



Q&A Cash Flow & Indirect Cost Rates

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Steve Burke, Regional Manager, [SBDC](#)

Tiffany Scroggs, Program Director, [Washington APEX Accelerator](#)

Tell me a bit about SBDC:

Created to support small business growth by providing no-cost advising services. In WA, SBDC has over 50 advisors at 34 locations. SBDC's services cover all elements of running a business. He knows firms can be really good and doing the work, but financial discipline is necessary to ensure your firm can sustain and be profitable long-term.

What does financial discipline look like?

- A business owner that does not need to check their bank account every day (multiple times a day). It's a sign the business does not know when money's coming and going out.
- Create a system to track the money that is due to come in based on sales and forecasted sales and what money is expected to go out the door.
- Use Generally Accepted Accounting Standards to manage the accounting system.
- Use an independent accounting system that will allow for a set of financial reports at least weekly – Profit & Loss, Balance Sheet, historical cash flow statement, accounts payable, inventory report, etc,
- Reports can be used to make decisions on the business and producing a cash flow forecast. Also helps understand if there are errors or fraud.
- A person with out a plan is someone that gets managed by someone who does have one!

I've been in Safe Harbor for three years. It's my final year. How do I get my own rate? Do I need CPA?

- Safe Harbor program can be helpful to firms new to the marketplace, but now it's time to gain a clear understand of every indirect cost. It's amazing how quickly revenue comes and goes through the business. This process of understanding all the direct costs + indirect costs will allow you to have an accurate picture of your true costs of doing business. Reduces surprises.
- We recommend you don't spend time learning to be your firm's CPA or bookkeeper. By hiring out to an independent bookkeeper (\$50-\$75/hour), you can have confidence they are up to date on the financial software and can alert you to data issues or errors. You, the business owner, feed the bookkeeper the data each week. You'll have confidence the data is clean and then it can go to the CPA who can do the taxes, calculate your indirect rate, defend you in an audit, etc. CPAs can be \$350/hour so you certainly don't want a CPA helping clean up the books. Use a Bookkeeper for that.

How do I find a bookkeeper?

- You can find a long list of Certified QuickBooks Pro advisors <https://quickbooks.intuit.com/find-an-accountant/> and then identify 3-5 of them that you interview as if you're hiring an employee.
- Share with them your knowledge gaps, make sure they understand your industry, insist they have a team-centered approach and will answer your questions and educate you.

What other tips do you have?

- Apps can be added to your Quickbooks to help track time, for example. Using software to assist with this process can help save you time.

How will strong financial management impact a firm's profitability?

- People who want to be small business owners and have an interest in learning the business management skills, you'll be profitable and successful longer term.

I'm a small business in the Safe Harbor Program needing to get my own rate next year. At what point do I engage with WSDOT on my rate? Do I ask for an audit? Do I win the subcontract or prime contract first and then wait for an audit?

- You can engage with WSDOT anytime you have a question or want guidance on any next steps.
- For firms that currently have contracts with WSDOT, they should refer to the agreement on when they are expected to update their billing rates. There are contracts that call for updating the billing rates within six months of the anniversary date of the agreement, but most call for updating the billing rates within six months of the firm's fiscal year end.
- To be on a contract, firms need to have the billing rates approved. Firms who are interested in working on WSDOT agreements will want to get prequalified with preapproved billing rates to avoid any delays in the contracting process. WSDOT's prequalification list starts

each year on July 1st, so firms who want to avoid any lapse in preapproval will want to have the indirect cost rate submitted for review prior to July 1st. Indirect cost rate reviews average about two weeks to complete and June 30th is a very busy time, so it's encouraged to submit for a review earlier to avoid delays. Firms that want to be included in the prequalification list can start the process by emailing the Contract Services Office at consultantrates@wsdot.wa.gov to start the process.

- Typically, for a firm with a calendar fiscal year, they submit for a desk review and start using the new rate from July 1st through June 30th. When firms graduate from the Safe Harbor program to using an indirect cost rate based on actual expenses, they can start using the approved rate once it's approved. A firm which wants to transition from Safe Harbor to their own rate can potentially submit for a desk review in February and start using the new rate in March. They would then use that rate until June 30th, and update the rate on an annual basis. Once the books are closed for the fiscal year, the firm can submit the indirect cost rate schedule along with the supporting documents to Jarron Elter at Jarron.Elter@wsdot.wa.gov let him know you would like a desk review. The documents required for a desk review, and frequently asked questions can be found on the WSDOT Audit Office [website](#).

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