



Volume 7, Issue #1, April, 2007

Visit
www.sunburstsoftwaresolutions.com

QuickBooks® for Contractors Newsletter

Hiring a Bookkeeper or CPA

So you are ready to hire a bookkeeper or CPA to help you with your business and your books. Congratulations! We all know what a struggle it is to “try to do everything” yourself, and it almost goes without saying that as a busy contractor, we also know that time is best spent on the job and not in the office handling paperwork.

As business owners, we like to think we can learn *any* skill that it takes to run our company. *But can just anyone learn to do their books?* That's like saying *anyone* can learn to be a *good* carpenter. Is it true? Maybe. Some people will learn the skills easily and others will work at developing the skills for years and still only be “average”.

You may be a successful business owner with a multitude of skills but, if bookkeeping is one of your weakest links, you should probably hire a part-time bookkeeper, ProAdvisor or CPA to help you with the paperwork. Before you bring someone on board you need to make sure they know what to do and you will want to set expectations for them in order to get what you need right from the start.

Before you hire someone to handle your books or your taxes, check their skills and lay the ground rules to make sure that you are getting the right person for your business and *never* make the big mistake of just “turning” it all over to someone (no matter how enticing that idea may be). **Always** keep an eye on what is going on:

- run reports
- look at open receivables and/or payables
- review the check register on a weekly basis
- make it a point to balance the company checking account every month . . .

just so **YOU** can stay on top of things. It is *your business* after all and you don't want to end up having someone “help” your money right out of your pocket and out the door!

Having worked with contractors, bookkeepers, ProAdvisors and CPA's for more than 20 years as a bookkeeper, a ProAdvisor, and now a ProAdvisor and a Developer of QuickBooks integrated applications – I have cleaned up a lot of QuickBooks “messes” in my time. Finding an Accountant, a Certified QuickBooks ProAdvisor, or a bookkeeper who is familiar with the use of QuickBooks in the construction industry is a daunting task.

While many will know how to use QuickBooks, few know how to use QuickBooks in the construction industry, and even fewer know how to use QuickBooks in the construction industry when you mix in complexities like AIA Billing or Certified Payroll.

Unfortunately, because of this, many contractors end up having bookkeeping “systems” that are designed by accountants and/or bookkeepers which are designed to provide tax information as their primary goal, and do not always provide useful management information. While you certainly need to have information to complete your tax returns, how they have set things up doesn’t always make sense for your needs on a day-to-day basis - and there really is no requirement to keep your books as a mirror image of your tax return.

Define your own expectations and needs

Most contractors I’ve known over the years were feeling so overwhelmed by the time that they actually hired someone to help with or take over their bookkeeping functions that they hired the first person who came along. This often led to disaster and a high turnover rate, with each bookkeeper compounding the mistakes of the one before them - until the business owner really had a huge mess on their hands. *Don’t let the same thing happen to you!*

Before you take the first step in the hiring or “looking” process YOU need to set your own expectations of your needs and the needs of your business. After all, during an interview you simply can’t say to a potential candidate “I need you to do everything” Unless they are a “mind reader” they will never have a clear understanding of what your definition of “everything” is, and you’ll set them, and yourself, up to fail and you’ll be handing over the reins of your business to someone who has no clear indication of what needs to be done - when and why.

You need to sit down and make a list of absolutely everything that you do that relates to the day-to-day financial operation of your business - and be specific! This “list” will ultimately be their “Job Duties” or the things that you expect them to do and need them to do in a timely fashion in order for your business to be successful. You owe it to yourself, and to them, to be clear about what it is that you expect of them. *And you need to build in a mechanism that allows you to know that these tasks are being completed.*

Need some help with that list? Here are two simple suggestions to take into consideration:

- ✓ Make your list based on critical areas of your business - Accounts Payable, Accounts Receivable, Payroll, etc. - and be specific about the details.
- ✓ Decide what part of these areas will be their responsibility and what you will still handle in order for you to “know” that the tasks are being completed in a timely fashion.

Ok, now let’s get to work and develop a sample list of duties using Payroll as an example:

- 1) Issued weekly on (day of week) for work week ending (day of week)
- 2) Special Needs - such as weekly certified payroll reports, due within 7 days of paychecks
- 3) Weekly, Monthly, or Quarterly Payroll tax liability payments due by (date of the following month)
- 4) Special Needs - such as Weekly or Monthly Union/Bona-fide plan fringe benefit reports and Union Dues Reports and payments
- 5) Special Needs - such as Monthly EEOC/Work Utilization Reports due by the 10th of the following month
- 6) Quarterly Payroll Tax Reconciliation Reports - Federal 941, State 941, State Unemployment, etc.
- 7) Yearly Payroll Tax Reconciliation Reports including Federal Unemployment, W-2’s and W-3’s
- 8) As Needed - “New Hire” reports (if applicable in your state)
- 9) As Needed - present and/or prepare “New Hire packet” to all newly hired employees

Now that you have the list, let's "divvy" up the responsibilities.

Your Responsibilities	Bookkeeper's Responsibility
<ol style="list-style-type: none"> 1. Review timesheets for accuracy and present them to bookkeeper by Tuesday morning. Review and sign paychecks Thursday night/Friday morning for Friday distribution. 2. Review completed certified payroll reports for accuracy, sign; make copy for files indicating your approval and mail. 3. Review payroll tax liability reports. Sign checks and take to bank for deposit or make payment on-line using EFTPS and record in QuickBooks. 4. Review completed Union/Bona-fide Plan fringe benefit reports and Employee Union Dues Reports. Sign reports and checks; make copies for files indicating your approval. Mail. 5. Review completed EEOC/Work Utilization Reports, sign, make copies for files indicating your approval and mail. 6. Review completed Quarterly Payroll Tax Reconciliation Reports, sign, make copies indicating your approval, and mail. 7. Review completed Annual Payroll Tax Reconciliation Reports, sign, make copies indicating your approval, and mail. 8. Review New Hire Reports, sign, make copies for files indicating approval and mail. 9. Distribute *New Hire* packets for newly hired employees and make sure that they are completed and available to provide to the bookkeeper within 48 hours of hire or with the weekly timesheets. Work together to come up with a good new hire packet so that the bookkeeper has everything that she needs to process payroll – including photocopies of the employees Social Security Card and Driver's License. Make it company policy that employees are not paid until the new hire packet is completed and returned. 	<ol style="list-style-type: none"> 1. Enter handwritten timesheets into QuickBooks, job costing time to appropriate jobs and process payroll for distribution on Friday. Payroll to be completed by Thursday night for owner review and signature. 2. Prepare Certified Payroll Reports and present to owner for review, signature and mailing by Wednesday following payroll. 3. Prepare Payroll Tax Liability Reports and/or checks and present to owner for review, signature and/or deposit 2-3 days prior to due date. 4. Prepare Union/Bona-fide plan fringe benefit reports and Employee Union dues reports and process liability checks. Present to owner for review, signature, and mailing by (date – usually 2-3 days prior to due date). 5. Prepare Monthly EEOC/Work Utilization Reports and present to owner for review, signature and mailing by (date – usually 2-3 days prior to due date). 6. Prepare Quarterly Payroll Tax Reconciliation Reports (Federal 941, State 941, State Unemployment, etc) processing liability checks as needed or required. Present to owner for review, signature, and mailing by (date – usually one week before due date). 7. Prepare Annual Payroll Tax Reconciliation Reports (Federal 940, W-2's, W-3's, etc) and present to owner for review, signature, and mailing by (date – usually one week before due date). 8. Prepare "New Hire" Reports for submission to applicable state agencies and present to owner for review, signature, and mailing by (date – usually 3-5 days before due date). 9. Prepare *New Hire Packets* for new employees and make sure owner always has a sufficient supply on hand.

***What should a "New Hire Packet" contain?** Federal W-4, State W-4, and Form I-9 – at a minimum. Additionally, you may want to utilize our free "[New Hire Checklist](#)" to provide your bookkeeper with additional information about the employee.

Finding a bookkeeper, ProAdvisor, or CPA

Talk to other contractors, join the local contractors group...ask for recommendations, and above all else interview your prospective bookkeeper, ProAdvisor, or CPA with the same type of care that you would interview an employee who would work on the jobsite.

Ask for References and call those references! Also contact previous employers listed on the prospects resume. And above all, look for references and previous employment with other contractors!

When looking for a CPA, keep these things in mind:

1. Your Accountant plays an important role in your business and should be relied upon to...
 - a. Prepare your Local, State and Federal Tax Returns.
 - b. Advise you of tax strategies.
 - c. Assist you in preparing loan applications.
 - d. Render general business advice.
2. Your Accountant is too expensive to be your bookkeeper.
3. You shouldn't need to pay an accountant to keep a separate set of books just for tax purposes.
4. Your QuickBooks reports can provide all the information necessary to prepare all sorts of tax returns.
5. Nevertheless, I know a few builders who deliberately pay their accountant to prepare a separate set of books, based entirely on the activity in their checking account, for the sole purpose of preparing the Builder's tax returns. I think this is a complete waste of money, but it seems to make them feel secure.
6. You definitely need the services of an Accountant or other tax professional to prepare your tax returns.

Expectations to Set for Your Bookkeeper

Here are some expectations that you as the business owner should establish for your bookkeeper to make sure that they **are** going to provide the services you and your business need:

- 1) **Your bookkeeper must have a good understanding of bookkeeping/accounting terms.** They should have a good understanding of the difference between the five basic types of accounts (assets, liabilities, equity, income, and expenses').
- 2) **They must be detail oriented.** You need someone who will be able to focus on the little things: this will enable the big things to take care of themselves. You do not have time to baby-sit them; they need to be able to take charge and take care of all the little things that need attention when it comes to your basic financial and day-to-day business operations, as well as meet any special reporting or billing requirements that you have to comply with.
- 3) **They must have an understanding of the big picture.** If you buy a piece of equipment, are they going to understand the concept of setting up the asset and liability accounts? Do they know how to allocate the payment to interest expense and liability principal reduction?
- 4) **They must have a willingness to follow through.** You want someone who will ensure that projects and questions are followed through to completion. They need to be responsible for the follow through because you are just too busy to be the one in charge of the completion of absolutely every task – especially the paperwork. You're there to assist with questions, but the financial projects have to be something they are in charge of.

- 5) **They must have monthly financial statements available by the 10th of the following month.** The three basic financial statements include the balance sheet, the profit/loss statement and the cash flow statement – in addition, you will also want an Accounts Receivable and Accounts Payable Report. Review these reports carefully.
- 6) **They must understand how to do proper job costing.** It is important that they are tracking all the costs by item and job detail. Job costing is critical to the success of knowing how much your projects truly cost. You have to be able to depend on their information to be reliable.
- 7) **They must have a good understanding of your industry.** Although this is something that can be learned, you'll be miles ahead on the learning curve if the person you hire has a general understanding of your industry. And while bookkeeping for a retail store, hair salon, internet service business and many others have the same basic bookkeeping fundamentals; it is not exactly the same. Each industry has different terms and requirements that can only be learned on the job; so, be sure to look for someone with experience in your industry.
- 8) **They must have good communication skills.** If your bookkeeper does not understand something, they must be willing to ask for clarification or help. Communication is critical so that you'll have a good understanding of what is taking place in the office without you having to be the one doing the day-to-day work.
- 9) **They must have good people skills.** Let's face it; the construction industry is no place for "wimps or sissies". You need someone with a good sense of humor, who can deal with most any kind of stressful or abrasive situation – without trying to control the situation.
- 10) **They must be computer literate.** The days of doing almost anything by hand are long gone. You must have a computerized bookkeeping system to be able to get quality reports. Your bookkeeper should not only know the basics of your bookkeeping software but should also be familiar with Word, Excel, e-mail and the internet. On the other hand – if the bookkeeper seems to indicate that Excel is the "answer to everything" – look out!
- 11) **They must be interested in continuing their education.** They should be committed to enhancing their skills with additional classes or self-study to ensure that they are staying up to date with the accounting skills your business demands.
- 12) **They must be willing to make a strong commitment to your business.** If you're hiring a part-time bookkeeper, it's essential that you find someone who will make your business a priority. Don't let your part-time bookkeeper "squeeze" their responsibilities to you into their personal life. This is one of the biggest issues I see with many small businesses. The owners allow their bookkeepers to do their work whenever they have time. But by doing this, you are enabling them to put your business at the bottom of their "priority" list. You need someone who's focused on ensuring things get done.
- 13) **They must understand payroll.** Paying your employees correctly and on time is only a small part of the entire "payroll function". Make sure that the person you hire knows how to generate the required quarterly and year-end Federal and/or State payroll reports, is familiar with payroll tax payment dates, etc.

If you want your company to truly function in a profitable way, it is critical that you set expectations for your bookkeeper before you bring them on board. Good financial records are fundamental to the success of your business. If you can not rely on your books--or your bookkeeper--then how are you going to know where your business is headed? Set these expectations for your bookkeeper so they will be a successful part of your team. You will be setting your business up for success.

So, how do you find a "good" bookkeeper and test their knowledge? Well, we have scoured the internet searching for a "good" QuickBooks and Construction Bookkeeping Test, and while we've found some that would test an applicant's basic knowledge of QuickBooks as well as basic accounting knowledge, none have addressed any construction related functions.

Being disappointed in what we have found, we've designed our own – somewhat based on issues that we deal with on a day to day basis supporting our own software which integrates with QuickBooks – and we are happy to offer you a free copy of our *Construction Bookkeepers Test*, by [clicking here](#) .

To receive the answers to the *Construction Bookkeepers Test*, you *must* request them via [email](#) (*NO phone calls please*) and provide your company name and phone number – we will only provide the answers to legitimate business owners.

Oh, and one last very important thing.....*you should always be the QuickBooks Administrator for your company file.*



© 2000-2007 Sunburst Software Solutions, Inc. All rights reserved. This work is licensed under the Creative Commons Attribution-No Derivative Works 3.0 United States License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nd/3.0/us/> or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA. No part of newsletter may be reproduced in any form or by any means without prior agreement and written consent from Sunburst Software Solutions, Inc. QuickBooks® for Contractors Newsletter is a Free Service of Sunburst Software Solutions, Inc. QuickBooks® is a registered trademark of Intuit Inc. in the United States and other countries.