

FINOVATEPRO

PROFESSIONAL, TECHNICAL & ADMINISTRATIVE SERVICES MANUAL

The Financial Operating System for Service-Based Businesses

finovatepro.com

Table of Contents

EXECUTIVE SUMMARY.....	6
VOLUME 1 — FOUNDATIONS (SERVICE ACCOUNTING ENGINE)	9
CHAPTER 1 — BUSINESS MODEL TYPES	9
CHAPTER 2 — CHART OF ACCOUNTS (PTA).....	9
CHAPTER 3 — PROJECT / ENGAGEMENT STRUCTURE	10
CHAPTER 4 — TIME TRACKING SYSTEM.....	10
CHAPTER 5 — LABOR COSTING	10
CHAPTER 6 — UTILIZATION METRICS.....	10
CHAPTER 7 — PROJECT PROFITABILITY.....	10
CHAPTER 8 — INTERNAL CONTROLS.....	11
CHAPTER 9 — COMMON FAILURES.....	11
VOLUME 2 — DAILY OPERATIONS (PTA SERVICES)	12
◇ CHAPTER 10 — PROJECT SETUP (START OF EVERYTHING)	12
◇ CHAPTER 11 — TIME ENTRY (THE HEART OF THE SYSTEM).....	12
◇ CHAPTER 12 — EXPENSE CAPTURE.....	13
◇ CHAPTER 13 — DAILY COST POSTING	14
◇ CHAPTER 14 — BILLABLE VS NON-BILLABLE TIME.....	14
◇ CHAPTER 15 — PROJECT BUDGET TRACKING	15
◇ CHAPTER 16 — SUBCONTRACTOR ACCOUNTING.....	15
◇ CHAPTER 17 — DAILY REVENUE LOGIC (PRE-BILLING)	15
◇ CHAPTER 18 — WORK-IN-PROCESS (WIP) MANAGEMENT	16
◇ CHAPTER 19 — DAILY REVIEW CONTROLS.....	16
◇ CHAPTER 20 — DAILY DASHBOARD (CRITICAL)	16
◇ CHAPTER 21 — COMMON DAILY FAILURES.....	17
◇ CHAPTER 22 — DAILY CLOSE (END OF DAY CHECK).....	17
VOLUME 3 — BILLING & REVENUE ENGINE (PTA SERVICES).....	19
◇ CHAPTER 23 — CONTRACT-DRIVEN BILLING	19
◇ CHAPTER 24 — TIME & MATERIALS (T&M) BILLING.....	19
◇ CHAPTER 25 — FIXED FEE BILLING.....	20
◇ CHAPTER 26 — RETAINER BILLING.....	20
◇ CHAPTER 27 — REIMBURSABLE EXPENSES.....	21

◇ CHAPTER 28 — WORK-IN-PROCESS (WIP) TO BILLING	22
◇ CHAPTER 29 — UNBILLED REVENUE & DEFERRED REVENUE	22
◇ CHAPTER 30 — INVOICE GENERATION	22
◇ CHAPTER 31 — REVENUE RECOGNITION RULES.....	23
◇ CHAPTER 32 — BILLING REVIEW & APPROVAL.....	23
◇ CHAPTER 33 — COLLECTIONS & CASH APPLICATION	23
◇ CHAPTER 34 — BILLING ANALYTICS.....	24
◇ CHAPTER 35 — COMMON BILLING FAILURES.....	24
◇ CHAPTER 36 — BILLING CYCLE CHECKLIST.....	24
VOLUME 4 — MONTH-END CLOSE (PTA SERVICES)	27
◇ CHAPTER 37 — TIME & LABOR VALIDATION	27
◇ CHAPTER 38 — EXPENSE & AP CLOSE.....	28
◇ CHAPTER 39 — WIP RECONCILIATION (CRITICAL)	28
◇ CHAPTER 40 — BILLING TIE-OUT	28
◇ CHAPTER 41 — REVENUE RECOGNITION VALIDATION.....	29
◇ CHAPTER 42 — ACCOUNTS RECEIVABLE & COLLECTIONS.....	29
◇ CHAPTER 43 — PROJECT PROFITABILITY REVIEW.....	30
◇ CHAPTER 44 — GENERAL LEDGER RECONCILIATION.....	30
◇ CHAPTER 45 — FINANCIAL STATEMENTS PREPARATION	30
◇ CHAPTER 46 — VARIANCE ANALYSIS	31
◇ CHAPTER 47 — MANAGEMENT REVIEW.....	31
◇ CHAPTER 48 — CLOSE CERTIFICATION.....	31
◇ CHAPTER 49 — CLOSE CHECKLIST (FINAL)	32
◇ CHAPTER 50 — COMMON CLOSE FAILURES	32
VOLUME 5 — AUDIT, COMPLIANCE & CONTROLS (PTA SERVICES)	34
◇ CHAPTER 51 — INTERNAL CONTROL STRUCTURE	34
◇ CHAPTER 52 — SEGREGATION OF DUTIES.....	34
◇ CHAPTER 53 — TIMEKEEPING CONTROLS	35
◇ CHAPTER 54 — BILLING CONTROLS	35
◇ CHAPTER 55 — EXPENSE CONTROLS	35
◇ CHAPTER 56 — REVENUE CONTROLS	36
◇ CHAPTER 57 — AUDIT READINESS.....	36
◇ CHAPTER 58 — DOCUMENTATION STANDARDS	36

◇ CHAPTER 59 — COMPLIANCE FRAMEWORK	37
◇ CHAPTER 60 — FRAUD PREVENTION	37
◇ CHAPTER 61 — FRAUD DETECTION	37
◇ CHAPTER 62 — AUDIT PROCESS (WHAT TO EXPECT)	38
◇ CHAPTER 63 — COMMON AUDIT FINDINGS.....	38
◇ CHAPTER 64 — MANAGEMENT RESPONSE TO FINDINGS	38
◇ CHAPTER 65 — GOVERNANCE & OVERSIGHT	38
◇ CHAPTER 66 — CONTROL TESTING (INTERNAL)	39
◇ CHAPTER 67 — RISK MANAGEMENT	39
◇ CHAPTER 68 — COMPLIANCE CHECKLIST	39
◇ CHAPTER 69 — CONTROL FAILURES	39
VOLUME 6 — ADVANCED & SPECIAL CASES (PTA SERVICES).....	41
◇ CHAPTER 70 — MULTI-PROJECT COST ALLOCATION	41
◇ CHAPTER 71 — BLENDED BILLING RATES	41
◇ CHAPTER 72 — FIXED FEE WITH SCOPE CHANGES	42
◇ CHAPTER 73 — LOSS-MAKING PROJECTS	42
◇ CHAPTER 74 — RETAINERS WITH ROLLOVER	42
◇ CHAPTER 75 — MULTI-CURRENCY OPERATIONS.....	43
◇ CHAPTER 76 — SUBCONTRACTOR-HEAVY MODEL.....	43
◇ CHAPTER 77 — HYBRID CONTRACTS	43
◇ CHAPTER 78 — REVENUE ADJUSTMENTS & WRITE-OFFS	44
◇ CHAPTER 79 — PROJECT RESTRUCTURING.....	44
◇ CHAPTER 80 — PERFORMANCE-BASED CONTRACTS.....	44
◇ CHAPTER 81 — INTERCOMPANY SERVICE ARRANGEMENTS.....	45
◇ CHAPTER 82 — OVERHEAD ALLOCATION COMPLEXITY.....	45
◇ CHAPTER 83 — SYSTEM LIMITATIONS & WORKAROUNDS.....	45
◇ CHAPTER 84 — EDGE CASE CONTROLS.....	46
◇ CHAPTER 85 — COMMON ADVANCED FAILURES.....	46
CORE CASE STUDIES (PTA SERVICES — REALITY VERSION)	48
Case 1 — Time Not Tracked	48
Case 2 — Overbilling Risk	48
Case 3 — Underbilling	49
Case 4 — Fixed Fee Mispricing	50

Case 5 — Poor Utilization	51
Case 6 — Expense Leakage.....	51
Case 7 — Revenue Recognized Too Early.....	52
Case 8 — Project Overrun	53
Case 9 — No Job Costing	53
Case 10 — No Performance Metrics	54
APPENDIX 1: PTA DASHBOARD KPIS (TIED TO REAL FAILURE CASES).....	56
APPENDIX 2: MONTHLY CLOSE CHECKLIST (PTA SERVICES)	61

EXECUTIVE SUMMARY

Business Type:

- Consulting firms
- HR, Accounting and Law Firms
- Engineering firms
- IT services
- Firm fixed price govcon service providers
- Back-office / admin outsourcing firms

◇ BEFORE THE VOLUMES — BIG PICTURE

What Makes Service Accounting Different

Product businesses track:

inventory

Service businesses track:

time + people + deliverables

Core Reality

Time is the inventory

If time is:

not tracked → revenue is lost

tracked incorrectly → margins are fake

not billed → business collapses

The 5 Pillars of Service Accounting

Time Tracking (Labor Engine)

Project / Engagement Accounting

Billing & Revenue Recognition

Cost Control & Profitability

Utilization & Performance Metrics

Golden Rule

If time, billing, and costs don't tie together—you don't have real financials

◇ HOW TO USE THIS MANUAL

This manual is structured into six operational volumes:

Volume 1 — Foundations (Service Accounting Engine)

Volume 2 — Daily Operations (Time, Expenses, Projects)

Volume 3 — Billing & Revenue Engine

Volume 4 — Month-End Close

Volume 5 — Audit & Compliance

Volume 6 — Advanced & Special Cases

Each volume builds on the previous one

Skipping steps = broken system

◇ **CORE CASE STUDIES (PTA)**

Case 1 — Time Not Tracked

Consultants don't log hours.

Revenue lost and margins unknown

Case 2 — Overbilling Risk

Firm bills more hours than worked.

Client dispute + reputational damage

Case 3 — Underbilling

Work performed but never invoiced.

Silent revenue leakage

Case 4 — Fixed Fee Mispricing

Project quoted too low.

High workload, low profit

Case 5 — Poor Utilization

Staff idle 40% of time.

Payroll high, revenue low

Case 6 — Expense Leakage

Travel expenses not billed.

Margin erosion

Case 7 — Revenue Recognized Too Early

Fixed fee recorded upfront.

Financial statements overstated

Case 8 — Project Overrun

Costs exceed budget unnoticed.

Profit turns into loss

Case 9 — No Job Costing

All expenses lumped together.

No idea which clients are profitable

Case 10 — No Performance Metrics

Firm operates blindly.

No control over growth

VOLUME 1 — FOUNDATIONS (SERVICE ACCOUNTING ENGINE)

CHAPTER 1 — BUSINESS MODEL TYPES

1.1 Time & Materials (T&M)

bill based on hours worked

most flexible

Revenue = Hours × Rate

1.2 Fixed Fee

fixed price regardless of hours

Risk: cost overruns

1.3 Retainer Model

recurring monthly fee

Revenue predictable

1.4 Hybrid

mix of T&M + fixed

CHAPTER 2 — CHART OF ACCOUNTS (PTA)

Revenue Accounts

Consulting Revenue

Technical Services Revenue

Administrative Services Revenue

Reimbursable Revenue

Cost Accounts

Direct Labor

Subcontractors

Travel & Expenses

Indirect Costs

Salaries (Admin)

Rent

Software

Key Rule

Separate:

direct costs

indirect costs

CHAPTER 3 — PROJECT / ENGAGEMENT STRUCTURE

Every job must have:

client

project ID

contract type

budget

billing terms

Key Rule

Every cost and hour must tie to a project

CHAPTER 4 — TIME TRACKING SYSTEM

Requirements

daily entry

project coding

supervisor approval

Key Rule

No time = no revenue

CHAPTER 5 — LABOR COSTING

Fully Burdened Cost

Salary + benefits + overhead

Why It Matters

Determines profitability

CHAPTER 6 — UTILIZATION METRICS

Utilization Rate

Billable Hours ÷ Total Hours

Target

70%–85% depending on firm

CHAPTER 7 — PROJECT PROFITABILITY

Formula

Revenue – Direct Costs – Allocated Overhead

Key Rule

Every project must show profit or loss

CHAPTER 8 — INTERNAL CONTROLS

Controls

time approval
billing review
expense approval

Risk

fraud + revenue leakage

CHAPTER 9 — COMMON FAILURES

no time discipline
poor pricing
weak billing
no cost tracking

FINAL RULE — VOLUME 1

If your time, cost, and billing don't align—you are guessing your numbers

◇ WHAT THIS BUILDS

This manual becomes:
FinovatePro service engine
global SMB service accounting system
consulting firm operating backbone

NEXT STEP

Volume 2 — Daily Operations (step-by-step execution)

Including:
time entry workflows
expense tracking
project setup
daily accounting entries
Volume 1 gave you the structure.

Volume 2 is how work actually gets recorded, controlled, and turned into revenue.

If this layer is weak:
revenue leaks
margins are fake
billing becomes guesswork

VOLUME 2 — DAILY OPERATIONS (PTA SERVICES)

Time | Expenses | Projects | Transactions | Execution Engine

◇ CORE PRINCIPLE

If it is not recorded daily, it will never be accurate monthly

◇ DAILY OPERATIONS FLOW (SIMPLIFIED)

Every day follows this loop:

Work is performed

Time is recorded

Expenses are captured

Costs are assigned to projects

Entries hit the accounting system

◇ CHAPTER 10 — PROJECT SETUP (START OF EVERYTHING)

Step-by-Step

Before any work begins:

Create **Client**

Create **Project / Engagement**

Assign:

Project ID

Contract type (T&M, Fixed, Retainer)

Billing rates

Budget (hours + cost)

Example

Client: ABC Corp

Project: IT Security Review

Type: T&M

Rate: \$150/hour

Control Rule

No work starts without a project

◇ CHAPTER 11 — TIME ENTRY (THE HEART OF THE SYSTEM)

Daily Requirement

Every employee must:

log time daily

assign to correct project

select task/category

Example Entry

Date	Employee	Project	Hours	Task
Jan 5	John	ABC IT Review	6	Testing

Accounting Entry (Behind the Scenes)

Dr Work-in-Process (WIP) – Project

Cr Labor Cost / Payroll Allocation

Control Rules

Time must be:

entered daily

approved

locked after approval

Red Flags

bulk weekly entries

missing time

time without project

◇ CHAPTER 12 — EXPENSE CAPTURE

Types of Expenses

travel

lodging

meals

software

subcontractors

Step-by-Step

Record expense

Attach receipt

Assign:

project

expense category

Example

Flight to client: \$500

Project: ABC IT Review

Accounting Entry

Dr WIP – Project
Cr Cash / Payable

Control Rule

No receipt = no reimbursement

Red Flags

expenses without project
missing documentation

◇ CHAPTER 13 — DAILY COST POSTING

What Happens Daily

System aggregates:
labor costs
expenses
subcontractor costs

Result

Real-time project cost visibility

Key Rule

Every cost must hit a project

◇ CHAPTER 14 — BILLABLE VS NON-BILLABLE TIME

Definition

Type	Meaning
Billable	Charged to client
Non-billable	Internal work

Examples

Billable:
client meetings
project work
Non-billable:
admin
training

Control Rule

Must be tracked separately

Why It Matters

Drives utilization + profitability

◇ CHAPTER 15 — PROJECT BUDGET TRACKING

Track Daily

hours used

cost incurred

remaining budget

Example

Budget: 100 hours

Used: 80 hours

80% complete

Control Rule

Alert when:

80% reached

budget exceeded

◇ CHAPTER 16 — SUBCONTRACTOR ACCOUNTING

Step-by-Step

Record subcontractor invoice

Assign to project

Verify work performed

Entry

Dr WIP – Project

Cr Accounts Payable

Control Rule

Subcontractor costs must match deliverables

◇ CHAPTER 17 — DAILY REVENUE LOGIC (PRE-BILLING)

T&M Projects

Revenue = Hours × Rate

Fixed Fee

Revenue based on:

% completion

or

milestones

Control Rule

Revenue must match work performed—not cash

◇ CHAPTER 18 — WORK-IN-PROCESS (WIP) MANAGEMENT

What is WIP

Unbilled work performed

Daily Flow

time + expenses → WIP

billing → reduces WIP

Key Rule

WIP must be:

tracked

reviewed

billed timely

Red Flags

large unbilled balances

old WIP (>30 days)

◇ CHAPTER 19 — DAILY REVIEW CONTROLS

Supervisor Responsibilities

review time entries

approve expenses

monitor project progress

Finance Responsibilities

validate postings

ensure completeness

Control Rule

Nothing moves forward unreviewed

◇ CHAPTER 20 — DAILY DASHBOARD (CRITICAL)

Every day, management should see:

hours logged
billable vs non-billable
project cost to date
WIP balance
budget vs actual

Key Rule

Visibility = control

◇ **CHAPTER 21 — COMMON DAILY FAILURES**

Top Issues

time not entered daily
expenses not assigned to projects
WIP not monitored
subcontractor costs unverified
billing disconnected from work

◇ **CHAPTER 22 — DAILY CLOSE (END OF DAY CHECK)**

Before ending the day:

- ✓ All time entered
- ✓ All expenses recorded
- ✓ All projects updated
- ✓ All approvals completed

◇ **SIMPLE VERSION (8TH GRADE LEVEL)**

Every day:

record your time
record your expenses
assign everything to a project
make sure someone reviews it

◇ **FINAL RULE — VOLUME 2**

If daily operations are weak, your financial statements are fiction

◇ **IN FINOVATEPRO**

This becomes:
real-time accounting engine
project profitability tracker
billing foundation

This is where your product becomes addictive

NEXT STEP

Volume 3 — Billing & Revenue Engine

Including:

T&M billing

fixed fee billing

retainers

revenue recognition rules

client invoicing

Volume 2 captured the work.

Volume 3 converts that work into revenue, invoices, and cash.

If this layer is weak:

you underbill

you overbill (and get burned)

revenue is misstated

clients lose trust

VOLUME 3 — BILLING & REVENUE ENGINE (PTA SERVICES)

T&M | Fixed Fee | Retainers | Revenue Recognition | Invoicing

◇ CORE PRINCIPLE

If billing is not tied to actual work and contract terms, revenue is fiction

◇ BILLING ENGINE OVERVIEW

Every billing cycle follows:

Work performed (Volume 2)

Costs captured (WIP)

Billing rules applied

Invoice generated

Revenue recognized

◇ CHAPTER 23 — CONTRACT-DRIVEN BILLING

Rule #1

Billing must follow the contract—not internal assumptions

Every Project Must Define

billing type

billing frequency

rates

reimbursables

payment terms

Red Flag

billing based on “what feels right”

◇ CHAPTER 24 — TIME & MATERIALS (T&M) BILLING

How It Works

Revenue = Hours × Billing Rate

Step-by-Step

Pull approved time

Apply billing rates

Add billable expenses

Generate invoice

Example

Hours: 50

Rate: \$150

Invoice = \$7,500

Accounting Entries

At billing:

Dr Accounts Receivable

Cr Revenue

Control Rules

Only approved time can be billed

Rates must match contract

Red Flags

billing unapproved hours

incorrect rates

◇ CHAPTER 25 — FIXED FEE BILLING

How It Works

Client pays fixed price regardless of hours

Methods

1. Milestone-Based

Invoice at milestones

2. Percentage of Completion

Revenue based on progress

Example

Contract: \$100,000

Progress: 40%

Revenue = \$40,000

Accounting Entry

Dr Unbilled Receivable

Cr Revenue

Control Rule

Revenue must reflect work performed—not invoice timing

Red Flags

full revenue booked upfront

ignoring project progress

◇ CHAPTER 26 — RETAINER BILLING

How It Works

Client pays recurring fee

Types

fixed monthly

prepaid retainer

usage-based retainer

Example

Monthly retainer: \$10,000

Accounting Entry

At billing:

Dr AR

Cr Deferred Revenue

As earned:

Dr Deferred Revenue

Cr Revenue

Control Rule

Revenue must match service period

Red Flags

recognizing full retainer immediately

◇ CHAPTER 27 — REIMBURSABLE EXPENSES

What They Are

Client pays back for expenses

Examples

travel

lodging

materials

Billing Rule

Only bill:

approved

documented

contract-allowed expenses

Entry

Dr AR

Cr Reimbursable Revenue

Red Flags

billing non-allowable expenses
missing receipts

◇ CHAPTER 28 — WORK-IN-PROCESS (WIP) TO BILLING

Flow

Work performed → WIP → Invoice

Key Rule

WIP must convert to billing timely

Aging Control

Age	Action
0–30 days	OK
30–60 days	Review
60+ days	Escalate

Red Flags

large unbilled balances
stale WIP

◇ CHAPTER 29 — UNBILLED REVENUE & DEFERRED REVENUE

Unbilled Revenue

Work done but not invoiced

Asset

Deferred Revenue

Cash received but not earned

Liability

Control Rule

Must be tracked separately

◇ CHAPTER 30 — INVOICE GENERATION

Invoice Must Include

client name

project
billing period
hours and rates
expenses
total due

Example Structure

Labor section
Expense section
Summary

Control Rule

Invoice must match:

time records
expense records

◇ CHAPTER 31 — REVENUE RECOGNITION RULES

Key Principle

Revenue = when earned, not when billed

Apply Standards (Conceptually)

T&M → as hours worked
Fixed fee → over time
Retainer → over service period

Red Flags

revenue tied only to invoices
ignoring progress

◇ CHAPTER 32 — BILLING REVIEW & APPROVAL

Before Sending Invoice

- ✓ Time approved
- ✓ Expenses verified
- ✓ Rates validated
- ✓ Math checked

Control Rule

No invoice goes out without review

◇ CHAPTER 33 — COLLECTIONS & CASH APPLICATION

Steps

Send invoice
Track receivable
Follow up
Receive payment
Apply cash

Entry

Dr Cash
Cr Accounts Receivable

Control Rule

AR must be actively managed

Red Flags

aging receivables
unpaid invoices

◇ CHAPTER 34 — BILLING ANALYTICS

Key Metrics

billing realization rate
utilization rate
collection rate
WIP aging

Example

Realization = Billed Hours ÷ Worked Hours

Control Rule

Metrics must be reviewed monthly

◇ CHAPTER 35 — COMMON BILLING FAILURES

Top Issues

unbilled work
incorrect rates
revenue misstatement
poor collections
weak WIP control

◇ CHAPTER 36 — BILLING CYCLE CHECKLIST

Before closing billing:

- ✓ All time approved
- ✓ All expenses recorded
- ✓ WIP reviewed
- ✓ Invoices generated
- ✓ Revenue recognized correctly

◇ **SIMPLE VERSION (8TH GRADE LEVEL)**

Every billing cycle:

take approved work
apply rates
create invoice
send to client
track payment

◇ **FINAL RULE — VOLUME 3**

If billing is not disciplined, revenue is unreliable and cash will suffer

◇ **IN FINOVATEPRO**

This becomes:

automated billing engine
revenue recognition system
cash flow driver

This is where you make FinovatePro indispensable

NEXT STEP

Volume 4 — Month-End Close (PTA Services)

Including:

full close checklist
WIP reconciliation
revenue validation
financial statements
audit readiness

Volume 2 captured activity.

Volume 3 generated revenue.

Volume 4 proves that everything is real, accurate, and defensible.

If this layer is weak:

revenue is misstated
margins are fake
WIP is wrong

audits fail

VOLUME 4 — MONTH-END CLOSE (PTA SERVICES)

WIP | Revenue Validation | Financial Statements | Audit-Ready Close

◇ CORE PRINCIPLE

Month-end close is not bookkeeping—it is validation of truth

◇ CLOSE OBJECTIVES

At the end of each month, you must prove:

all work is captured

all costs are recorded

all revenue is correctly recognized

all balances are accurate

◇ CLOSE STRUCTURE (10 CONTROL AREAS)

Time & Labor Validation

Expense & AP Close

WIP Reconciliation

Billing Tie-Out

Revenue Recognition Validation

AR & Collections

Project Profitability Review

GL Reconciliation

Financial Statements Preparation

Management Review & Certification

◇ CHAPTER 37 — TIME & LABOR VALIDATION

Tasks

confirm all employees submitted time

ensure all time is approved

verify:

project coding

billable vs non-billable

Control Rule

100% time completeness required

Red Flags

missing time

late approvals

bulk entries

◇ CHAPTER 38 — EXPENSE & AP CLOSE

Tasks

record all expenses
match invoices to projects
verify documentation

Cutoff Rule

expenses must be recorded in the correct period

Red Flags

late expense posting
missing receipts

◇ CHAPTER 39 — WIP RECONCILIATION (CRITICAL)

What to Reconcile

WIP ledger
job/project records
general ledger

Formula

WIP =
Labor + Expenses – Billings

Control Rule

WIP must tie across:

project system
GL

Red Flags

negative WIP
unexplained balances

◇ CHAPTER 40 — BILLING TIE-OUT

Tasks

reconcile:
invoices issued
revenue recorded
WIP relieved

Control Rule

Billing must match:

approved time
approved expenses

Red Flags

overbilling
underbilling

◇ CHAPTER 41 — REVENUE RECOGNITION VALIDATION

Tasks

Validate revenue for:

T&M

hours × rates

Fixed Fee

% completion

Retainers

time-based recognition

Control Rule**Revenue must reflect actual work****Red Flags**

revenue tied only to invoicing
ignoring progress

◇ CHAPTER 42 — ACCOUNTS RECEIVABLE & COLLECTIONS

Tasks

reconcile AR
review aging
identify overdue invoices

Aging Buckets

0–30
31–60
61–90
90+

Control Rule**Collections must be actively managed**

Red Flags

growing overdue balances
slow collections

◇ CHAPTER 43 — PROJECT PROFITABILITY REVIEW

Tasks

For each project:
revenue
direct costs
margin

Key Questions

Is project profitable?
Are costs exceeding budget?

Control Rule

Every project must be reviewed monthly

Red Flags

negative margins
budget overruns

◇ CHAPTER 44 — GENERAL LEDGER RECONCILIATION

Reconcile Key Accounts

Cash
WIP
AR
AP
Deferred Revenue

Control Rule

All balances must tie to supporting detail

Red Flags

unreconciled accounts
unsupported balances

◇ CHAPTER 45 — FINANCIAL STATEMENTS PREPARATION

Prepare

Income Statement

Balance Sheet

Project Profitability Report

Key Checks

revenue reasonable?

costs complete?

margins consistent?

Control Rule

Financials must reflect reality

◇ **CHAPTER 46 — VARIANCE ANALYSIS**

Compare

actual vs budget

current vs prior month

Ask

Why did revenue change?

Why did costs increase?

Control Rule

All variances must be explained

◇ **CHAPTER 47 — MANAGEMENT REVIEW**

Review Items

financial statements

key metrics

risk areas

Output

action items

corrections

Control Rule

Close is not complete without review

◇ **CHAPTER 48 — CLOSE CERTIFICATION**

Controller Must Confirm

books complete

revenue correct

WIP accurate

controls followed

Statement

“Financials are complete and accurate for the period.”

◇ CHAPTER 49 — CLOSE CHECKLIST (FINAL)

Before closing:

- ✓ All time recorded
- ✓ All expenses posted
- ✓ WIP reconciled
- ✓ Billing tied out
- ✓ Revenue validated
- ✓ AR reviewed
- ✓ Financials prepared
- ✓ Variances explained

◇ CHAPTER 50 — COMMON CLOSE FAILURES

Top Issues

incomplete time
incorrect revenue recognition
WIP not reconciled
weak billing tie-out
no variance analysis

◇ SIMPLE VERSION (8TH GRADE LEVEL)

At month end:
make sure all work is recorded
make sure all costs are recorded
make sure billing is correct
make sure revenue matches work
make sure everything ties

◇ FINAL RULE — VOLUME 4

If you cannot explain your numbers, your close is not complete

◇ IN FINOVATEPRO

This becomes:
automated close engine
audit-ready reporting system

management dashboard

This is where trust is built

NEXT STEP

Volume 5 — Audit, Compliance & Controls (PTA Services)

Including:

internal controls

audit readiness

fraud prevention

compliance framework

Volume 4 proved your numbers.

Volume 5 proves your system can survive scrutiny—auditors, regulators, clients, and lawsuits.

If this layer is weak:

audits fail

clients lose trust

fraud slips through

contracts are lost

VOLUME 5 — AUDIT, COMPLIANCE & CONTROLS (PTA SERVICES)

Internal Controls | Audit Readiness | Fraud Prevention | Governance

◇ CORE PRINCIPLE

If your system cannot withstand independent review, it is not a real system

◇ OBJECTIVES OF THIS VOLUME

You must be able to:

- prove accuracy of financials
- demonstrate control over operations
- prevent and detect fraud
- comply with standards and contracts
- survive audit review

◇ CONTROL FRAMEWORK OVERVIEW

This volume is built on 5 pillars:

- Internal Controls
- Audit Readiness
- Compliance (GAAP / Contract / Tax)
- Fraud Prevention
- Governance & Oversight

◇ CHAPTER 51 — INTERNAL CONTROL STRUCTURE

Definition

Internal controls = processes that ensure:

- accuracy
- completeness
- authorization

Core Controls

- segregation of duties
- approvals
- documentation
- reconciliations

Key Rule

No single person controls the full process

◇ CHAPTER 52 — SEGREGATION OF DUTIES

Must Separate

Function	Person
Time entry	Employee
Approval	Supervisor
Billing	Finance
Cash receipt	Accounting
Reconciliation	Independent reviewer

Risk

One person controlling everything = fraud risk

◇ CHAPTER 53 — TIMEKEEPING CONTROLS

Requirements

daily entry
 supervisor approval
 audit trail

Prohibited

retroactive changes without documentation
 estimated time

Control Rule

Time records must be defensible

◇ CHAPTER 54 — BILLING CONTROLS

Steps

extract approved time
 apply correct rates
 review invoice
 approve before sending

Control Rule

No invoice without approval

◇ CHAPTER 55 — EXPENSE CONTROLS

Requirements

receipts required
project coding
approval before payment

Risk

unauthorized or misallocated expenses

◇ **CHAPTER 56 — REVENUE CONTROLS**

Requirements

tie revenue to:
contracts
time
milestones

Control Rule

Revenue must be independently reviewed

◇ **CHAPTER 57 — AUDIT READINESS**

What Auditors Expect

complete financials
supporting documentation
clear processes
consistent application

Audit File Must Include

contracts
time records
invoices
expense support
reconciliations

Key Rule

If you cannot produce it quickly, it does not exist

◇ **CHAPTER 58 — DOCUMENTATION STANDARDS**

Every Transaction Must Have

source document
approval
audit trail

Examples

timesheets

receipts

contracts

Control Rule

No support = no transaction

◇ CHAPTER 59 — COMPLIANCE FRAMEWORK

Areas of Compliance

financial reporting (GAAP)

contract compliance

tax compliance

Key Rule

Must comply with:

internal policies

external requirements

◇ CHAPTER 60 — FRAUD PREVENTION

Common Risks

fake time entries

inflated expenses

billing manipulation

Controls

approvals

reviews

reconciliations

Red Flags

unusual patterns

inconsistent entries

unexplained adjustments

◇ CHAPTER 61 — FRAUD DETECTION

Methods

analytics

variance analysis

independent review

Examples

high billable hours spikes

expense anomalies

◇ CHAPTER 62 — AUDIT PROCESS (WHAT TO EXPECT)

Steps

planning

testing

review

reporting

Focus Areas

revenue

expenses

controls

◇ CHAPTER 63 — COMMON AUDIT FINDINGS

Top Issues

weak timekeeping

poor documentation

incorrect revenue recognition

lack of controls

◇ CHAPTER 64 — MANAGEMENT RESPONSE TO FINDINGS

Steps

identify issue

determine root cause

implement fix

monitor

Control Rule

Findings must be resolved—not ignored

◇ CHAPTER 65 — GOVERNANCE & OVERSIGHT

Board / Leadership Role

review financials

monitor performance
ensure compliance

Key Rule

Leadership must challenge numbers

◇ **CHAPTER 66 — CONTROL TESTING (INTERNAL)**

Monthly Tests

sample time entries
review invoices
verify expenses

Goal

ensure controls are working

◇ **CHAPTER 67 — RISK MANAGEMENT**

Identify Risks

financial
operational
compliance

Respond

controls
monitoring

◇ **CHAPTER 68 — COMPLIANCE CHECKLIST**

Before audit:

- ✓ all records complete
- ✓ controls documented
- ✓ reconciliations done
- ✓ issues resolved

◇ **CHAPTER 69 — CONTROL FAILURES**

Top Causes

lack of discipline
lack of oversight
poor documentation

◇ **SIMPLE VERSION (8TH GRADE LEVEL)**

To stay safe:
record everything
approve everything
keep proof
review everything
fix problems

◇ **FINAL RULE — VOLUME 5**

If your controls are weak, your numbers cannot be trusted

◇ **IN FINOVATEPRO**

This becomes:
compliance engine
audit defense system
fraud detection layer

This is where your product becomes enterprise-grade

NEXT STEP

Volume 6 — Advanced & Special Cases

Including:
multi-project allocation
revenue complexity
international services
complex contracts
edge cases

Volumes 1–5 handle **normal operations**.

Volume 6 handles reality—complex contracts, edge cases, and situations where basic rules fail.

If you don't design this layer:
your system collapses under scale
financials become inconsistent
audits get complicated
profitability becomes distorted

VOLUME 6 — ADVANCED & SPECIAL CASES (PTA SERVICES)

Complex Contracts | Edge Cases | Advanced Allocations | Global Operations

◇ CORE PRINCIPLE

Complexity does not remove the rules—it makes them more important

◇ WHAT THIS VOLUME COVERS

This volume addresses:

Multi-project cost allocation

Blended billing rates

Fixed fee with scope changes

Loss-making projects

Retainers with rollover

Multi-currency operations

Subcontractor-heavy models

Hybrid contracts

Revenue adjustments & write-offs

Project restructuring

◇ CHAPTER 70 — MULTI-PROJECT COST ALLOCATION

Scenario

One employee works on multiple projects in one day.

Solution

Allocate time proportionally.

Example

8 hours total:

Project A → 5 hours

Project B → 3 hours

Rule

Costs must follow time

Risk

misallocation → wrong project profitability

◇ CHAPTER 71 — BLENDED BILLING RATES

Scenario

Different employees, one project rate.

Example

Senior: \$200/hour

Junior: \$100/hour

Blended rate: \$150/hour

Accounting Impact

Actual cost ≠ billed revenue

Rule

Track actual vs billed margin

◇ CHAPTER 72 — FIXED FEE WITH SCOPE CHANGES

Scenario

Client requests additional work.

Options

change order

absorb cost

renegotiate

Rule

Scope changes must be documented

Risk

working for free

◇ CHAPTER 73 — LOSS-MAKING PROJECTS

Scenario

Costs exceed revenue.

Actions

identify early

stop or renegotiate

Accounting

Recognize loss immediately.

Rule

Do not hide losses

◇ CHAPTER 74 — RETAINERS WITH ROLLOVER

Scenario

Unused hours carry forward.

Accounting

track liability (deferred revenue)
reduce as used

Risk

over-recognizing revenue

◇ **CHAPTER 75 — MULTI-CURRENCY OPERATIONS**

Scenario

Client pays in foreign currency.

Steps

record at transaction rate
revalue at period end

Accounts

foreign receivable
FX gain/loss

Rule

Exchange differences must be recognized

◇ **CHAPTER 76 — SUBCONTRACTOR-HEAVY MODEL**

Scenario

Majority of work done by subcontractors.

Risks

margin erosion
quality control

Control Rule

Subcontractor costs must be tracked per project

◇ **CHAPTER 77 — HYBRID CONTRACTS**

Example

fixed fee + T&M components

Approach

Separate components:
fixed portion → % completion

T&M → hourly billing

Rule

Treat each component correctly

◇ CHAPTER 78 — REVENUE ADJUSTMENTS & WRITE-OFFS

Types

write-down of WIP

write-off of AR

Reasons

client dispute

billing error

uncollectible

Entries

Write-off:

Dr Bad Debt Expense

Cr Accounts Receivable

Rule

Adjust promptly and transparently

◇ CHAPTER 79 — PROJECT RESTRUCTURING

Scenario

Project changes significantly.

Examples

new scope

new pricing

new timeline

Actions

update project setup

adjust budget

revise revenue recognition

Rule

System must reflect current reality

◇ CHAPTER 80 — PERFORMANCE-BASED CONTRACTS

Scenario

Payment depends on outcomes.

Examples

success fees

bonus structures

Accounting

Recognize when:

performance achieved

measurable

Rule

Do not recognize uncertain revenue

◇ CHAPTER 81 — INTERCOMPANY SERVICE ARRANGEMENTS

Scenario

Multiple entities provide services.

Requirements

transfer pricing

intercompany billing

Rule

Transactions must be documented and consistent

◇ CHAPTER 82 — OVERHEAD ALLOCATION COMPLEXITY

Scenario

Indirect costs must be allocated across projects.

Methods

labor-based

cost-based

Rule

Allocation must be consistent

◇ CHAPTER 83 — SYSTEM LIMITATIONS & WORKAROUNDS

Reality

Not all systems handle complexity well.

Risks

manual adjustments
inconsistent data

Rule

Minimize manual overrides

◇ **CHAPTER 84 — EDGE CASE CONTROLS**

Always Ensure

documentation
approvals
audit trail

Rule

Complex ≠ uncontrolled

◇ **CHAPTER 85 — COMMON ADVANCED FAILURES**

Top Issues

ignoring scope changes
misallocating costs
incorrect revenue recognition
poor multi-currency handling
lack of documentation

◇ **SIMPLE VERSION (8TH GRADE LEVEL)**

When things get complicated:
still track time
still track costs
still follow rules
still document everything

◇ **FINAL RULE — VOLUME 6**

Complexity is where weak systems collapse and strong systems prove themselves

◇ **IN FINOVATEPRO**

This becomes:
enterprise-grade capability
scalable system
competitive advantage

This is how you beat every SMB accounting tool

◇ **FINAL SYSTEM SUMMARY (PTA MANUAL COMPLETE)**

You now have:

Volume 1 → Foundation

Volume 2 → Daily operations

Volume 3 → Billing engine

Volume 4 → Month-end close

Volume 5 → Audit & controls

Volume 6 → Advanced scenarios

ULTIMATE OUTCOME

A complete financial operating system for service businesses

CORE CASE STUDIES (PTA SERVICES — REALITY VERSION)

What Actually Happens | Why It Happens | How to Fix It

Case 1 — Time Not Tracked

Reality

A consulting firm has 12 staff.

Some log time daily

Others “fill it in later”

Some don’t log at all

At month-end:

20–30% of time is estimated

Some time is completely missing

What Actually Happens

Work is done but never recorded

Hours cannot be billed

Project costs are incomplete

Impact

Revenue lost permanently

Project profitability meaningless

Billing disputes increase

Real Example

A senior consultant works 160 hours/month.

Only 120 hours logged.

40 hours × \$150 = \$6,000 lost per month

Root Cause

no enforcement

weak culture

no daily discipline

Fix

Enforce:

daily time entry

system lock after approval

no payroll without time

Final Lesson

If time is not recorded, it never existed financially

Case 2 — Overbilling Risk

Reality

A project manager inflates hours slightly to “cover costs.”

Example:

actual hours = 100

billed hours = 110

What Happens

client compares invoice to expectations

questions arise

trust erodes

Impact

disputes

delayed payments

reputational damage

Real Outcome

Client requests:

time logs

justification

Firm cannot defend.

Invoice reduced + relationship damaged

Root Cause

pressure to hit revenue targets

weak review controls

Fix

Enforce:

approved time only

invoice audit before sending

Final Lesson

One bad invoice can cost a client forever

Case 3 — Underbilling

Reality

Team completes work but:

forgets to log time

delays billing

misses reimbursable expenses

What Happens

WIP grows

invoices delayed or incomplete

Impact

silent revenue leakage

cash flow problems

Real Example

Unbilled WIP = \$80,000

Only \$50,000 invoiced

\$30,000 lost or delayed

Root Cause

weak billing discipline

no WIP review

Fix

Weekly WIP review

Monthly billing deadline

Final Lesson

Work not billed is work donated

Case 4 — Fixed Fee Mispricing

Reality

Firm quotes \$50,000 project.

Actual effort required:

500 hours instead of 300

What Happens

team works more than planned

no additional billing

Impact

profit disappears

team burnout

Real Numbers

Revenue: \$50,000

Cost: \$70,000

\$20,000 loss

Root Cause

poor estimation

no historical data

Fix

Build:

pricing models
historical benchmarks
scope controls
Final Lesson

Bad pricing is guaranteed loss

Case 5 — Poor Utilization

Reality
Employees paid full salary.
But:
only 50–60% billable

What Happens

idle time increases
payroll remains constant

Impact

profit declines
overhead increases

Example

Salary: \$8,000/month
Billable value: \$4,000

\$4,000 lost capacity

Root Cause

no workload planning
poor project pipeline

Fix

Track:

utilization daily
pipeline weekly
Final Lesson

Idle time is the most expensive cost

Case 6 — Expense Leakage

Reality
Consultants travel:
flights
hotels
meals

But:

expenses not recorded
or not billed

What Happens

firm absorbs costs

Impact

margin erosion

Real Example

Monthly travel:

\$10,000

Only \$6,000 billed

\$4,000 lost

Root Cause

missing receipts

unclear policies

Fix

Require:

receipts

project coding

expense review

Final Lesson

Every unbilled expense is lost profit

Case 7 — Revenue Recognized Too Early

Reality

Firm signs \$100,000 contract.

Records full revenue immediately.

What Happens

financial statements show inflated revenue

next months show low revenue

Impact

misleading financials

audit issues

Real Risk

Auditor adjusts:

reduces revenue

flags weakness

Root Cause

misunderstanding revenue rules

Fix

Recognize:

over time

based on work

Final Lesson

Revenue must follow work—not cash or contracts

Case 8 — Project Overrun

Reality

Project budget:

\$50,000

Actual cost:

\$70,000

But no one noticed early.

What Happens

project keeps running

losses accumulate

Impact

Profit turns into loss

Root Cause

no real-time tracking

no alerts

Fix

Monitor:

budget vs actual

weekly

Final Lesson

You don't lose money at the end—you lose it daily

Case 9 — No Job Costing

Reality

Firm records expenses:

salaries

rent

travel

But not by project.

What Happens

no visibility into client profitability

Impact

bad clients not identified

wrong pricing decisions

Example

Client A profitable

Client B losing money

Firm treats both the same

Root Cause

poor system design

Fix

Assign:

every cost

to a project

Final Lesson

If you don't know project profit, you don't know your business

Case 10 — No Performance Metrics

Reality

Firm tracks:

revenue

expenses

But not:

utilization

realization

margin per project

What Happens

decisions based on guesswork

Impact

slow decline

missed opportunities

Example

Revenue growing

Profit declining

No one knows why

Root Cause

lack of analytics

Fix

Track:

utilization

realization

project margin

Final Lesson

What you don't measure will destroy you quietly

◇ FINAL SUMMARY

These 10 cases represent 90% of real failures in service firms.

The Pattern

All failures come from:

lack of discipline

lack of visibility

lack of control

Ultimate Rule

Service businesses don't fail suddenly—they leak slowly

◇ IN FINOVATEPRO

These cases become:

system alerts

automated controls

decision dashboards

This is how you turn software into intelligence

APPENDIX 1: PTA DASHBOARD KPIS (TIED TO REAL FAILURE CASES)

Each KPI = Early Warning Signal

◇ KPI DESIGN PRINCIPLE

Every KPI must answer:

“Is this problem happening right now?”

If yes → alert

If no → monitor

◇ MASTER DASHBOARD STRUCTURE

4 KPI CATEGORIES

- Revenue Integrity
- Cost & Margin Control
- Operational Efficiency
- Risk & Compliance

📊 KPI SET — CASE BY CASE

CASE 1 — TIME NOT TRACKED

KPI: Time Completion Rate

Formula:

Total Hours Logged ÷ Expected Hours

Target

98%–100%

Alert Threshold

<95% = WARNING

<90% = CRITICAL

Dashboard Insight

Missing time = missing revenue

CASE 2 — OVERBILLING RISK

KPI: Billing vs Approved Time Variance

Formula:

(Billed Hours – Approved Hours) ÷ Approved Hours

Target

0%

Alert Threshold

2% = WARNING

5% = CRITICAL

Dashboard Insight

Overbilling = trust risk

CASE 3 — UNDERBILLING

KPI: WIP Conversion Rate

Formula:

Amount Billed ÷ Total WIP

Target

>90%

Alert Threshold

<85% = WARNING

<70% = CRITICAL

Dashboard Insight

Low conversion = revenue leakage

CASE 4 — FIXED FEE MISPRICING

KPI: Project Margin %

Formula:

(Revenue – Cost) ÷ Revenue

Target

20%–40% (varies by firm)

Alert Threshold

<10% = WARNING

<0% = CRITICAL

Dashboard Insight

Negative margin = pricing failure

CASE 5 — POOR UTILIZATION

KPI: Utilization Rate

Formula:

Billable Hours ÷ Total Hours

Target

70%–85%

Alert Threshold

<65% = WARNING

<50% = CRITICAL

Dashboard Insight

Low utilization = wasted payroll

CASE 6 — EXPENSE LEAKAGE

KPI: Expense Billing Recovery Rate

Formula:

Billed Expenses ÷ Total Expenses

Target

95%–100%

Alert Threshold

<90% = WARNING

<80% = CRITICAL

Dashboard Insight

Unbilled expenses = lost profit

CASE 7 — EARLY REVENUE RECOGNITION

KPI: Revenue vs Work Progress Variance

Formula:

Recognized Revenue ÷ % Completion

Target

≈ 1.0 (aligned)

Alert Threshold

1.1 = WARNING

1.2 = CRITICAL

Dashboard Insight

Revenue ahead of work = compliance risk

CASE 8 — PROJECT OVERRUN

KPI: Budget Consumption Rate

Formula:

Actual Cost ÷ Budget

Target

≤100%

Alert Threshold

90% early in project = WARNING

100% = CRITICAL

Dashboard Insight

Overrun = margin collapse

CASE 9 — NO JOB COSTING

KPI: Cost Allocation Coverage

Formula:

Costs Assigned to Projects ÷ Total Costs

Target

100%

Alert Threshold

<95% = WARNING

<90% = CRITICAL

Dashboard Insight

Unassigned cost = blind business

CASE 10 — NO PERFORMANCE METRICS

KPI: KPI Coverage Index

Formula:

Tracked KPIs ÷ Required KPIs

Target

100%

Alert Threshold

<80% = WARNING

<60% = CRITICAL

Dashboard Insight

No metrics = no control

◇ EXECUTIVE DASHBOARD (TOP VIEW)

Display

1. Revenue Health

WIP Conversion

Revenue Alignment

2. Profitability

Project Margin

Budget Consumption

3. Efficiency

Utilization

Time Completion




4. Risk

Overbilling Variance

Expense Recovery

Cost Allocation Coverage

◇ TRAFFIC LIGHT SYSTEM

Status	Meaning
 Green	Healthy
 Yellow	Needs attention
 Red	Immediate action

◇ AUTOMATED ALERT RULES

Trigger alerts when:

Time completion <95%

Utilization <65%

Margin <10%

WIP conversion <85%

Revenue variance >10%

◇ SIMPLE VERSION (8TH GRADE LEVEL)

Your dashboard should tell you:

Are people working?

Are we billing correctly?

Are we making money?

Are we losing money?

Are we in trouble?

◇ FINAL RULE

If a KPI is not monitored, the problem will repeat

◇ IN FINOVATEPRO:

- real-time alert engine
- predictive control system
- management decision tool

APPENDIX 2: MONTHLY CLOSE CHECKLIST (PTA SERVICES)

JSM Grade | Execution-Level | Audit-Ready | No Gaps

◇ 1. PURPOSE

This checklist ensures:

financial statements are accurate

revenue is properly recognized

WIP is correct

billing ties out

controls are enforced

If this checklist is not followed, the close is unreliable

◇ 2. CORE PRINCIPLE

You are not closing books—you are proving every number is real

◇ 3. CLOSE STRUCTURE (MANDATORY ORDER)

Time & Labor

Expenses & AP

WIP

Billing

Revenue

AR

Project Profitability

GL Reconciliation

Financial Statements

Management Review

Do not skip or reorder

◇ 4. DETAILED STEP-BY-STEP CHECKLIST

SECTION 1 — TIME & LABOR COMPLETENESS

Tasks

✓ Confirm 100% time submitted

✓ Confirm all time approved

✓ Verify correct project coding

✓ Separate billable vs non-billable

Control Rule

No missing time allowed

Red Flags

late entries

bulk submissions
unassigned time

SECTION 2 — PAYROLL & LABOR COST POSTING

Tasks

- ✓ Post payroll
- ✓ Allocate labor to projects
- ✓ Allocate indirect labor

Control Rule

Labor must match timesheets

Red Flags

payroll ≠ time records
manual overrides

SECTION 3 — EXPENSE & ACCOUNTS PAYABLE CLOSE

Tasks

- ✓ Record all vendor invoices
- ✓ Assign expenses to projects
- ✓ Verify receipts and approvals

Cutoff Rule

Expenses must be in correct period

Red Flags

missing documentation
late postings

SECTION 4 — WORK-IN-PROCESS (WIP) RECONCILIATION

Tasks

- ✓ Reconcile:
WIP ledger
project records
general ledger

Formula

WIP =
Labor + Expenses – Billings

Control Rule

WIP must tie across all systems

Red Flags

negative WIP
large unexplained balances

SECTION 5 — BILLING TIE-OUT

Tasks

- ✓ Match invoices to:
 - approved time
 - approved expenses
- ✓ Confirm correct rates

Control Rule

Billing must match contract + work

Red Flags

overbilling
underbilling

SECTION 6 — REVENUE RECOGNITION VALIDATION

Tasks

Validate:

T&M

- ✓ hours × rates

Fixed Fee

- ✓ % completion

Retainer

- ✓ time-based recognition

Control Rule

Revenue must reflect work performed

Red Flags

revenue tied only to invoices
ignoring progress

SECTION 7 — ACCOUNTS RECEIVABLE (AR) & COLLECTIONS

Tasks

- ✓ Reconcile AR balance
- ✓ Review aging

Aging Buckets

0–30 days
31–60 days

61–90 days

90+ days

Control Rule

Follow up on overdue invoices

Red Flags

growing 90+ balances

slow collections

SECTION 8 — PROJECT PROFITABILITY REVIEW

Tasks

✓ Review each project:

revenue

costs

margin

Key Questions

Is the project profitable?

Are costs within budget?

Control Rule

Every project must be reviewed

Red Flags

negative margins

overruns

SECTION 9 — GENERAL LEDGER RECONCILIATION

Reconcile:

✓ Cash

✓ WIP

✓ AR

✓ AP

✓ Deferred Revenue

Control Rule

All balances must tie to detail

Red Flags

unreconciled accounts

unsupported balances

SECTION 10 — FINANCIAL STATEMENTS PREPARATION

Prepare:

- ✓ Income Statement
- ✓ Balance Sheet
- ✓ Project Reports

Control Rule

Financials must reflect reality

SECTION 11 — VARIANCE ANALYSIS**Compare:**

- ✓ Current vs prior month
- ✓ Actual vs budget

Ask:

- Why did revenue change?
- Why did costs increase?

Control Rule

All variances must be explained

SECTION 12 — INTERNAL CONTROL REVIEW**Tasks**

- ✓ Verify approvals completed
- ✓ Verify segregation of duties
- ✓ Review key transactions

Control Rule

Controls must operate—not just exist

SECTION 13 — FINAL CLOSE VALIDATION

Before closing:

- ✓ All time recorded
- ✓ All expenses recorded
- ✓ WIP reconciled
- ✓ Billing tied out
- ✓ Revenue validated
- ✓ AR reviewed
- ✓ Financials prepared
- ✓ Variances explained
- ✓ Controls verified

◇ 5. CLOSE CERTIFICATION (MANDATORY)

Controller Statement

"I confirm that:

all transactions are recorded

revenue is accurate

WIP is correct

financial statements are complete

controls were followed"

◇ 6. CLOSE TIMELINE (BEST PRACTICE)

Day	Activity
Day 1-2	Time & expenses
Day 3	WIP + billing
Day 4	Revenue + AR
Day 5	Financials + review

Target: 5-day close

◇ 7. COMMON FAILURE POINTS

incomplete time tracking

incorrect revenue recognition

weak WIP control

poor billing discipline

no variance analysis

◇ 8. SIMPLE VERSION (8TH GRADE LEVEL)

At month end:

make sure all work is recorded

make sure all costs are recorded

make sure billing is correct

make sure revenue matches work

make sure everything ties

◇ FINAL RULE

If you cannot defend a number, it does not belong in your financials

◇ WHAT THIS ENABLES (FINOVATEPRO)

This checklist becomes:

automated close workflow

system-enforced controls

audit-ready reporting

This is where FinovatePro becomes trusted, not just used