



December. 2008

Visit  
[www.sunburstsoftwaresolutions.com](http://www.sunburstsoftwaresolutions.com)

## QuickBooks® for Contractors Newsletter

### *Making the Move to Public Works Construction*

The current economic situation has dealt a serious blow to both homebuilders and commercial contractors. Like all downturns to the economy, this too shall pass; but, experts predict that it will take quite awhile for everything to stabilize.

However, all is not lost.....

Public Works construction could thrive. If you listen to the news and read construction trade newsletters you hear that part of President-Elect Obama's economic stimulus plan includes investing in our country's infrastructure; which means public works construction projects.

*Some sample headlines from the American General Contractors "SmartBrief" eNewsletter dated 12/08/08:*

***More than 5,000 road projects ready for funding***, according to the American Association of State Highway and Transportation Officials. Officials say more than 5,000 highway projects across the country could be ready for construction in 180 days if they receive funding. The projects would create almost 2 million jobs and improve the nations' troubled infrastructure. Read more of this article at <http://www.lasvegassun.com/news/2008/dec/06/states-highway-projects-wish-list-has-64b-tag/>

***Obama says infrastructure program will include green projects.*** President-elect Barack Obama on Saturday said he will create a large public-works program that will include infrastructure projects to repair roads and bridges as well as "green jobs" that will help reduce carbon emissions. Obama did not say how much the U.S. will spend on the plan. However, he promised to spend "record amounts" on infrastructure programs, such as sewer systems, school construction, mass transit and electrical grids. Read more of this article at [http://www.nytimes.com/2008/12/07/us/politics/07radio.html?\\_r=2&bl&ex=1228798800&en=8a47220b90bc54e4&ei=5087%0A](http://www.nytimes.com/2008/12/07/us/politics/07radio.html?_r=2&bl&ex=1228798800&en=8a47220b90bc54e4&ei=5087%0A)

If this really happens, there will be an abundance of state and federally funded construction projects available and with luck and good planning you may be able to make the move to these types of construction projects.

**Now hold on.....**

Making the move to public works construction will require planning and quite possibly a lot of changes in the way you currently run your existing construction business.

This article will provide you with some tips to help you get started; but, be aware that we cannot possibly provide you with an entire, detailed roadmap to follow.

## Planning

---

**1. Start by writing a business plan**, think of this as a “skill session”. You will end up using the business plan that you write to help you acquire bank loans, if necessary. But far more importantly, a business plan will force you to think about what you really want to do with your business, what the requirements are and how you will go about meeting those requirements. A business plan will force you to be honest with yourself about your abilities and your potential, and you **MUST** be willing to make changes if your business plan reveals weaknesses in your current method of doing business. Writing a business plan will require a fair amount of work, but help is easily available on the internet, at little to no cost, check out the Small Business Administration Online at <http://www.sba.gov/>

If you use QuickBooks Premier or Enterprise Solutions you already have the tools you need – go to the Company menu, choose Planning & Budgeting, and then Use Business Plan Tool. Now I won't tell you that this tool can provide you with the best type of business plan available, but it will give you a starting point.

**2. Learn about government contracting and federal contracts.** The Small Business Administrations website has some good resources, check them out at [http://www.sba.gov/services/training/onlinecourses/training\\_atc\\_sbtc.html](http://www.sba.gov/services/training/onlinecourses/training_atc_sbtc.html)

**3. Meet with a reputable business lawyer.** They can help you decide on your business structure, if you aren't already an S corporation or a C corporation. Operating as a sole proprietorship or a partnership can be risky because everything you own personally is at risk, and in a partnership, each partner may be liable for the total debts of the company. A good business lawyer will be able to instruct you on how to maintain the needed separation of personal and business assets.

If you change your business entity, you will need to register your business with various government and state agencies, establish banking relationships, obtain credit cards, and perhaps even a line of credit.

**4. Construction Insurance.** Seek out a reputable insurance agent who specializes in construction. Because construction insurance is unique, he will be able to explain the risks you will face, the contractual requirements for a specific construction project, and the various types of coverage that is available to meet them.

## Accounting & Job Costing

---

**1. Find a good CPA with construction AND QuickBooks experience.** This can be quite a task! We offer several free articles and resources in the On-Line Support Area of our website, including:

- Hiring a Bookkeeper or CPA - <http://www.sunburstsoftwaresolutions.com/view-document-details/hiring-a-bookkeeper-or-cpa.htm>
- Construction Bookkeepers Test - <http://www.sunburstsoftwaresolutions.com/view-document-details/construction-bookkeepers-test.htm>
- Payroll Mistakes - It's Not as Easy As 1, 2, 3! - <http://www.sunburstsoftwaresolutions.com/view-document-details/payroll-mistakes-it-s-not-as-easy-as-1-2-3.htm>

- Choosing QuickBooks and QuickBooks Add-On Software for Your Construction Business - <http://www.sunburstsoftwaresolutions.com/view-document-details/choosing-quickbooks-and-quickbooks-add-on-software-for-your-construction-business.htm>
- The QuickBooks for Contractors section of our support area currently contains 77 articles in 4 categories, and keeps growing, all resources found in our support area are offered free of charge. Visit the support area at <http://www.sunburstsoftwaresolutions.com/quickbooks-resources>

The bottom line is that the CPA you consider should have construction accounting experience and be able to provide you with references, that you will check. When speaking with the provided references, you should be able to determine not only their ability, but also how accessible the accountant will be to you. For example, if you find that reaching the CPA requires that you go through assistants or wait long periods for a return phone call – then you know that you should find another accountant!

The accountant you ultimately choose should meet with you and your bookkeeper (if you already have one) to help you review your current bookkeeping system, help you understand the reports that are required by various government agencies – including certified payroll reports and/or AIA billings.

Your CPA can help you review your chart of accounts, your items list, establish billing, payment, and payroll policies and procedures.

## Staffing

**1. Hire only employees you have reason to believe will excel in all aspects.** Qualities to look for include honesty, strong sense of responsibility, enthusiasm, ability to think outside the box, the drive and initiative to do whatever is required to accomplish the task at hand, construction related experience, a working knowledge of QuickBooks, and a stable employment history.

Surrounding yourself with superior key people will allow you to concentrate on running your business so you won't have to micro-manage normal day to day accounting tasks.

**2. Don't be tempted to hire workers as independent contractors instead of as payroll employees.** This is a huge "hot spot" in the eyes of the IRS. Make sure that a worker meets independent contractor criteria if you hire them as such. Otherwise you'll be in for some *serious* penalties. For more information from the IRS, view <http://www.irs.gov/taxtopics/tc762.html> and <http://search.irs.gov/web/query.html?col=allirs&charset=utf-8&qp=&qs=-Wct%3A%22Internal+Revenue+Manual%22&qc=&qm=&rf=&oq=&qt=%22independent+contractor%22>

## Be Contract Savvy

**1. Read your contracts carefully.** Your long-term success is going to depend on the terms and conditions of the contracts you enter into with the customers you work for and the subcontractors who might work for you.

Learn to read your contracts carefully, yes they can be totally overwhelming, but it can eliminate the "surprise" factor. Be sure to tell key people about specifics that they need to be aware of, for example this job requires certified payroll reports, or this job requires billing to be done using AIA G-702/G-703

forms, etc. Try our Project Info Worksheet to help you get organized - <http://www.sunburstsoftwaresolutions.com/view-document-details/contract-information-an-organized-approach.htm>

If you hire subcontractors, use forms published by the American General Contractors of America or the American Institute of Architects, and modify them as required to meet the conditions of the project and to fairly allocate risk between the project owner and yourself.

Many project owners create and require the use of their own contract forms that are written to serve their own best interest and not yours. Be aware that both what is and is not stated in the contract may distribute risk away from that project owner and onto you.

**2. Hire an attorney who specializes in construction.** He/she can review the contracts before you sign them unless you are certain that you know what to look for in the contract terms and provisions.

## Conclusion

---

While it is safe to say that no single article can provide you with absolutely everything that you would need to know about entering into Public Works/Government Contracting, the pointers offered here will direct you to resources that will help you on your way.

In closing, we'd like to mention that we do maintain a listing of Certified QuickBooks ProAdvisors who are familiar with using QuickBooks in the commercial/public works/government contracting arena, which is available on our website - <http://www.sunburstsoftwaresolutions.com/proadvisors/cpa-s/>



© 2000-2008 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.