

Background

Many firms utilizing Ajera software utilize external consultants or independent contractors. They desire to have these consultants appear as internal labor or employees when producing client invoices. Currently Ajera does not have a subcontract labor feature. Therefore, a work around procedure is required in order to have these external consultants complete an Ajera timesheet and have their time processed as internal labor. The procedure is detailed below.

Objectives and Goals

1. Processes external consultants as labor, and have their charges appear on client invoices as internal labor.
2. Avoid disruption and accuracy of payroll compliance reporting.
3. Avoid negatively impacting the quality of data warehoused in Ajera.

Setups Required – System Configuration

1. Setup Pays – Other Premium 3
2. Activate Premium 3 Time bucket.
3. Assign an appropriate description as shown below.
4. Check all employer and employee taxes as exempt. (as shown below)

Pay - Consultant Hours Only

Status: Active

Description: Consultant Hours Only

Type: Premium 3

Track hours/units
 Include in quarterly report
 Include in regular pay
 Include in salary

Calculation method: Hours Times Rate

Rate: 0.0000

Expense account: ...

Reduces accrual: ...

W-2 form boxes 1U-2N: ...

W-2 box description: ...

Notes: ...

Employee Tax Exempt

Federal withholding
 Social security
 Medicare
 State withholding
 State disability insurance
 State unemployment
 Local withholding

Employer Tax Exempt

Federal unemployment
 Social security
 Medicare
 State disability insurance
 State unemployment
 Local withholding

Accrual Options

Auto reduce

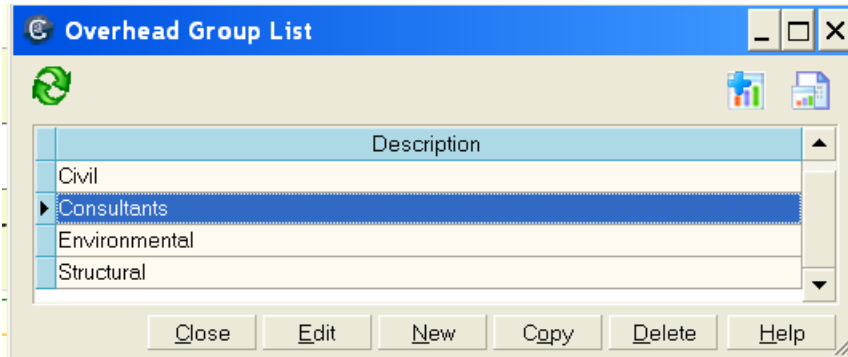
Reduce to: 0.00

Reduce month/day: ...

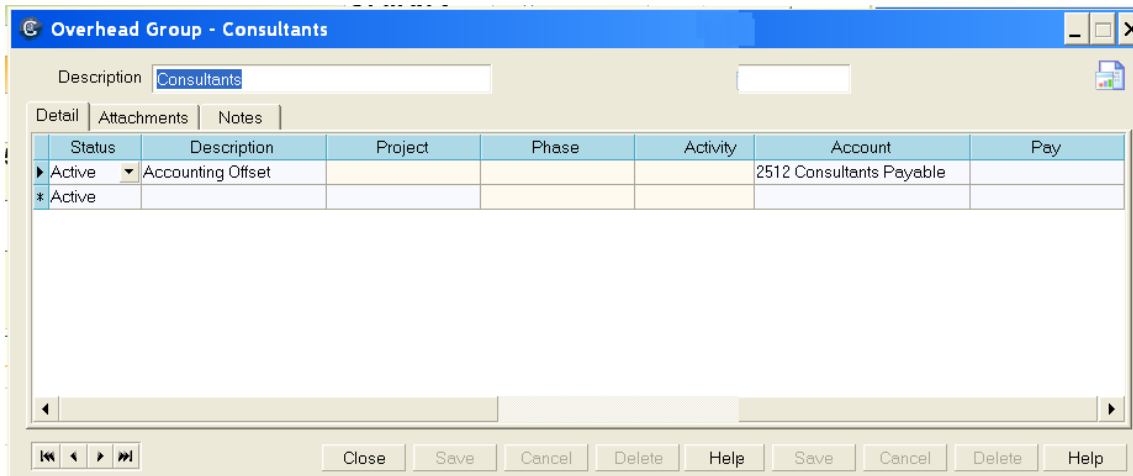
Close Save Cancel Help

Setup Overhead Group for External Consultants

Label the group Consultants or some other appropriate description.



Assign one overhead line as shown below. Use your own terminology and account assignment.



Setups Required – Employee (External Consultant)

Time & Expense Entry Tab – Assign external consultant to the Consultants Overhead Group.

Employee - Mike Brennan

Status: Active

General | Address | Time & Expense Entry | Pay Information | Payroll Taxes | Deductions/Fringes | Contain...

Timesheet Entry

Overhead group: Consultants

Expense Entry

Use expense reports

Credit card 1: []

Credit card 2: []

Credit card 3: []

Credit card 4: []

Credit card 5: []

Credit card 6: []

Vendor: Employee

Calculate payment: None

Number of days from invoice: 0

Day of the month to pay: 0

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Pay Information Tab – Assign the pay frequency and hourly rate to be paid to the consultant. When assigning a pay frequency, it is advised to assign a frequency not utilized by other employees such as Monthly. By doing so, consultants can be segregated and processed separately from employees. If possible, the Pay Period should match the frequency in which the external consultants bill your company. Standardizing this practice will enhance the work around. Weekly and monthly are the best options.

Employee - Mike Brennan

Status: Active

General | Address | Time & Expense Entry | Pay Information | Payroll Taxes | Deductions/Fringes | Contain...

Social Security number: []

Payroll service employee ID: []

Security

Login ID: mjb

Password: []

Security group: Expense management

Pay Rates

Start Date	Pay Period	Hourly	Salary	Pay Rate	Overtime markup	Include in Sal...	Double time mar...	Include in Sal...	Project Hours ma...	Incl in S
01/01/01	SemiMont...	<input checked="" type="checkbox"/>	0.00	75.0000	0.00	<input type="checkbox"/>	0.00	<input type="checkbox"/>	0.00	<input type="checkbox"/>

Additional Pays

Pay	Calculation	Amount	On Dema...	Sup p	Limit	Limit Period	Auto Reduce	Redu ce To	Reduce Month/Dav
[]	[]	[]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	[]	[]	<input checked="" type="checkbox"/>	[]	[]

Close Save Cancel Delete Help

Payroll Taxes Tab – Settings as shown.

Employee - Mike Brennan

Status: Active

General | Address | Time & Expense Entry | Pay Information | Payroll Taxes | Deductions/Fringes | Contact

Federal filing status: Do Not Withhold

EIC status: Not Applicable

Federal exemptions Covered by retirement plan: 4

Additional federal withholding: 0.00

Home state: No State

Work state: No State

State filing status: [Dropdown]

State withholding exemptions: 4

Additional state withholding: 0.00

Additional Taxes

Tax	Calculation	Amount	On Dema...	Supp	Limit	Limit Period	Notes
...			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

Close Save Cancel Delete Help

Deductions/Fringes Tab – as shown

Employee - Mike Brennan

Status: Active

General | Address | Time & Expense Entry | Pay Information | Payroll Taxes | Deductions/Fringes | Contact

Deduction

Deduction	Calculation	Amount	On Dema...	Supp	Limit	Limit Peri...	Notes
...			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

Direct Deposits

Routing Nu...	Account	Type	Preno...	On Dema...	Supp	Remaining	Amount	Notes
			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Fringes

Fringe	Calculation	Amount	On Dema...	Supp	Limit	Limit Peri...	Notes
...			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

Close Save Cancel Delete Help

Workflow Steps

- 1) Direct external consultants to fill out the timesheets per normal policies and procedures. Direct them to place their time in the Consultant Hours bucket.
- 2) At the completion of each time cycle, accounting should place negative hours in the accounting offset line.

Project	Phase	Activity	Mon 06/11	Tue 06/12	Wed 06/13	Thu 06/14	Fri 06/15	Sat 06/16	Sun 06/17	Total
2004-227 Haven St...	Lot Survey	Billable Time	8.00	8.00	8.00	8.00	8.00			40.00
Direct			8.00	8.00	8.00	8.00	8.00	0.00	0.00	40.00
Overhead										
Accounting Offset									-40.00	-40.00
Overhead			0.00	0.00	0.00	0.00	0.00	0.00	-40.00	-40.00
Timesheet Total			8.00	8.00	8.00	8.00	8.00	0.00	-40.00	0.00

Hours	Notes
Regular	
Overtime	
Double time	
Consultant Hours Only	-40.00

The effect on the GL will be as shown below

Account Department	Beginning Balance	Debit	Credit	Ending Balance
2310 - Salaries Payable	-34,475.67	3,000.00	3,000.00	-34,475.67
5110 - Billable Salaries	0.00	3,000.00		3,000.00
2512 - Consultants Payable	0.00		3,000.00	-3,000.00

Be careful to match the offset hours within the reimbursement period. In the above example, the offset hours were purposely set outside the reimbursement range for illustration purposes. In the above example, gross pay will be generated if payroll is processed from 6/1/2012 to 6/15/2012 because the offset was recorded on 6/17/2012. Offsets can be recorded daily if so desired.

Approve the timesheet according to standard policy.

Payroll Processing

Process payroll according to normal procedures. In this example, the external consultant was processed with regular employees. That is not the preferred option. It is preferable to process consultants seperately. Payrolls can be labeled "External Consultants".

As illustrated below, no gross or net pay was generated for the external consultant.

Status	First Name	Middle Name	Last Name	Pay	Taxes	Deductions	Net
Processed	Mary	T	Byrle	2,500.00	513.23	165.00	1,821.77
Processed	Mike		Brennan	0.00	0.00	0.00	0.00
Processed	Jan	J.	Engstrom	1,862.00	414.80	129.48	1,317.72
Processed	Pat	D	Hill	2,250.76	452.80	185.03	1,612.93
Processed	Kris	N.	Kingsley	2,160.00	456.03	96.40	1,607.57
Processed	Christopher	E.	Meehan	4,950.00	1,283.40	263.00	3,403.60
Processed	Scott	B.	Nunn	1,656.00	388.43	76.24	1,191.33
Processed	Lisa	P.	Quinn	0.00	0.00	0.00	0.00
Processed	Mark	A.	Royce	3,500.00	1,067.25	140.00	2,292.75
Processed	James	N.	Singer	3,173.07	705.65	181.92	2,285.50
Processed	Roger	S	Tesch	1,850.00	445.10	75.00	1,329.90
Processed	Karen	G.	Winger	756.00	144.96	10.00	601.04
				24,657.83	5,871.65	1,322.07	17,464.11

Vendor Invoice Processing

Record the consultant invoice to account 2512 with no project detail.

Pro's and Con's

Pros

1. External consultant charges are updated as frequently as internal labor.
2. Charges accrue to the General Ledger as time is recorded ensuring revenue and costs are matched in the same period.
3. Revenue Types are matched. Revenue is recorded as labor and costs are recorded as labor. In other published work arounds, revenue is recorded as labor and the related cost is recorded as Consultant.
4. Consultant labor activity can be easily segregated on custom reports and inquiries because it has many unique attributes. The main attribute is time is recorded as "Other Premium 3".
5. No cents or fractional amounts are generated from the .0001 rate found in other work arounds.
6. Activity on the Employee Utilization can be controlled by how the Accounting Offset is configured. In this example, external consultants will appear on the standard utilization report. Another option exists to have the activity not show.

Cons

1. An employee license is utilized by each external consultant setup in this manner.
2. Consultant activity is recorded as Labor (although some companies prefer this)
3. Salaries payable will accrue consultant charges until the offset is recorded. At that time the amount is reversed and reclassified to Consultant Payable.

For variations or assistance with the work around procedure, please email me at:

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Michael J. Brennan, CPA is one of the nation's leading experts in the management of A&E and professional services firms. Mr. Brennan has twenty five+ years of accounting and consulting experience in Architectural, Engineering, and Construction (AEC) industry. His certifications include:

- *Certified Public Accountant*
- *Certified Timberline Consultant*
- *Certified Axiom Protrax Consultant*
- *Certified Axiom Ajera Consultant*

Prior to starting unlockthedata.com he held the position of Controller at the Bentley Company and he was Manager of IT Consulting Services at Lautze & Lautze, a regional accounting firm in San Francisco. Mike is also an accomplished speaker, speaking to hundreds of A&E professionals each year at seminars and professional association conferences. He graduated in 1984 from Western Illinois University, with a BA, Accounting, and passed the CPA in Illinois in 1986.