

[The McKelvey Group - Authored Article for *Washington Technology*]

**Accounting with a Cadence:
Why a Proactive Year-End Approach is Essential in the Government Arena**
By Matt McKelvey, The McKelvey Group

Every year I speak with CPAs who bemoan the chaos and rush to file taxes for many of their government clients. While these professionals get the job done for their clients, it often takes more time (and increased cost) with a less than ideal product. In addition to a marked reduction in stress and pressure, planning ahead does deliver real and tangible benefits for the government entities and contractors themselves. Among these? Your government clients will be much more likely to file accurate taxes (time to make sure nothing is missed), avoid fees and penalties, and have accurate revenue and profit projections for the new year, while paying lower preparation costs. The key is organization and planning - and within the government arena, this is even more important with the additional regulations and compliance considerations that are necessary at filing time.

Seems simple and straightforward, right?

Well, the fact remains that a large percentage of businesses still face late payment fees. According to a recent [article](#) from the U.S. Tax Center at www.irs.com, 5.5 million businesses nationwide file for tax extensions each year - presumably because they have not had time to get everything in order to get their return filed by the regular due date. By contrast, where we handle the accounting for clients throughout the year, over 90% are able to file their taxes on time each year through their CPA firm. This is a direct result of a systematic, ongoing, and timely approach to the year-end close.

As a government contractor, what can you do to help your federal clients appreciate and implement a proactive year-end strategy? First, take stock of their current situation. Here are some tried-and-true ways to tell if an organization has an efficient approach to their year-end close. Not surprisingly, they come down to being proactive, being timely, and minimizing unnecessary costs. Are they:

- ✓ Consistently filing their taxes on time?
- ✓ Taking the time to determine the 'best' filing strategy for their needs?
- ✓ Deadline-driven as opposed to proactively organized?
- ✓ Paying higher year-end preparation costs due to extra work required by their CPA from inadequate planning and organization?
- ✓ Actively planning for the annual close or just 'checking the box' to get the filing process complete?

Once you've assessed the existing situation with regard to your government client's year-end approach and culture, the timing is ideal to focus on educating the teams on the immense value (more than just peace of mind!) that comes with planning ahead versus scrambling to the finish. Here are just a few of the highlights:

- ✓ **Cost savings.** Who doesn't like to save money? Planning ahead saves on CPA fees and ensures the organization is paying the most accurate taxes for their situation and not paying more than it needs to due to lack of time to weigh all of the filing options and scenarios. And don't forget the savings from avoiding penalties and fees!
- ✓ **No costly refileing.** Proactive planning reduces the potential for errors on tax filings by allowing CPAs time to both coordinate questions with the business and perform more thorough quality reviews. As we all know, the risk of errors always increases with rushed work.
- ✓ **Positive impacts on business credit.** Tax returns are an essential credit-scoring component, which is central to fueling long-term growth. Failing to plan ahead raises the chances of inaccuracies and errors on tax returns which can effect negative marks on an organization's credit-worthiness and stifle future growth potential!

But identifying inefficient practices and approaches is the easy part. Effectively implementing changes in organizational perspective and culture isn't. Here are some top best practices I've gleaned from my own experience that can help the government organizations you serve transition smoothly to a timely year-end filing mentality:

- ✓ **Close the books regularly – ideally on a monthly cadence.** This is our number one recommendation. For chronically late filers, the cadence is usually annual. For decent filers, it's at least quarterly. For efficient filers, it is usually monthly. Entering transactions throughout the year and closing monthly (completing reconciliations and accruing costs) helps to evenly distribute the workload over time, incrementally, to avoid the stress and mistakes that often result with trying to take on all of the information at once at tax time. Our experience is this monthly cadence almost always is a lower-cost approach to accounting. Encourage closing the books more frequently, and ideally monthly.
- ✓ **Review the numbers and project – at least quarterly.** A key purpose of accounting is to provide historical information for the business to use as the basis for planning ahead. That means the accounting is more than just numbers and charts on a page. Having regular internal financial discussions about history, targets, and projections is how organizations grow with purpose. Being disciplined and planning ahead is the difference between getting where you want to go instead of just ending up where you are. CPAs don't need to be in these meetings, but encouraging your government clients to have these reviews will help them get ahead of their numbers and look forward.

- ✓ **Reflect and forecast on where an organization will end the year.** Remember that a proactive year-end approach requires leveraging a business's team to their fullest - and everyone has an important role to play. Management/owners should meet at least twice a year with the accounting team and the CPA firm who files the taxes. Ideally these meetings happen at the beginning of the 3rd and 4th quarters. If the accountants know what the CPAs need, they'll have it ready before filing deadlines. And if the CPAs know generally what the company results will be, they can offer suggestions (with time for implementation) for legally minimizing tax obligations and ensuring government compliance requirements and regulations are upheld.
- ✓ **Make a year-end checklist. Check it not just twice, but multiple times.** Avoid surprises at the last minute and be sure the client has a plan to execute year-end responsibilities smoothly and accurately. A checklist is the greatest quality assurance tool in the world. Get your clients to use one. In fact, give them one to start from.

The bottom-line is that planning and operating proactively for year-end is a best-practice approach for success. Doing so leads to many benefits, including timely and accurate filings, lower filing costs, the elimination of penalties and fees, and better overall business planning. Looking forward, and not just backward, is a key factor for robust growth, across the business arena but particularly in the government sector.

About the Author

Matthew McKelvey is President of The McKelvey Group (TMG) with over twenty-five years of experience in Finance/Accounting, Government Contracting, Business Valuations, Process Optimization, and Training. Matt is well known for his expertise in working with organizations as they seek to enter or grow their footprint in the Federal Government marketplace. In addition to direct client consulting in price and proposal strategies, compliance, and accounting, Matt speaks regularly and teaches courses to the Government contracting community. The subject matter of the speaking engagements and training include Price/Cost Proposal Strategies, DCAA Audit Preparation, Compliant Accounting Systems, Indirect Cost Structures, Incurred Cost Submissions, and Negotiating with the Federal Government. The McKelvey Group is a National Association of State Boards of Accountancy (NASBA) recognized Continuing Professional Education (CPE) program sponsor providing CPE credits in accordance with nationally recognized standards. Matt holds an MBA in Finance and Marketing and a BS in Finance. He is a Six Sigma Certified Black Belt, a member of the National Contract Management Association (NCMA) and the Association of Proposal Management Professionals (APMP), and is an Accredited Senior Appraiser with the American Society of Appraisers (ASA). For more information, please visit www.themckelveygroup.com.