



For Your Information

March 2002

The Michigan Small Business Development Center Network

The Michigan Small Business Development Center network provides a full range of services for a variety of small businesses that are emerging and growing throughout Michigan — new venture companies, existing small businesses, expanding businesses, new technology companies, and innovators. Located at www.mi-sbdc.org the Michigan Small Business Development Center website is a great place to start when seeking assistance on *information resources*, *readiness assessment tools* and *business planning tools*. The following is an example of what can be found on the website:

Information Resources

Whether a business is in the new venture phase or already existing, owners may have questions regarding key issues such as how to register the business name or obtain financing. Additionally, they may want to learn more about certifications or gather information for a marketing plan. Provided on this page are links to a wealth of information for new venture and existing businesses.

Readiness Assessment

The Assessment Tool is an interactive program to be utilized by individuals starting a small business. The tool will provide the user with basic education about the “nuts and bolts” of launching their business and help the individual define what specific assistance may be needed.

Business Planning Tools

The business plan is at the heart of a successful, growing company. It is a working document that helps business owners

accomplish their goals, and it also serves as a communication tool for employees and future customers. In addition, the business plan is a critical piece for accessing financing.

Following are three tools that can help you focus on what you want your business to be and help you manage and implement your goals.

Sample Business Plans

Browse completed business plans for examples and ideas to help you when producing your company's business plan.

Build Your Business Plan

Use this interactive template to guide you through the steps of building your own successful business plan.

Cash Flow Spreadsheets

Check out sample cash flow spreadsheets or utilize the blank spreadsheets for your company's own use. These templates may be helpful guides when beginning your company's cash analysis.



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Vision to Reality

April 2, May 7, or June 4, 2002
9:00 a.m. – 11:00 a.m.
\$15/person

This seminar is designed for individuals interested in learning a practical step-by-step process for starting their own business. It will provide them with a network and resources to use when questions arise.

For more information contact the Business Development Center at 734-462-4438.

AUDITS: The Time to Prepare is NOW

By Andrew Starr, Dykema Gossett PLLC

Everyone has heard stories of the Government paying \$640 for toilet seats, \$435 for a hammer, or \$544 for a spark plug connector. The bad publicity generated by these purchases incites government watchdog groups and triggers government efforts to eliminate such unnecessary spending. One method is to encourage the government to buy commercial items from vendors whenever possible. Another is to eliminate such waste through government audits. Nothing sends chills up one's spine faster than receiving that dreaded notice from the Government that some aspect of your business operation will be audited. This article provides background information about the defense department's auditing agency and general information to assist contractors to prepare for a contract audit.

The Defense Contracting Audit Agency (DCAA) is a separate agency of the Department of Defense under the direction, authority and control of the assistant Secretary of Defense. DCAA's responsibilities include providing accounting and financial administrative services in connection with negotiating, settling and administering DOD contracts. DCAA examines documents and other evidence to provide advice to procurement personnel on incurred costs and cost estimates. DCAA also audits contractor records to determine the adequacy of accounting and financial management systems.

To authorize a DCAA audit, there must be a clause in your contract or subcontract providing the government with authority or permission to audit your company. This authority is often buried in your contract, and frequently is just incorporated by reference.

The type and depth of an audit depends on the audit objective, which is greatly influenced by the original procurement method used to award the contract. For example, if you had a negotiated procurement where cost or pricing data was provided, expect that submission to be

audited up to three years after final payment on the contract.

Remember, just because your company is being audited does not mean it will be a full-blown audit involving every document and aspect of your business. There are different types and levels of audits. That is why it is important to insist on a letter from the auditors clearly stating their audit objectives, as well as an entrance conference to make sure you understand the purpose of the audit.

In conducting an audit, DCAA typically will examine the adequacy of the contractor's policies, procedures and controls. DCAA has identified five areas of internal control crucial to its risk assessment. These are the contractor's internal controls for timekeeping, material management and accounting systems, cost estimating, purchasing and indirect costs. It is important to have good, established internal controls in these areas, as they will go a long way in making any audit uneventful.

One important point to keep in mind is that even though the DCAA may be conducting a financial audit, it can refer suspected irregular conduct, fraud or other unlawful activity to the appropriate agency for further investigation. This is one instance where a DCAA audit can trigger additional audits and investigations. This is why it is extremely important to know the audit objectives and scope. Know if the government will be auditing your entire operation or if it is limited to a special audit, such as reviewing termination settlement proposals or delay claims.

When you know what the auditors will be examining, start preparing before the auditors arrive. It is crucial to assign a company focal point for all audits. This person should also be the focal point for IRS, state tax, income tax and franchise tax audits. Don't give the auditor free reign in your company. All requests should be made through your focal point.

For example, if the company has secure areas, the auditor should be located outside of the area. If the auditor needs access to records or an area within the secure area, the focal point should make any necessary arrangements. All document requests should go through the focal

point. That way, you know what documents the auditor has seen (which often explains an unexpected audit result), interruptions to your employees are minimized, and you also minimize expanding the scope of the audit which may be triggered by issues the auditor discovers either talking to your employees or reviewing other documents unrelated to the original scope.

Conduct an entrance conference with the auditors to establish a good rapport and determine if they have any requests. Being proactive lets the auditor know you are willing to cooperate and also limits the time the

auditor will need to stay at your facilities. It is important for the company to establish a policy to identify and maintain records needed to support claimed costs. The auditor will request support for any such costs that are contained in a



subsequent Request for Equitable Adjustment or claim triggered by a contract change. Finally, be sure to train your staff and remind them that the auditor does not work for the company and is a government representative.

At the conclusion of the audit ask for an exit conference and the opportunity to review the draft audit before it becomes final. This is often the best time to cure misunderstandings – before the audit report is final and sent to the contracting officer for action.

Andrew Starr is an associate of the law firm of Dykema Gossett PLLC in Detroit, where he specializes exclusively in government

procurement issues. He may be reached at 313-568-6851.

Note: This article provides information of general interest presented in summary form, and does not constitute individual legal advice.

Government Contracting Seminar

April 18, May 16, or June 20, 2002
9:00 a.m. – 12:30 p.m.

\$35/person

Did you know that the Federal Government purchases more than \$200 billion dollars of goods and services every year? Find out what it takes to successfully sell your goods and services to the Federal Government and the State of Michigan. In addition, learn about the services and resources the Business Development Center has available to help your company with the contracting process.

Registration Assistance

April 25, May 23, or June 27, 2002
8:30 a.m. – 11:30 a.m.

\$15/person

Business Development Center clients looking for assistance completing their Central Contractor Registration (CCR), SBA's Procurement Marketing and Access Network (Pro-NET) or any other online registration are invited to the BDC's open lab. Counselors will be available to help clients understand and complete their registrations, using the BDC's computer lab.

For more information contact the Business Development Center at 734-462-4438.

Harmony Amongst U.S. Neighbors? The Harmonized Tariff Examined

*By PricewaterhouseCoopers
WorldTrade Management Services Group*

The Harmonized Tariff Schedule (HTS) is an international identification system used by, or soon to be used by, more than 175 countries. The major trading countries of the world developed the current harmonized tariff code system in 1988, when it was decided that a modern and internationally recognized product or tariff classification system was needed to facilitate the international trade of merchandise.

The goal is to have all subscribing countries classifying goods identically, or harmonized, at the six-digit level. Beyond the six-digit level, each country can add additional digits to provide for any statistical breakouts it feels necessary. In practice, however, significant classification differences have appeared when various countries have chosen to exercise their sovereign right to interpret the HTS differently. This difference in interpretation can be very confusing, costly and aggravating. In North America, these differences become very evident during the NAFTA certificate solicitation process, when importers from the different NAFTA countries classify goods at the six-digit level, and for whatever reason, each country has a different six-digit answer.

The HTS is maintained and modified by the World Customs Organization (WCO). The official languages of the WCO are French and English, but Spanish is also used for some technical meetings. As a result, when the HTS is translated into other languages, inconsistent translations routinely arise. This is perhaps the single largest contributing factor to the variances in classifications across the subscribing countries at the six-digit level. Other differences develop as different interpretative criteria are used from one country to another during the classification process.

A simple example of an HTS translation difference is in the classification of paper dividers, i.e. alphabetical or numbered indexes used to separate pages in a binder. According to the United States HTS and the Canadian HTS,

dividers are classified under 4823.90 as, "Other articles of paper or paperboard," since there is not a more specific subheading that specifically calls out dividers. However, in the Mexican HTS, dividers are specifically provided for in the language of the subheading under 4820.30, "Dividers, binders (other than book covers), folders and file covers." In the U.S. and Canadian tariffs for subheading 4820.30, binders, folders and file covers are the only commodities specifically provided for.

An example of a classification difference due to interpretative criteria used by each country is the classification of an automotive radiator cap, i.e. the cap used to seal the opening in the radiator through which engine coolant is added to the radiator. These caps contain a small pressure relief valve, which will remain closed and inactive until the engine begins to overheat. The cap merely keeps the coolant in the radiator and the contaminants out.

Considering this issue, U.S. Customs classifies the radiator cap under 8708.99.8080, as other parts and accessories of motor vehicles. This classification is based upon the logic that the primary function of the radiator cap is to serve as a cap or cover for the fill hole of the radiator; it is not to serve as a pressure relief mechanism. Mexico, however, feels the cap must be classified as a valve under 8481, taking into consideration that when the engine overheats, the relief valve opens to relieve pressure in the cooling system, thus preventing damage to the radiator or to the radiator hoses.

When a difference in tariff classification is identified between the United States, Canada and Mexico, the interested party can submit a ruling to their national customs agency. U.S. Customs, Revenue Canada and the Administración General de Aduanas in Mexico have a special NAFTA Subgroup Committee that attempts to resolve conflicting classification issues at the six-digit level among the countries. Some examples of published rulings by the committee include HQ 003917, HQ 004127 and HQ 003941. In cases where the NAFTA Subgroup is not able to resolve the classification of a product, the WCO can be appealed to for a proper classification determination.

It is important to remember that while we have focused on the differences that may arise between NAFTA countries' classifications at the six-digit level, differences routinely occur on a global scale. Thus, it is important for parent companies and suppliers to ensure that the proper supporting detail for each commodity is always provided —

country specific rulings, material, dimensions, function — to avoid risk being taken on by the importing or receiving company.

For further information about classification, or any other import/export issues, please contact Shannon Luttermoser of PwC at 313-394-6837, shannon.r.luttermoser@us.pwcglobal.com.

International Trade Certificate Program

Schoolcraft College's Export Resource Center provides real-world training and applications through courses and seminars taught by global trade experts. The International Trade Certificate Program offers an in-depth understanding of the key aspects of doing business beyond borders.

You may choose to pursue a Certificate of Achievement by attending ALL of the core seminars plus one country specific seminar for \$500/person. For more information contact the Business Development Center at 734-462-4438.

International Marketing

March 12 and March 14, 2002

2:00 p.m. – 5:00 p.m.

\$90/person

This session includes assessing product and company export readiness, conducting international market research, and devising market entry strategies.

International Finance

March 19 and March 21, 2002

2:00 p.m. – 5:00 p.m.

\$90/person

This session examines letters of credit, common methods of payment, currency exchange rates and risks, choosing a bank, and alternative financing options.

International Logistics

March 26 and March 28, 2002

2:00 p.m. – 5:00 p.m.

\$90/person

This session focuses on risk management, export procedures and documentation and electronic data interchange, and helps you assess freight forwarders versus international logistics firms.

Cross Cultural Communication

April 2, 2002

2:00 p.m. – 5:00 p.m.

\$90/person

This session examines the role of culture in international business, including: customs and etiquette, negotiations and decision-making, hosting international visitors, and living and working abroad.

Foreign Government Sales

April 16, 2002

2:00 p.m. – 5:00 p.m.

\$90/person

This session explores how to do business with developing nations, and helps you create an effective strategy for foreign government sales. Other topics include the role of multinational development banks, U.S.A.I.D., and other appropriate U.S. agencies.

Trade Agreements/Legal Aspects of Foreign Trade

April 23, 2002

2:00 p.m. – 5:00 p.m.

\$90/person

This session reviews the roles of the World Trade Organization, regional trade agreements (NAFTA, SAARC, ECOWAS, and the European Union), and various international trade-related organizations.

Country Specific Seminars

Learn about Canada and Mexico on April 4, 2002 or the European Union on April 18, 2002.

2:00 p.m. – 5:00 p.m.

\$90/person

Youth Entrepreneurial Spirit (YES) Program

The Youth Entrepreneurial Spirit (YES) program was created by the Business Development Center at Schoolcraft College in the fall of 2001. The program, funded by a grant from the Community Foundation for Southeastern Michigan (CFSEM), was designed to stimulate entrepreneurial development in young adults and to provide a business outreach to the youth in our community. The program supports our belief that youth entrepreneurship is essential to the growth and survival of our community.

The YES program connects successful business entrepreneurs with young adults and introduces the students to the idea of entrepreneurship as a viable career option.

The program provides a “hands-on” learning experience that helps students recognize the personal qualities, characteristics, and attitudes entrepreneurs possess and in turn, helps them to recognize these traits in themselves.

The event held on October 22, 2001 was the first of four one-day entrepreneurship



programs coordinated by the Business Development Center. The program is free to local high schools, but advanced registration is required. The March 12, 2002 and April 9, 2002 events are already full. A third program will be offered in late spring. Entrepreneurs interested in volunteering for the April event, should contact the YES program coordinator at 734-462-4594 for more information.

October 2001 participants comments:

“The best part of the program was when we got to sit with the business pros and ask them questions.”

*Krystal - Marketing Student
- Churchill High School*

“If you have an idea, don’t be afraid to try it out. Hard work always pays off.”

*Randy Czajka, Reliable Landscaping, Inc. -
Canton, MI*

“The main message I communicated to the students was to follow their ideas and dreams.”

*Denise Anne Taylor, Competitive Advantage Inc.
- Bloomfield Hills, MI*



“Churchill students were all thrilled to take part in the conference and came away with the understanding of entrepreneurship.

Meeting the entrepreneurs and the biz box activity were the highlights that my students are still talking about! My

compliments to you and your staff for putting together a successful conference. We hope to be invited back in the spring.”

*Rick Austin - Marketing Education Teacher
Coordinator*

FOLLOW YOUR DREAMS • TAKE CHARGE OF YOUR DESTINY •
CREATE YOUR FUTURE

Upcoming Seminars and Events

Certified: Woman Business Enterprise

April 16, 2002
9:00 a.m. – 11:00 a.m.
\$25/person

The Michigan Women's Business Council invites women business owners to an orientation session to learn what it means to be certified as a Women's Business Enterprise. If you have a product or service you would like to market to American corporations, here's your chance to explore certification. Please call 734-677-1400 to register.

NASA's Glenn Research Center

April 24, 2002
9:00 a.m. – Noon
\$35/person

A Small Business specialist will describe business practices with NASA's Glenn Research Center in Cleveland, Ohio. The center defines and develops advanced new propulsion, power and communications technologies. Information will include opportunities on the web, various buying practices and the commodities purchased. The session will conclude with a question and answer period. Technology-based manufacturers, high-end IT software developers and integrators, communication technology, environmental and engineering companies are encouraged to attend.

Defense Supply Center Richmond (DSCR)

May 29, 2002
9:00 a.m. – 1:00 p.m.
\$35/person

Participate in a live, in-depth demonstration of web-based procurement information available on DSCR's website. The session will conclude with a question and answer period. Manufacturers of vehicle and aerospace components are encouraged to attend.

Veterans Small Business Conference

June 12, 2002
8:00 a.m. – 4:00 p.m.
\$35/person

Best Western Midway Hotel – Lansing, MI
Veteran business owners are invited to an all-day seminar focusing on new government initiatives for veteran-owned businesses. A representative from the Veteran's Administration will present an overview of the VA set-aside program. Other government agencies will attend to discuss the products or services they procure and their concentration on the VA set-aside program.

General Services Administration (GSA) IT Schedules

June 18, 2002
9:00 a.m. – Noon
\$35/person

GSA is the largest source for government procurement. Join a representative from Washington, D.C. in learning what is necessary to complete a Federal Supply Schedule for Information Technology. High-end information technology companies are welcome to learn more about the opportunities with this GSA program.

Team SBA Financing Roundtables

June 21, 2002
9:00 a.m. – 11:00 a.m.
No charge

If you are starting or expanding a business and need financing, plan to attend a TEAM SBA Financing Roundtable. You'll meet bankers, SBA loan officers, and small business consultants to discuss your financing needs. The roundtables are limited to a small number of business owners, and you must register to attend.

RESERVATIONS REQUIRED for all seminars!

Please register at least one week before the event – seating is limited! For more information on any of these seminars, contact the Business Development Center at 734-462-4438.

FedBizOpps Replaces the Commerce Business Daily (CBD)

Recently, Federal Business Opportunities (www.fedbizopps.gov) was designated in the Federal Acquisition Regulation (FAR) as the single point of universal electronic public access on the Internet to government-wide federal procurement opportunities that exceed \$25,000 (see 66 Fed. Reg. 27407, May 16, 2001).

The FAR requires agencies, as of October 1, 2001, to use FedBizOpps to provide access to public notices of procurement actions over \$25,000 that were formerly required to be published in the Commerce Business Daily (CBD) along with associated solicitations and amendments. Designation of this one-stop online gateway represents an important step in the ongoing transformation to a more efficient, accessible, citizen-centric e-government.

The FAR provides that, as of January 1, 2002, agencies are no longer required to provide duplicate notice in the CBD and may rely on the

mandatory notice in FedBizOpps to provide the required access. As of January 4, 2002, the Department of Commerce ceased publication of the CBD through the U.S. Government Printing Office. Agencies should recognize FedBizOpps as the official source for all procurement information and notices to be published under 41 U.S.C. 416(a)(2)(B) and the Small Business Act (15 U.S.C. 637(e) and (k)).



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