



How to Make QuickBooks® DCAA Compliant for Government Contracts QAS Self Study Course Outline

Getting Started

Video: Welcome

Reading: Course Learning Objectives

1. Set up QuickBooks with ICAT for government contracting
2. Apply principles of federal contracting to the accounting system
3. Demonstrate accounting system outputs comply with SF1408 requirements

Reading: Completing the Course

Course Info: Navigation Tips

Course Info: Course Content Outline and Index

Reference: Standard Form 1408

Reference: Glossary of Terms

Introduction – Using QuickBooks as a Federal Contractor

An adequate accounting system is a prerequisite to the award of certain federal contracts. Before we talk about the specifics of configuring the accounting system software, we review the adequacy criteria enumerated on Standard Form 1408 – Preaward Survey of Prospective Contractor Accounting System. We identify what is required to pass a DCAA accounting system review, which of those requirements QuickBooks satisfies, and which it does not.

Reading: Introduction Learning Objectives

1. Identify items needed to pass a DCAA Accounting System Review
2. Recognize which configuration criteria can and cannot be satisfied by QuickBooks

Lesson 1: What is required?

- FAR 16.301-3(a)(3)
- Accounting System Adequacy Criteria
- Using QuickBooks as a Federal Contractor
- Standard Form 1408
- DCAA Preaward Survey of Prospective Contractor Accounting System Audit Program
- Policy & Procedure Statements
- DCAA SF1408 Accounting System Review



Lesson 2: What QuickBooks satisfies – and what it does not

- Standard Form 1408 Evaluation Checklist
- What is Needed to Satisfy SF1408 Criteria
- Interaction: SF1408 Criteria
- What is Needed to Satisfy SF1408 Criteria

Review Questions (3 Ungraded Questions)

Module 1 – Organize the QuickBooks Chart of Accounts for Federal Contracts

The chart of accounts structure can facilitate accounting for direct costs, indirect costs, and unallowable cost consistent with the requirements in SF1408 items 2a, 2c, and 2h. Module 1 details how to set up the QuickBooks chart of accounts to satisfy these requirements.

Reading: Module 1 Learning Objectives

1. Identify methods to segregate direct costs from indirect costs in the chart of accounts
2. Organize the indirect cost pool structure in the chart of accounts
3. Demonstrate that unallowable costs are segregated from allowable costs in the chart of accounts

Lesson 1: The Government Contractor's Chart of Accounts

- Standard Form 1408: Items 2a, 2c, 2h
- Costs Segregated in Chart of Accounts
- Cost Pools
- Cost Pool Structure
- Steps for Organizing the Chart of Accounts

Lesson 2: Identify Cost Pools

- Steps for Organizing the Chart of Accounts
- Cost Pools
- Chart of Accounts Numbering
- Numbering & Account Types
- Illustration: Chart of Accounts

Lesson 3: Create Accounts to Establish Cost Pools

- Steps for Organizing the Chart of Accounts
- Numbering & Account Types
- Demonstration: Create Accounts in QuickBooks



Lesson 4: Create Transaction-Level Accounts in Cost Pools

- Steps for Organizing the Chart of Accounts
- Demonstration: Create Transaction-Level Accounts
- Re-organizing an Existing Company File
- Demonstration: Assign Stray Accounts to Cost Pools

Lesson 5: Finalize Cost Pool Configuration

- Steps for Organizing the Chart of Accounts
- Demonstration: Add Additional Accounts
- Demonstration: Final Chart of Accounts
- Review: Organize the QuickBooks Chart of Accounts for Federal Contracts

Extra Guidance: (Optional Lesson) ICAT Company Setup Wizard

- Create a QuickBooks company file from scratch using ICAT's Company Setup Wizard to import a chart of accounts
- Setup QuickBooks Company File
- Import Chart of Accounts from ICAT

Review Questions (3 Ungraded Questions)

Reading: Reflection Questions – The Chart of Accounts

Module 2 – Configure QuickBooks to Track Costs by Contract

The QuickBooks job cost functionality enables the classification of costs to specific final cost objectives, or contracts to support SF1408 items 2b, 2i, and 3b. Module 2 reviews the steps to set up final cost objectives within the QuickBooks Customer Center, assign direct costs to a G/L account and final cost objective, and demonstrate the identification and accumulation of direct costs by job.

Reading: Module 2 Learning Objectives

1. Set up QuickBooks to track costs by final cost objective
2. Demonstrate how to identify and accumulate direct costs by contract
3. Determine that job-cost detail reconciles to the general ledger

Lesson 1: Track Costs by Final Cost Objective

- Standard Form 1408: Items 2b, 2i, 3b
- Requirements to Track Costs by Final Cost Objective
- QuickBooks Job Cost Functionality
- QuickBooks Transaction Screen



Lesson 2: Set Up Final Cost Objectives in QuickBooks

- Set Up Final Cost Objectives
- Demonstration: Set Up Final Cost Objectives in Customer Center
- Demonstration: Customer/Job List
- Track by CLIN or Unit
- Demonstration: Set Up CLINs/Units in Customer Center
- Demonstration: Assign Transaction to Account & Contract

Lesson 3: Compare Job Cost Totals to G/L Account Balances

- Compare Profit & Loss by Job to Standard Profit & Loss Reports
- Demonstration: Compare Profit & Loss by Job to Standard Profit & Loss Reports
- Review: Configure QuickBooks to Track Costs by Contract

Review Questions (5 Ungraded Questions)

Reading: Reflection Questions – Tracking Costs by Contract

Module 3 – Set Up the Labor Distribution System

SF1408 item 2f requires a labor distribution system. For QuickBooks users, there are the various scenarios for distributing labor costs based on time data. Module 3 illustrates how to account for direct labor charged to final cost objectives, as well as labor charged to compensated absence and indirect labor accounts, to distribute labor and support the audit trail.

Reading: Module 3 Learning Objectives

1. Recognize the options for maintaining a labor distribution system
2. Identify data points necessary to distribute labor costs in QuickBooks based on time data
3. Employ the QuickBooks Payroll function to distribute labor costs
4. Validate the distribution of labor costs

Lesson 1: Labor Distribution and QuickBooks

- Standard Form 1408: Item 2f
- Labor Distribution System Options
- Audit Trail
- Labor Distribution External Options
- Labor Distribution using 3rd Party Payroll
- 3rd Party Payroll Summary Journal Entry
- Manual Labor Distribution using Spreadsheets
- Labor Distribution within QuickBooks



Lesson 2: Configure QuickBooks to Distribute Labor Costs

- Labor Distribution within QuickBooks
- Time Data
- Timesheet Elements: Employee Name, Payroll Item, Customer/Job, Service Item
- Enable Paychecks Option
- Demonstration: Enable Paychecks Option in QuickBooks
- Demonstration: Enter Employee Rate of Pay in QuickBooks
- Configure QuickBooks to Distribute Labor Costs

Lesson 3: QuickBooks Labor Distribution: QuickBooks Payroll

- Labor Distribution within QuickBooks: QuickBooks Payroll
- Payroll Items
- Wage Type Payroll Items
- Common Labor Accounts
- Demonstration: Create Payroll Items in QuickBooks
- Demonstration: Execute Payroll in QuickBooks

Lesson 4: QuickBooks Labor Distribution: 3rd Party Payroll

- Labor Distribution within QuickBooks: 3rd Party Payroll
- Payroll Journal Entries
- Re-create Gross Pay
- Demonstration: Execute Mock Payroll Transaction in QuickBooks
- Modified Journal Entry
- Payroll Suspense Journal Entry

Lesson 5: Validate Labor Distribution

- Labor Distribution Reporting
- Demonstration: Reconcile Labor Distribution
- Review: Set Up the Labor Distribution System

Additional Guidance: (Optional Lesson) Enable the QuickBooks Payroll Function

Review Questions (4 Ungraded Questions)

Reading: Reflection Questions – Labor Distribution

Module 4 – Allocate Indirect Costs to Contracts

Several SF1408 criteria cannot be satisfied by QB alone: items 2c, 2f, 2g, 3a. A QuickBooks add-on such as ICAT automates the allocation of indirect costs to contracts and provides reporting capabilities that are not available in QuickBooks. Module 4 details the setup of ICAT to facilitate the calculation of indirect rates and allocation of indirect costs consistent with the contractor's indirect cost policy.



Reading: Module 4 Learning Objectives

1. Identify SF1408 requirements satisfied by ICAT
2. Configure ICAT to allocate indirect costs
3. Demonstrate indirect costs are allocated to intermediate and final cost objectives

Lesson 1: Indirect Cost Allocation and QuickBooks

- What is Needed to Satisfy Standard Form 1408 Criteria
- ICAT Integrates with QuickBooks
- Standard Form 1408
- SF1408 Item 2c
- SF1408 Item 2f
- SF1408 Item 2g
- SF1408 Item 3a
- ICAT Setup Screens

Lesson 2: Set Up ICAT to Allocate Indirect Costs

- Calculate Indirect Rates
- Demonstration: ICAT Rate Model Editor Overview
- Demonstration: Verify Cost Pools

Lesson 3: Identify Cost Pool Type

- Rate Model Editor Cost Pool Types
- Interaction: Cost Pool Types in ICAT

Lesson 4: Map Pool & Base Components: Direct Costs & Allocation Centers

- Cost Pool and Allocation Base Relationships
- Interaction: Direct Cost Pools
- Interaction: Allocation Centers
- Interaction: Allocation Units
- Demonstration: Allocation Center Example - Facilities

Lesson 5: Map Pool & Base Components: Fringe, Overhead, & G&A

- Cost Pools with Final Allocations to Contracts
- Cost Pool Tab Order
- Provisional Rate
- Pool & Base Components
- Demonstration: Map Overhead Cost Pool
- Demonstration: Map G&A Cost Pool
- A Way – Not The Way



Lesson 6: Generate Contract Cost Reports

- Indirect Cost Allocation
- Cost Allocation Reports
- Demonstration: Reconcile Indirect Rate Detail to QuickBooks P&L
- Demonstration: Reconcile Contract P&L to QuickBooks G/L
- Review: Allocate Indirect Costs to Contracts

Review Questions (4 Ungraded Questions)

Reading: Reflection Questions – Indirect Cost Allocation

Module 5 – Generate Cost Reports in ICAT

Module 5 reviews the configuration and use of ICAT reports, using cost data recorded in the QuickBooks general ledger, to support SF1408 requirements 2f, 2g, and 3a.

Reading: Module 5 Learning Objectives

1. Show costs charged to contracts using ICAT with QuickBooks
2. Show labor charges using labor distribution reporting in ICAT
3. Compare amounts billed vs. contract funding limitations

Lesson 1: Determine Costs Charged to Contracts

- ICAT Setup Screens
- Standard Form 1408: Item 2g
- Demonstration: Contract Profit & Loss Report
- Review: Determine Costs Charged to Contracts

Lesson 2: Set Up Labor Distribution Reporting

- Standard Form 1408: Item 2f
- Labor Distribution Report
- Demonstration: Set Up Within the Labor Distribution Report
- Labor Distribution Report
- Demonstration: Set Up Within the Reporting Categories Setup
- Review: Set Up the Labor Distribution System

Lesson 3: Track Amounts Billed vs. Funding Limitations

- Standard Form 1408: Item 3a
- Contract Status Reports
- Demonstration: Assign Contract Information to Customers
- Contract Status Reports
- Demonstration: Contract Status T&M Report
- Demonstration: Contract Status Cost Summary Report
- Review: Track Amounts Billed vs. Funding Limitations



Review Questions (3 Ungraded Questions)

Reading: Reflection Questions – Contract Cost Reporting

Course Wrap-Up

Video: Final Thoughts

Final Exam

Qualified Assessment: Graded Final Exam (25 Questions)

Course Evaluation