit only allowable expenses represents a significant financial risk for your company and may result in penalties. High risk areas for unallowable costs include costs for patents, legal fees, relocation expenses, consulting fees, travel costs, interest and other financial services, entertainment, and recruiting costs.



■ Maintain an Efficient Purchasing System

Procurement is a major area of concern for government contractors since the government wants to ensure that the contractor's purchasing system efficiently spends government funds. A purchasing system for a government contractor should have the ability to perform the following major items, of which Microsoft Dynamics is capable:

- **Create** purchase requisitions with full visibility to current contract estimates.
- **Create** requisitions with management and project-management review and approval work flows.
- **Consolidate** multiple requisitions and generate purchase orders to affect maximum economies.
- **Have visibility** into inventory systems to screen available stocks and surpluses.
- **Document** inspection and acceptance of goods.
- **Process** returns and credit contracts, if required.
- **Generate** requests for quotations (RFQ) showing all bidders solicited.
- **Tabulate, summarize, and compare** vendor quotations.
- **Track** vendor quotations and link to response copies.
- **Document** source selection explanations and associate with vendor correspondence.
- **View** status of purchase orders and subcontracts including closing of documents upon receipt of goods or services.
- **Process** and track subcontract change orders and purchase order revisions.
- **Electronically notify** and communicate to both internal staff and your government contracting officer the approval of requisitions and update status and commitments against budget and estimates.

Without Microsoft Dynamics SL and our partnership with Velosio, we would be struggling with government compliance. Velosio's knowledge and skillset and SL's capability helped us pass our Accounting System Review. They also enable us to do accurate timekeeping, create custom allocation methods, track indirect rates, produce annual ICE reports, do government invoicing, and be ready for audits. In short, they make it so much easier.

Kevin Sullivan, CFO
Kurion, Inc.



■ Manage Materials Accurately

The Department of Defense policy (DFARS 242.7202) requires that ALL defense contractors...

“...have a material management and accounting system that reasonably forecasts material requirements and ensures that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements. Further, the system must maintain a consistent, equitable, and unbiased logic for costing material transactions.”



Therefore, a properly functioning materials inventory system for a government contractor should include the following basic elements, which Dynamics SL and 365 BC provides:

- **Schedule** inventory requirements on a time-phased basis against government contracts and WBS.
- **Generate** requisitions/purchase orders from material requirements of contracts.
- **Purchase** directly to contracts.
- **Purchase** to inventory and then issue inventory to contracts.
- **Return** inventory and credit back costs to government contracts.
- **Purchase, handle, and issue** serialized and lot-controlled inventory items (with expiration or shelf- life dates) to government contracts.
- **Store** inventory and maintain inventory balances for a government contract.
- **Cost** inventory using FIFO, Average Cost, and Standard Cost.
- **Maintain** overhead rates for date sensitive material and apply material overhead to contracts.

■ Focus on Project Management

A government contractor's ability to monitor project costs, including preparation of contract costs, performance analysis, and estimate of contract costs at completion, is critical to assessing contract progress and determining if problems exist.

The following is key information and analysis often required by the government, which Dynamics is capable of providing and tracking, when integrated with Microsoft Project Server:

- Actual costs to date by project and by “Work Breakdown Structure” (WBS) within project.
- “Total project and time-phased” baseline budgets and budget revisions.
- Budget cost by project and by WBS for work scheduled.
- Budget cost by project and by WBS for work performed (aka earned value).
- Means to update “Estimated Cost to Complete” by project and by WBS.
- Up-to-date “Estimated Cost at Completion” for the project and by WBS.
- “Original Contract Amount” and contract changes (change orders) for Current Contract Amount Contract projected overrun or underrun.
- Contract schedule and completion date.
- Track contract schedule identifying all contractual delivery requirements, critical program milestones, and important customer commitments.

Moreover, if your organization performs Earned Value Management (EVM) (often required by the federal government), Dynamics provides information that is extremely useful in any EVM program.

■ Establish a Time and Expense Audit Trail

Per DCAA requirements, electronic timekeeping systems must perform five primary functions, which Dynamics SL can efficiently handle. The system must:

1. **Limit** employee access to other’s timesheets/expense.
2. **Require** that employees and their superior(s) approve timesheets/expense reports.
3. **Require** employees and their superior(s) approve any changes to an existing timesheet/expense report entry.
4. **Require** employees to document a reason for any changes made to an existing timesheet/expense report.
5. **Provide** an audit trail of all timesheet/expense report entries. All changes must be tracked by the system.

In addition to capturing audit trail information, the system must capture a significant amount of information at the time of data entry, to inform the project manager of the project/task status. In Dynamics, Time and Expense entry and review can be performed online through the Business Portal module.

■ Cap Revenue Postings

Contracts that limit the cumulative billed amount for a project to a predefined maximum or ceiling are common in government contracting and even private industry. Through modules like Project Allocator (cost and billing rates) and Project Controller (project master records), Dynamics SL can make this function easy for your accounting department.

Through Dynamics SL's project transaction processor, Project Allocator, the system keeps track of the total amount of revenue posted to the project and compares this amount to the predefined maximums automatically preventing the revenue amount from exceeding the ceiling. When it does exceed the ceiling, the excess amount becomes an adjustment to the total billable amount that offsets the amount of the transaction that exceeded the maximum, providing a complete audit trail.

■ Government Invoicing

The Allowable Cost and Payment contract clause of the FAR provides for reimbursing costs incurred in contract performance that are deemed "allowable" by the Contracting Officer in accordance with cost principles and contract terms. The clause also describes the process for establishing billing rates and final indirect cost rates.

Accordingly, a government billing system needs to reconcile all invoiced amounts to supporting project and contract costs. In addition, it must provide the following capabilities, which Dynamics SL can efficiently fulfill:

Fixed Price Contracts

- Store contract amounts by Contract Line ID (CLIN).
- Invoice each CLIN as if it is a separate contract.
- Invoice interim progress payments as measured by costs incurred, percentage of completion, or other measure of specific stages of physical completion (e.g., units of production) by contract and/or CLIN.
- Account for balance in progress payments and settle progress payment balances (Invoice balances or issue credits if appropriate).

Cost Reimbursement Contracts

- Store “date sensitive” billing rates (interim and final rates) such as labor, labor burden, general and administrative rate and contractual fee rates by contract.
- Apply rates to underlying source cost transactions resulting in amounts to be billed to the government.
- Create invoices for management review and approval.
- Provide an audit trail back to the source transactions.
- Provide the ability to generate invoices for any range of time with billing cutoff dates.
- Recalculate invoice amounts (or credits) for a range of time based on final billing rates approved by the CO subsequent to contractors fiscal year end.
- Prepare invoices claims on government forms such as standard Form 1034 and Form 1035 (Public Voucher for Purchases and Services).

C. REPORT

■ Manage Incurred Cost Submission Reports and Other Reporting

As a contractor, you don’t want to end a fiscal year owing the government money for overcharging your direct or indirect rates. Nor do you want to under-bill the government and not charge them the full amount of costs legitimately recoverable under the contract. This is why it’s so important to prepare projected incurred cost rate calculations throughout the year to compare rates used for progress billings to actual rates incurred. Dynamics SL neatly handles these calculations for you.

Moreover, within six months after the close of your fiscal year, contractors with flexibly priced contracts must file an Incurred Cost Submission report using the Incurred Cost Electronically (ICE) model. This is a spreadsheet developed by DCAA to be used by contractors to submit rates prior to an annual audit. The ICE model is comprised of multiple schedules reflecting each of your indirect rates. Dynamics SL will have already calculated these rates and will provide the detail to enter into the ICE model reports.

“From revenue reports to a project report, we’re definitely able to do everything more efficiently than we could with the Deltek system.

Jack Mutarelli
Executive Vice President & CFO
CALIBRE

In addition, Dynamics SL comes with a report pack with 13 specific reports for government contractors, including eight Job Summary reports (showing targets and actuals at the project and task level, as well as labor hours, labor costs, direct costs, and revenue details) and Cost Summary and Project Revenue reports (target and actual), and an Indirect Cost Analysis report. These reports help you identify profit impact from current contracts, plan new initiatives based on past performance, and provide helpful information for project managers. They can also be viewed online through the Business Portal. You can also create your own reports, even from an impromptu query.

■ Be Prepared for Audits

Finally, you need to be prepared for the scheduled incurred cost audit, surprise floor checks, or other audits by the DCAA.

When your team is trained in utilizing a sophisticated accounting system like Dynamics SL, they become confident they can effectively pass audits. In Dynamics SL, billing support is easily accessible, reliable, and traceable. A billed amount, for instance, can be traced back to its source (a Purchase Order for example) and shown to be properly charged to the correct contract or project. Through this traceability of reliable data and easy-to-access reports, your team members can efficiently handle audits.

Once you understand the Rules and have procured the right configurable Tools as a result, you are ready to set up Controls to ensure your organization implements the Rules. Next, we look at the importance of internal Controls and organizational policies and procedures to guide compliance.

Our last system audit was painless and the auditor was very impressed with our setup. He found the ease of accessing documentation valuable when tracing transactions through the life cycle of the accounting system.

Lawrence Mocniak, Former CFO
Phoenix International

#3 Set Up Internal CONTROLS

Provide internal oversight and safeguards to ensure compliance. Create proven procedures to uphold the rules.

■ Know the Components of Internal Controls

Contractors are responsible for establishing and maintaining adequate internal controls that ensure they can achieve their objectives under the contract. What's more, a contractor's CO must assess their "control risk," which is the probability their internal controls will not prevent or detect errors in a timely manner.

Internal controls apply to every contractor in the context of their size, characteristics, type of business, methods of handling information, and legal requirements. Non-major contractors may require less stringent internal controls, but they need them in place nevertheless. Internal controls consist of five interrelated components:

1. **Control Environment** – how much an organization has a control consciousness.
2. **Risk Assessment** – how much an organization recognizes risks to achieve contract objectives and how they manage such risks.
3. **Control Activities** – the policies and procedures an organization has set up to ensure compliance directives are carried out.
4. **Information and Communication** – how timely and in what form does an organization gain information and disseminate it so people can carry out their responsibilities.
5. **Monitoring** – how a company assesses the quality of control performance over time.

A software/technology partner, such as Velosio, can help you set up these controls and safeguards so an organization's financial policies, procedures, and accounting system have internal controls that a CO will recognize and deem low risk.

■ Create Policies and Procedures to Uphold the Rules

The backbone of internal controls is a company's policies and procedures regarding government compliance. Knowledge of the Rules and effectively using of the right Tools are not enough. The government wants to see that you are utilizing the knowledge and tools well and have smart processes

in place that ensure compliance. These must be well documented. During an accounting system review, the first thing an auditor will ask for is the written policies and procedures—the company’s ground rules for cost accounting. Without that, an auditor will have to determine through interviews and transaction audits what your procedures are. Therefore, you need to create an **Accounting Policies and Procedures Manual**.

The following is a sample of topics to address in your manual. You typically need policies and procedures regarding:

- Segregation of duties
- Labor classification
- Timekeeping
- Payroll
- Purchasing services and materials
- Direct and indirect expenses
- Cost Pools
- Job or Project Costs
- Unallowable Costs
- Periodic reconciliation of costs control records
- Budget control
- Asset capitalization and utilization
- Billing processes
- Government-owned property
- Month end closing
- Incurred Cost Submission report preparation
- Management authorizations plan
- Productivity measurement
- Internal reviews by management
- Internal “hotlines” to inform management of possible fraud, waste, or abuse

The beauty of it is, even though the CO doesn’t check everything, meeting government requirements is often beneficial to our company. For example, now project managers know exactly where they are daily, whereas before it could take weeks to figure out. They can easily prevent project budget overruns, not only to protect the government’s interests, but ours. Moreover, our estimators are much more precise with bidding due to the historical data they can easily access. We are more profitable as a result.

Kevin Sullivan, CFO
Kurion, Inc.

If you choose Velosio as your software and technology partner, we will help you adopt and document these and other policies and procedures.

Once you understand the Rules, have procured the right configurable Tools, and have set up the necessary Controls, you need to train your staff in these essentials. Finally, we look at the importance of training and “Schools.”

#4 Attend System, Compliance, and Controls SCHOOLS

Train your staff in what the government requires, the use of your accounting system, and your company's internal controls.

Personnel not trained in government compliance and the accounting processes necessary for government-contract accounting can easily undermine a company's investment in an accounting system and possibly jeopardize the success of government contracts. This is why training is so critical. There are three major areas in which your personnel need training: the Rules of government compliance, the company's accounting system (Tools), and the Controls the company has set up.

First, the **Rules**. The government expects contractors to adequately train their employees in current FAR and CAS rules and regulations and proper accounting procedures. Moreover, more than likely, you will need to provide your CO with your training plan and policy for initial training, training of new hires, and the frequency of ongoing training.

You can expect training requirements on the following topics:

- Certification requirements
- Billings, claims, and proposals
- Potential penalties for non-compliance
- Accuracy of labor (timesheets) accounting
- The role of segregation of duties
- Ethics training for all employees

Second, **the Tools**. You should expect training from your software/technology partner in the use of your accounting system performing the functions necessary for compliance. If that partner is Velosio, we provide training in all modules of Dynamics SL and other Microsoft and third-party software that integrates with SL. We currently provide regularly scheduled classes, and can prepare custom training if requested. We also work with Microsoft to provide online training on many subjects.

Third, **the Controls**. You will want to develop your own internal training program as outlined above with particular attention to your Accounting Policies and Procedures Manual. Your goal is to have skilled personnel who know how to use the accounting system to maintain compliance and operate under policies and procedures that help them avoid mistakes and properly correct them when discovered.

Finally, you want these skilled personnel to be ready for **government audits**. Anyone on staff working on government contracts is a potential target for a government auditor to ask a question. For example, you want your accounting department to know the answer to the question, “What costs are unallowable on this contract?” You want all employees to know the correct answer to the question, “What are your timekeeping procedures?”

Conclusion

Locking down government contracts can be a huge boost to your business. But they also bring the burden of compliance and a host of challenges—for all contractors. By knowing and utilizing the four essentials outlined in this whitepaper—the Rules, Tools, Controls, and Schools of government compliance requirements—these challenges are made much easier and success in government contracting becomes more easily achievable.

One of the keys to success is for government contractors to find strategic partners. The first step is to find the right **software and technology partner** with an understanding of federal regulations that can use their expertise to assess your needs, configure software for government compliance, advise on internal policies and procedures, and help train your staff to effectively use your software system. Velosio is one such partner.

The foundation for good compliance is your tool set. Dynamics SL is Microsoft’s flagship ERP system designed for government contracting. It has powerful project-accounting capabilities that handle all types of government contracts and requirements, particularly for the challenging demands of segregating direct, indirect, and unallowable costs. Velosio specializes in implementing and supporting **Dynamics SL for government contractors**, and in some cases, **Dynamics 365 Business Central**.

If you’re ready to research a new system, take a closer look at these Microsoft Dynamics solutions, or need assistance improving your existing system, take the next step and contact Velosio and/or access the additional resources listed at the end of this white paper.





If you're ready to research a new system, take a closer look at Dynamics SL or Dynamics 365 Business Central (in some cases can be configured to meet compliance requirements), or need assistance improving your existing system, contact Velosio today:

888.725.2555

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