FOR CONTRACT AND GOVERNMENT PROFESSIONALS

March 1, 2021

Synchronizing Cost Data
Throughout the
Project Lifecycle
by Don Shanon

PPP Forgiveness & Indirect Rates

by Robert Jones

The Cost Estimating
System Audit

by Marsha Lindquist

Defective Pricing & What Does An Auditor Look For

by Jeff Witt and Lori Allen

Striking the Balance in Pricing

by Janice Muskopf

Compliance Edition

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Striking the Balance in **Pricing**



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Dear readers:

I've been wanting to write this letter for more than 35 years. Welcome to the debut issue of **Pricing Magazine**. This magazine is designed to deliver the latest thinking on modern pricing from two sources. Experts inside ProPricer and objective contributors outside the company whose perspectives define the contemporary proposal process. In each issue, you'll find compelling Agency and Contractor use cases, opinions from people with their fingers on the pulse of the latest technology platforms, networking opportunities (virtual, and hopefully in-person soon), and much more.

The ever-changing nature of our work requires us to be open, willing, and able to learn new skills. This industry especially values those with the ability to initiate learning and take responsibility for their own professional development. The flexibility to change the way you do things and learn new skills is very important. This means being willing to try new tools and studying innovative methods for completing your work.

This magazine will help you develop and improve your skill set, stay on top of the latest trends in the pricing industry, keep you up to date on the job market, connect with prospective mentors, partners, and clients, and gain access to the necessary resources that foster your career development. Your development is influenced by several things, including the jobs you hold, the networking experiences you gain in and out of the office, the success you achieve at each stage of your career, the formal and informal education and training you receive, and the personal feedback you're provided with along the way.

Additionally, **Pricing Magazine** and its staff strongly advocates attending events like the upcoming GCP Summit and hopes that you will take advantage of its networking opportunities. We hope to continually provide you with information and updates about other great events like this, and more. Experts agree that the most connected people are often the most successful. When you invest in your relationships—professional and personal—it can pay you back in dividends throughout the course of your career.

If I know pricing professionals, they're open to learning new skills to expedite their jobs.

Because it's smart to be both a lifelong teacher and learner—no matter what career stage you're in. A willingness to learn continuously helps you gain new skills and become adaptable to the winding road of your career. Your time is now. And **Pricing Magazine** is your powerful new resource.

My best to you,

Joseph Shurance, CEO

Executive Business Services Inc., makers of ProPricer



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	VP OF MARKETING Holly DeHesa	LEAD DESIGNER Liana Mikhaylova	MARKETING SI Natasha M		SENIOR EDITORS Drew Wakefield Jadan Smithers
CONTRIBUTING STAFF Michael Weaver, Director of Operations		CONTRIBUTING STAFF Holly DeHesa hdehesa@propricer.com 951.693.0440			

EBS LEADERSHIP

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Joseph Shurance

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Registration opens April 1 Learn more at gcpsummit.com

STRATEGY

Striking As I sat down to write this article knowing that



Janice Muskopf
Director, Price, Cost and
Finance, in the Office of the
Principal Director, Defense
Pricing and Contracting
(DPC)

As I sat down to write this article, knowing that it was to be included in the inaugural issue of the new Pricing Magazine, I considered a number of potential topics. Why Pricing? To get to fair and reasonable government contract prices! Who Spends Taxpayer Money? We, Government and Industry, do! What drives a fair and reasonable price? Adequate price competition, if you are lucky!

I thought about writing about the history of pricing. Would anyone be interested in that? Is the history of pricing meaningful today? I picked up a book from 1957 (that is not a misprint) that was bequeathed to me many years ago when a Cost/Price Analyst at Wright-Patterson Air Force Base was cleaning out his desk upon his retirement. At the time, I was one of the youngest members of the Pricing Office and really wasn't sure why he picked me as the

recipient; perhaps that was somewhat prescient on his part, given that I am referring to it, today. The book, really a bound study by Miguel Angel Reguero, Ph.D., is entitled "An Economic Study of the Military Airframe Industry". This wasn't the first time I've picked up this book over the years, but it was fun to refresh my memory on some of the content. In a section entitled "Pricing", on page 184, the author refers to the Armed Services Procurement Regulation and emphasizes that the standard of fair and reasonable pricing set forth in that regulation "pertains to a contractor as well as to the government". There are discussions on contract type, actual costs, unallowable costs, and even learning curves. It is very interesting to see what has not changed in over sixty years.

Another thought that crossed my mind as a topic for this article was the idea of the "pendulum". As a young contract specialist, I was told about the contracting "pendulum", the philosophy that contracting is cyclical in nature, in terms of what is emphasized, and what is considered "in vogue" at any given time; that things would change over time, reforms would be made, consequences would be assessed, and emphasis would change once again. It seemed rather unlikely at the time, but over thirty years later, I have been in the world of contracting long enough to have seen the pendulum in action, with contracting approaches and contract types falling in and out of fashion. Is it necessary to keep repeating history? Perhaps, when one focuses almost exclusively on one element or aspect to the detriment of all others, that may be the case.

So, what is the single concept I think is important enough to convey to you as the Director of Price, Cost and Finance? Balance! One of the biggest tugs of war for those who work in the business of "Pricing" is "quality" versus "speed". One can characterize this as "getting a fair and reasonable price" versus "getting it done quickly". It's my view that we cannot accept that these are mutually exclusive propositions. With that in mind, I developed what became the "DoD Sole Source Streamlining ToolBox", to try to help the DoD workforce find ways to concurrently and strategically pursue both of these (presumed) competing objectives. My entire premise was to streamline our pricing-related activities without sacrificing the quality of the deal.

Last November, I reached out to my good friend, Dr. Renee Butler, Learning Director, Price, Cost, and Finance, DAU, to discuss pricing training that we could offer in 2021. I had partnered with Dr. Butler to sponsor a training webcast on Performance-Based Payments in August, and I thought it was crucial to step up our partnership in the area of pricing training. When I spoke to Dr. Butler about my desire to have an overall theme that reflects the inherent challenges of pricing, she brilliantly coined it - "Striking the Balance".

This theme is not a "flavor of the moment" – it is timeless. It is imperative that we strike the balance in terms of how much time we take to analyze proposals and negotiate fair and reasonable prices. Why spend weeks, or even months to analyze a company's \$500M sole source proposal to establish a fair price and then disregard everything you have done to conclude negotiations in a week? What about the contracting officer who needs data to support a commercial item determination? What about the company who thinks the contracting officer is overreaching in their request? Striking the balance applies to a myriad of activities and is a balancing act for all of us, including the companies with whom DoD partners to support our warfighters. This requires judgment, which brings me back to Dr. Reguero, who reflected in his study, written over sixty years ago, that "Reasonably close price determination is an art, requiring much perspective and sound independent judgment" (reference page 186). Therefore, let's collectively use sound judgment and do our best to "strike the balance"!









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Don Shannon

Owner, The Contract Coach, Government Contracts and Proposal Consultant



Synchronizing Cost Data Throughout the Project Lifecycle

USING A COST ESTIMATE DATA FOR MULTIPLE PURPOSES

In November 2020, ProPricer announced the release of a new companion product for their contract pricing platform. The product, called the Database Integration Tool (DIT), is a welcome addition to their software portfolio. It has the ability to support leveraging cost estimate data in new and more powerful ways, which is a very good thing!

When one looks at the lifecycle for project-oriented businesses, many specialized tools such as ProPricer can forecast the planning details of a project, like its cost and schedule. Then other tools like accounting programs or scheduling programs are commonly used in the project execution phase to control performance. Control is usually accomplished by comparing the planned outcome to the actual outcome and addressing any variances.

For this control technique to be valid, it is imperative that the various faces of a project's data cube¹—representing planned cost, planned schedule, actual cost, actual schedule, and more—are kept in alignment throughout the project. This is a task that is, at the present, needlessly complex and time consuming. To make matters worse, planning data from ProPricer is often ignored or recreated when moving from planning to execution. What a waste!

As a former Project Controls specialist at a major aerospace company, I can say that data-driven management decisions—and tracking the frequent variances between a plan and actual performance—are key to keeping a program on track. But I can also say that the process of collecting and reporting this data is often much more labor-intensive than it needs to be. It's not just summary-level data that is needed to support decisions—we also need to understand the



context in which those data exist. It's not enough to know that actual labor cost was 125% of the planned labor cost—what's needed is why the cost was over budget. Was it a case of too many labor hours from an optimistic estimate or was it a case of using a more expensive resource due to personnel issues?

The answers to these questions and the analyses they provide enable insights into the why as well as the what of the variances, and they "close the loop" on the management process so that lessons learned can be factored into future projects.

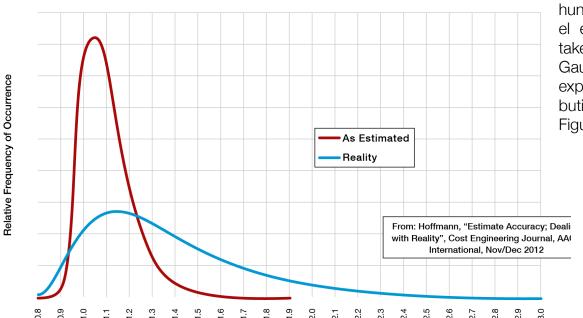
COST ESTIMATES: GENERAL OBSERVATIONS

The central metric in monitoring and controlling project performance is the budget or plan derived from the cost estimate. To understand performance monitoring, one must first understand the tools used to measure performance.

The baseline for measurement is the cost estimate. Cost estimates are—as the name implies—a best guess at what the likely costs will be. Frequently, these estimates are prone to optimism or other estimating faults. They are usually the summation of multiple lower-level estimates which in turn are expressed, not as single data points, but as ranges of values—typically expressed as the best case, most likely, and worst case scenarios. It's important to note the range between best case and most likely or most likely and worst case does not need to be symmetrical.

In fact, I would be surprised if they were, since estimates are bound by zero on the lower end and free to roam on the upper end. Consequently, threepoint estimates often are asymmetrical—perhaps as a head nod to the Beta distribution believed to be the true underlying distribution of such estimates. When multiple estimates are combined, the overall estimate, comprised of the mathematical sum-

> mation of tens or hundreds of lower-level estimates, usually takes the form of a Gaussian—arguably exponential—distribution as shown in Figure 1.



Actual/Base Estimate ("Reality" assumes 7% average contingency in funded amount)

Figure 1. Estimate Accuracy - Perceived vs Actual²

The key takeaways here are that a project estimate is comprised of multiple lower-level estimates and that each of these estimates is expressed as a range of values as opposed to a single value. The range is often expressed as a frequency distribution which allows probabilistic estimates, for example, "we are 80% sure we will finish the project at or below this value".

even more detailed estimates are prepared during the proposal and negotiation phases.

The class, or accuracy and rigor, of the initial estimate³ is generally coarse, but it improves over time. As it does so, we see some interesting tendencies. First—and as expected—the plus/minus range of the estimate decreases on either side of a "most likely" or median value. Here

of the "cone of uncertainty," illustrated in Figure 2 from the U.S. Government Accountability Office (GAO). This narrowing of uncertainty reinforces two basic inferences or assumptions concerning the underlying distribution. The first—as alluded to above—is that the distribution is not symmetrical on either side of the midpoint, reinforcing the "tail heavy" nature of the underlying, and presumably exponential,

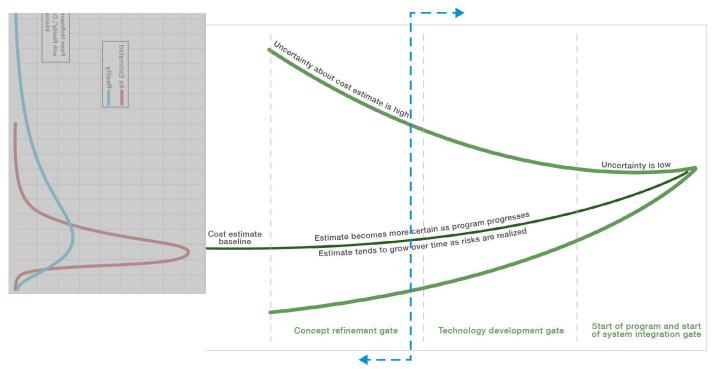


Figure 2: Evolution of the Cost Estimate over Time4

Cost estimates are seldom a "one and done" affair. In reality, they are accomplished several times over the course of a project or contract for various reasons. Typically, a rough order of magnitude (ROM) estimate is performed to determine the feasibility of a project. More detailed estimates are prepared when a bid/no bid decision is made, and

you can see the relationship between Hollman's representation of the cost estimate "slice" when it is rotated to align with a representation of how that estimate matures over time.

The second tendency as the estimate matures is for the median value to increase. This can largely be attributed to the reduction

distribution. The second is the optimistic nature of the estimates in general—a bias that tends to result in lower than actual estimates concerning future costs.

The simple yet elegant illustration in Figure 2 highlights the maturation of a cost estimate over the project lifecycle. One can see the upper and lower boundaries

of the narrowing funnel, which indicates a smaller plus/minus range for the estimate as different estimate classes, such as a Class 5 ROM to Class 1 or 2 detailed estimates, are used. One can also see the actual estimate value increase as program uncertainties give way to empirical data.

execution of a project. When this occurs, it is often done in conjunction with a change order, re-baselining, or "grass roots" estimate at complete (EAC) exercise. When re-estimating, the stochastic data in the model—data that was based on preliminary estimates—is replaced with deterministic data

Data import and export tools exist (including the new ProPricer Database Integration Tool) that support importing from and exporting to various accounting software.



This diagram also underscores the need to recompute the cost estimate or estimate at complete (EAC) periodically throughout the program lest we try to steer by sole reference the rear-view mirror (i.e., accounting or other historical data).

Frequently, a project is re-estimated at key points during the based on actual experience up to the date of the revised estimate.

Future costs are then estimated or reviewed based on the original estimates, which are often adjusted to reflect actual experience in the project. This may result in adjustments to future costs according to a performance factor computed with data from the

earned value management system (EVMS) to weight estimates to be more reflective of current performance. Doing so moves one from an open-loop system where the answer is stochastic to a more precise closed-loop system based on current costs plus future costs. Future costs will comprise less of the estimate and will be computed by a refined algorithm that accounts for present circumstances.

Performing such an estimating update without an automated means of exchanging estimated costs in the model with actual costs in the accounting system is a labor-intensive and error-prone activity. Having done this a number of times, I can attest to the problems encountered trying to obtain accounting information such as raw labor hours by labor grade for each work breakdown structure (WBS) element on a weekly or monthly basis. Most accounting systems tend to aggregate such data into running totals. While the raw data may exist in some form, little consideration is given in the accounting system to exporting that data once the timecards have been processed. However, if a meaningful comparison to the performance baseline is to be accomplished, it is this exact level of detail that is needed.

PROJECT DATA SOURCES

A typical project is supported by multiple data systems. The interface between each of these systems often requires

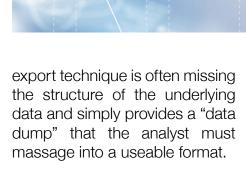


data to be transferred from one format to another-sometimes with a loss of detail or context. For example, spreadsheet data tends to be two dimensional (rows and columns), whereas most database-driven accounting and scheduling applications use multiple tables and relational data structures, affording the application additional dimensions and context. However, these databases frequently have various naming conventions, data schema, and relationships embedded in the data which complicates or confounds direct one-to-one comparisons between or among sources.

Shannon's Law of Data: If the same value can exist in multiple databases or tables, then at least one of the values will invariably disagree with its kin. Restated: There can be only one truth.

Data import and export tools exist (including the new ProPricer Database Integration Tool) that support importing from and exporting to various accounting software. However, these tools may or may not do everything desired and as a result may not be well accepted by the practitioner.

For example, many current tools may only provide raw, and often incomplete data that is transferred from the underlying data system into an intermediate form, like CSV or XLSX, which is then sent to a more commonly used tool such as an accounting software, Microsoft Project, or Primavera P6. However, this



Having used a number of these tools, I must confess the ProPricer to Project import/ export is probably the most polished and functional of these tools and offers near seamless transfer of project data between the apps.

This is especially true when trying to export transactional data from an accounting system. While having each transaction in detail is enlightening, a dump of the general ledger does not in itself provide the desired context, such as what deliverable or task



the expense was related to. That data may reside in a different table or-as is often the case-it must be culled from other data sources. frequently requiring an expert to create customized queries or pivot tables that will filter, sort, and aggregate the data into a usable form.

The problem—and one I suspect ProPricer is looking to address with the Database Integration Tool—is transferring this cost data from ProPricer to a new data structure in a job order accounting system and then pulling data from that accounting system back into the scheduling app for plan versus actual comparisons by project controllers. This is contingent on how contingent on how the data is actually

stored- i.e., the database schema. The DIT addresses this issue by exporting not only the data but the underlying structure of tables and indexes for subsequent use. It also provides the ability to map specific data to fields.

This approach is like the Microsoft Project interface on the ProPricer External Data ribbon—which I have used successfully to link Project schedules with ProPricer in the past. Figure 3 illustrates the representation of essentially the same data in different tools each aligned with a specific purpose. This is the core data set used by project management during the proposal phase or the execution phase. The key that aligns these.

The difficulty of such a process is that no single or integrated data system seems capable of doing everything required to manage the program from end-to-end without compromise. Some accounting systems try to add estimating modules or scheduling modules to their product to address this issue, but the tools offered are frequently proprietary in nature and tend to lack the functionality and features of dedicated tools.

The true answer to the problem is agreement by various software vendors upon a defined set of core data with respect to resource estimates, costs, and schedule that can then be subdivided into proposed versus actual data sets. However, this

begs the decision of which system shall be the custodian of which data (see Shannon's Law) and an agreed standard for importing or exporting the data for use in other applications.

When—and if—this Rosetta Stone of data is created, I have but one piece of advice: give a proper place in the order of things to the contract or project-level WBS⁵. It is the project skeletal system and provides the connective structure that ties everything together. The WBS has

been recognized as an essential data element by government and private experts alike.

"Establishing a product-oriented WBS is a best practice because it allows a program to track cost and schedule by defined deliverables, such as a hardware or software component. This allows a program manager to more precisely identify which components are causing cost or schedule overruns and to more effectively mitigate the root cause of the overruns" ⁶

The WBS is the key database index that aligns data from the statement of work to the project schedule to individual contract-deliverable items. When properly implemented, the WBS also provides a tieback to the program master WBS as well as any subcontractor-level WBS, thereby allowing data aggregation at various levels.

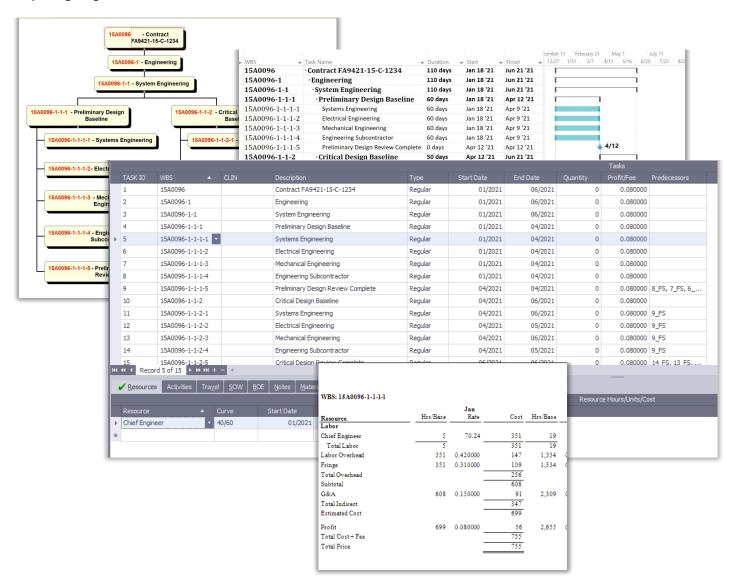


Figure 3: The WBS is used to organize project data

The key to making this approach successful is ensuring the WBS is created and structured according to precisely defined rules and standards. This includes the top-down product-oriented structure applicable to the specific project type, like manufacturing, software, engineering etc. One approach to solving this issue is to create product or project templates similar to the approach taken by the government in MIL-STD-881. Such an approach would ensure common elements such as testing and evaluation or project management are properly integrated with the project structure.

Once the WBS is created, it must be an integral piece of all the management artifacts and must provide a quick and reliable means of accessing data from any of the various management systems organized based on its structure.

Hopefully an industry working group from something like the National Defense Industrial Association (NDIA) or the American Association of Cost Engineers (AACE) will be formed to define the core elements of a data set with an eye toward developing a common data exchange standard. Any volunteers?

- 1 Data Cubes are an abstraction that allows viewing of related data from multiple viewpoints or perspectives. The various dimensions of the cube include time, money, and other related factors such that each face of the cube displays a representation of the data arrayed by two or more of these dimensions.
- ² Estimate Accuracy, Dealing with Reality, John Hollmann, Cost Engineering Journal, AACE International, Nov/Dec 2012.
- 3 The American Association of Cost Engineers (AACE) International Recommended Practice 17R-97 Cost Estimate Classification System November 29, 2011 defines 5 classes of estimates distinguished by purpose, degrees of accuracy, and estimating effort.
- 4 GAO Cost Estimating and Assessment Guide Best Practices for developing and managing Capital Program Costs March 2009 GAO-09-3SP pg. 37
- 5 WBS as used here is referring to the Contract or the project level WBS
- 6 GAO Cost Estimating and Assessment Guide, GAO-09-3SP, March 2009, Chapter 8, page 65.



Industry Events

	Gov Con Q&A Cafe: Bid Protest
	2021 DFAR Part 209: Contractor Qualifications
	2021 DFAR Part 210: Market Research
click here	5th Annual Digital Workplace Summit: Engagement Strategies For Employee Communications
click here	2021 DFAR Part 212 - Acquisition of Commercial Items
	E-Discovery, Records & Information Management Virtual Conference
	2021 DFAR Part 213: Simplified Acquisition Procedures
	2021 DFAR Part 214: Sealed Bidding
	Gov Con Q&A Cafe: Teaming Agreements
	2021 DFAR Part 217: Special Contracting Methods
	2021 DFAR Part 216: Types of Contracts
	DISA Services Course
	2021 DFAR Part 215: Contracting by Negotiation
	GSA Schedule: What's In It For You?
	2021 DFAR Part 219: Small Business Programs
	Al Week 2021
	2021 DFAR Part 218: Emergency Acquisitions
	Administration of Government Contracts

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Wed, Mar 24, 2021,	12:00pm - 1:00pm ET	
Thu, Mar 25, 2021,	8:30am - 12:30pm ET	
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Wed, May 12, 2021,	12:00pm - 1:00pm ET	
Mon-Fri, May 10-14, 2021,	7:00am - 6:00pm ET	
Wed, May 5, 2021,	12:00pm - 1:00pm ET	
Tue-Wed, May 4-5, 2021,	9:30am - 4:30pm ET	



QUESTIONS

Every Green Team Review Should Answer

About the author:



Mike Gallo is Partner and
Principal Consultant at Federal
Pricing Group, a consulting
firm specializing in government
contracts pricing strategy,
pricing development, and
pricing volume support for
small and mid-sized federal
government contractors and cost/
price evaluation services for federal
agencies.

A Green Team review is a formal proposal pricing review and key decision point for senior management to approve and freeze final pricing prior to a Gold Team review. It's an important step, so here are seven questions every Green Team review should consider.

How Does Our Price Compare?

Get to the bottom line. Compare the current price against other benchmarks like an incumbent contract, past pricing of similar proposals, past contract actuals, and market comparisons between a price-to-win target and the pricing of the likely competitors. These comparisons should also help management to assess a government evaluator's likelihood to find the overall price both realistic (that is, not too low) and reasonable (that is, not too high).

Is Our Pricing Compliant?

Summarize major solicitation pricing requirements, including key restrictions, limits, or prohibitions. Summarize the subcontract work, such as labor hours, and its pricing. This allows you to compare their proportion to the overall contract work and price, thereby ensuring compliance with small business requirements and limitations on subcontracting.

What are the Key **Pricing Assumptions?**

Key pricing assumptions can include top-level inputs; for example, the productive labor year, escalation, or the profit/fee. It's best to include key inputs in the cost estimates, such as the allocation of staff between the contractor site and the customer site, or the geographic location of staff. You should also list any potentially ambiguous pricing requirements and provide your pricing team's current interpretation of those requirements.

What is Our **Execution Risk?**

A classic capture motto says, "Companies should worry first about winning the work and then worry about executing

the work." However, if pricing has been slashed so that a company cannot afford to effectively execute their contract without severe financial or reputational loss, then what is the sense of bidding? Program staff should have a seat at the Green Team review to help management balance trade-offs between execution risk, pricing, and profit risk.

Does Our Pricing Include Any Exceptions?

If there are assumptions, inputs, or other aspects of pricing that could be interpreted as taking exceptions to the solicitation, they should be highlighted and discussed. This is the last opportunity for management to acknowledge their understanding of any exceptions present in the pricing.

Which Levers **Impact Price Most?**

Often, management wants to know the price impacts of changing underlying assumptions and inputs. Detail which levers materially move prices and which ones do not. Simple levers include the profit/fee and escalation factors, which are easy to change. More complex levers might include changes in the productive work year. The most complex levers involve changes in key characteristics of the technical solution that drives staffing. Early pricing reviews can explore simple to complex levers, while later reviews, including the Green Team review, should explore only the simplest levers.

What is Our Expected **Profit Margin and Profit Risk Exposure?**

Some pricing strategies adopt aggressive tactics, such as capping indirect rates to make pricing more competitive and less prone to unfavorable government probable cost adjustments. The allocation of discounted subcontractor labor based on the expectation that it can be accomplished at the agreed upon price poses another area of risk. The profit impact of these strategies should be fully understood and quantified to management.

Don't wait until Green Team Review. Ask and answer these questions regularly, as part of your pricing process, and ultimately management will have very high confidence that your pricing is competitive, compliant, and profitable!

PRICING MAGAZINE CONTRIBUTOR



Marsha Lindquist Owner/CEO of Granite Leadership Strategies



Marsha Lindquist is an experienced price proposal manager & contracts professional. She is an expert in cost proposal management, development & pricing strategy. Marsha has built a tradition of quality consulting to Government contractors for over 30 years. She has wide-ranging experience with Government contracting firms-mostly scientific & high technology companies.

Marsha dedicates her business expertise to providing inventive solutions designed specifically for each of her clients regardless of their size. Granite Leadership Strategies specializes in comprehensive consulting services for Government contracting clients ranging from small start-up companies poised to grow through Fortune 500 companies interested in continuing their successes. What distinguishes Marsha from others is her ability to provide innovative solutions to problems you face in today's dynamic business environment. This capability enables her to quickly gain an in-depth understanding of your business needs and become an integral advisor to your management team.

Marsha is adept in persuasive pricing that wins & is masterful in authoring customer-focused winning pricing strategies. Marsha works with her clients on concepts that help people cut through the irrelevant, zero in on the things that distinguish, and create value. She is described by clients as tenacious and a true pro. Ms. Lindquist has achieved the distinguished titles of NCMA Fellow, APMP Fellows & APMP Practitioner. She serves at the APMP Valley of the Sun Chapter's program chair. Marsha can be often seen hiking with her dog Ziva - a young Australian Shepherd with lots of energy.

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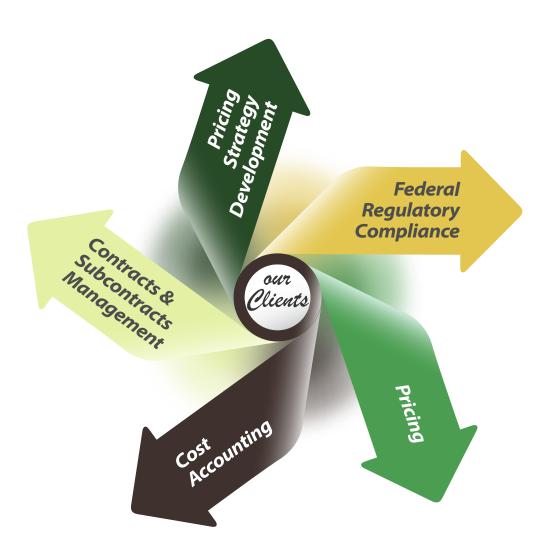


Marsha@GraniteLeadershipStrategies.com

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By Marsha Lindquist

The Defense Federal Acquisition Regulation Supplement (DFARS) requires the government contractor to establish, maintain, and comply with an "acceptable estimating system". This regulation provides purpose and benefits to the government by reducing the scope of individual proposal audits when a contractor has an acceptable cost estimating system. In reality, according to the DFARS 215,407-5-70(b)(1). all contractors are required to have an acceptable estimating system.

Large businesses are subject to estimating system disclosure, maintenance, and review requirements if, in their preceding fiscal year, that contractor received Defense Department prime contracts or subcontracts totaling \$50 million or more for which certified cost or pricing data were required. While some other conditions make the total dollar amount applicable smaller, the determination sometimes is defined by the procuring contracting officer (PCO) and administrative contracting officer

(ACO) when it is in the best interest of the government.

THE REGULATIONS AND GUIDANCE

The DFARS 252.215-7002(d) provides the 17 criteria set out for the Defense Contract Audit Agency (DCAA) to evaluate contractor compliance with these regulations. The following 17 criteria are outlined in the regulation. These items must be covered in your company software systems, policies, procedures, tools

and templates, and the internal conversations and preparation for your audit.

- 1. Responsibility for preparation, review, and approval of cost estimates.
- 2. Written description of the organization and duties.
- 3. Sufficient training, experience, and guidance.
- 4. Identify sources of data, methods, and rationale of cost estimates.
- 5. Adequate supervision.
- 6. Consistent application of estimating and budgeting techniques.
- 7. Detection and timely correction of errors.
- 8. Protect against cost duplication and omissions.
- 9. Use of historical experience.
- 10. Use of analytical methods.
- 11. Integration of data and information available from other management systems.
- 12. Management reviews.
- 13. Internal reviews and comparisons of results to actuals, and an analysis of differences.
- 14. Updated cost estimates in a timely manner throughout the negotiation process.
- 15. Ensure subcontract prices are reasonable based on review and analysis.
- 16. Consistently generate sound proposals.
- 17. Adequate system description.

THE THREE INGREDIENTS OF AN ACCEPTABLE COST **ESTIMATING SYSTEM**

An acceptable cost estimating system involves three main ingredients: the system that is being used by you, the policies and procedures, and the human element. All three ingredients are necessary to an acceptable cost estimating system. It's like a three-legged stool. With any less than three ingredients, the stool will fall. Shortchanging any one of these three will mean that the entirety of what DCAA will examine is not complete. Let's look at all three.

THE "SYSTEM"

When government contractors hear the word "system" in the audit title, they immediately think of an ERP system and process. While ERP software is an important ingredient in any contractor's cost estimating system arsenal of tools, the most recognizable software systems are not the only ones available to government

contractors. While ProPricer is a well-respected software system that easily affords those who use it an integrated way to price the cost estimate, there are other systems on the market.

In this article, we will stay with the concept of software systems to address one of the elements of cost estimating. Contractors frequently ask if they must have ProPricer to pass a cost estimating audit. Usually, we respond with a simple "no," however, you must address how you stand





up your entire cost estimating system. That means the tools, templates, and software you use and how you use it.

Often, small and medium contractors use Microsoft Excel to perform their cost estimating, integrate the data they need to make their pricing consistent, and make the data trackable or auditable. Even some large contractors rely on Microsoft Excel for cost estimating and pricing. Most contractors who use ProPricer find the software invaluable for developing the estimate, integrating it with the ProPricer Excel add-in to progovernment requested duce tables, and documenting the data upon which the estimates were prepared.

As with any software system, the traceability to the original data, methods for estimating, and calculations for arriving at the price

is critical to allow any auditor to see what a contractor has done to arrive at the price. Although no special software is required, you must consistently use your system in a manner that addresses all of the elements of the DFARS criteria. Even with an Excel-type system, if you develop your tools and templates, uniformly apply them to these criteria, and have the other ingredients, you will have an acceptable system. The system is just one component in this mix.

WRITTEN POLICIES AND PROCEDURES OF THE COST ESTIMATING SYSTEM

Most companies find that committing their policies and procedures to a written form is a painful process. It does not have to be. Policies and procedures are crucial elements of an acceptable cost estimating system. They can be written over time,

unless you are about to face a cost estimating systems audit right away. Usually, the policies or procedures are part of the fabric of the people who work in the organization. Most people find that writing procedures, while tedious, allows them the freedom to document what they do and be relieved of what they know in their head and habits.

Generally, the policy manual is the most difficult because people are unclear about what it should do-it's easy for them to think of procedures. The policy manual should cover all the topics in the criteria in a well-organized manner. The policy statements, scope, and purpose should address the principles that guide your company's decisions for a standardized and complete cost estimate. The policies should each make a statement of intent about the criteria subjects, identify in the scope who is involved



in the organization with that particular policy, and adequately describe what the company principles are for each subject in very simple terms.

The procedures will address the implementation of that policy. Each policy will likely have a corresponding procedure. You should cover each of the criteria subjects in both policies and procedures.

The manual should include sufficient detail to allow an auditor to make an informed assessment of your practices and what your company's estimating guidelines are. There should be sufficient detail in both policies and procedures to address preparation, reviews, and approvals, as well as compliance with FAR, DFARS, CAS, and TINA.

The revision logs in each written document show the changes your company has implemented and what those changes are. While it may seem basic, they should include the following:

- An organization chart
- A responsibility and authority matrix
- A roles, training, and experience chart
- Records retention
- A graphic representation of your estimating system diagram

Contractors often place little emphasis on internal controls, audits, reviews and approval methods, periodic monitoring and tracking of estimates to actuals, and how you integrate the cost estimating system with your other management systems.

HUMAN FACTORS OF YOUR COST ESTIMATING SYSTEM

While sometimes overlooked, the human factors play a large role in the cost estimating system preparation and audit. These factors address who is responsible for proposal preparation, compliance, and accuracy. Detailing the organization chart, staff roles, responsibilities, training, and experience is only one set of ingredients in this mix.

The process flow is important to show in a schematic to verify how estimating is accomplished, to authenticate the communication of each estimate, and to coordinate all the appropriate functions and people that touch each estimate, as well as a responsibility and authority matrix. You must cover not only what you do for each estimate in detailing labor, materials, and other direct costs, but also address how you develop indirect costs.

Once you outline all your personnel interrelationships and reviews, the DCAA cost estimate review will take a deeper dive into how each person adheres to the preparation, reviews, and approval process. The humans that execute the replicable tasks, controls, and checks and balances are even more important than the written policies and procedures.



THE TAKEAWAYS: HOW TO PREPARE FOR THE COST ESTIMATING SYSTEM **AUDIT**

DCAA will plan on a walkthrough and real-time demonstrations and observations of the entirety of your estimating operation. They want to get a mutual understanding of the processes and controls by which your organization seeks to comply with the DFARS 252.215-7002 Estimating System Cost Requirements. To prepare for the key points they will cover, you should:

- 1. Develop a summary narrative statement on how your system complies with the specific DFARS requirements listed in each section. Since it needs to be concise, keep it to bullet points of how you comply.
- 2. Define your enterprise resource planning (ERP) and any information technology (IT) applications that are involved in processing your data relevant to the criteria. Include a brief description of all modules, subsystems, other IT applications, databases, external data warehousing, and any interface tables you use.
- 3. Document the key controls and monitoring you use that are preventative, detective, and corrective, plus any automated controls, such as access, security, and separation of duties. Also document any manual or physical controls, such as reviews, approvals, reconciliations. The specific monitoring activities are important for you to cover. These may include an internal audit of specific functions, external audit of the processes, management reviews, use of third parties, and other audits or reviews.
- 4. Prepare a list of system-generated reports, manual reports you use, and what specific written queries you use to pull data used by the estimating team.
- 5. Include any forward pricing rate proposal (FPRP) you may have



Overarching considerations may also include your risk assessment and how your organization identifies and addresses risk associated with price proposal estimates in which cost or pricing data are required. DCAA will also likely cover how you communicate estimating roles, responsibilities, and significant system matters to the appropriate employees, particularly those that ensure cost or pricing data remain current, accurate, and complete.

ADDITIONAL HOMEWORK

Know your system requirements. Whatever your software system is for cost estimating, know what its capabilities are, including what historical data you use, the capabilities to support the basis of estimates, and the ability to use analytical tools.

Techniques you will be evaluated for include estimating direct labor rates, direct labor hours, direct material, indirect expenses, other direct costs and travel, subcontract costs, interdivisional work orders, cost of money, and any standards used in your organization.

Review the DCAA "Audit Program for Estimating System" in the Defense Contract Audit Manual (DCAM) Section 5 (http://www.dcaa.mil).

Review the DCMA Manual 2301-01 Contractor Business Systems for Cost Estimating System in Section 4 (http://www.dcma.mil). Develop and document internal policies that answer "what" you do for each of the criteria in the DFARS 252.215-7002(d). Your policies must be updated to what you currently do.

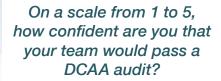
Develop and document internal practices that answer "how" you do what you do for all bids, particularly addressing your current routines of the basis of estimates, backup documentation, and audit file preparation.

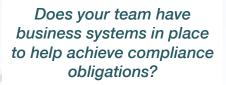
Understand all the FAR and DFARS requirements for subcontract management and certificates of current cost and pricing data.

The reliability of your data is paramount. What DCAA is examining is not only your system but all of your habits, both written and in practice, as well as what you do to control the estimating process through your tools, techniques, and reviews.

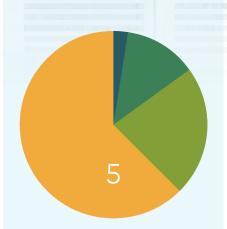


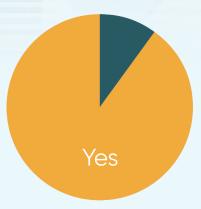
Compliance Customer Survey





Has COVID-19 impacted the way your team handles compliance obligations?





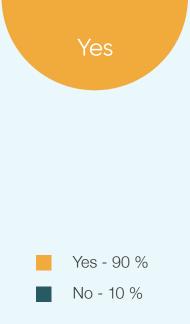


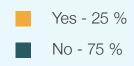






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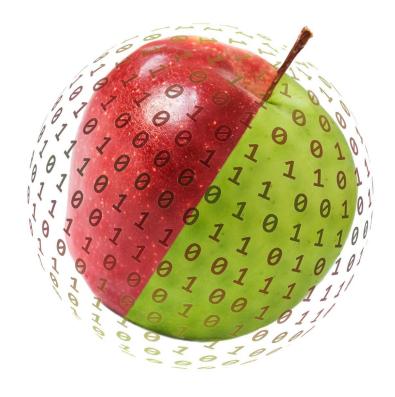




40 Answers Weighted Average 4.45

40 Answers Yes 36; No 4.

40 Answers Yes 10; No 30.



The Procurement Process is Changing, So Should Your Software



The Perfect Combination

The seamless integration between ProPricer Contractor Edition (CE) and ProPricer Government Edition (GE) has created an unprecedented ability for contractors and government agencies to significantly improve the way in which proposals are submitted and analyzed.



ABOUT THE AUTHOR

Award-winning speaker Robert E. Jones shows audiences how to navigate the constantly changing legal and regulatory landscape of government contracts. In his engaging and highly rated presentations, he

shares insider secrets drawn from more than 17 years of DoD contract and accounting experience. His proactive, decisive approach to finding opportunities and solving problems is based on experience in managing more than \$400 million in federal contracts.

Mr. Jones has experience with a wide variety of speaking engagements including emcee/moderator, seminars, training, chapter meetings, and conference presentations. He engages audiences with innovative approaches to contract profitability, accounting, compliance, and related topics.

The West Virginia native earned a bachelor's degree in accounting from the McColl School of Business at Queens University of Charlotte in North Carolina. He holds a master's degree in accountancy from The Graduate School of the College of Charleston in South Carolina. He is a licensed CPA in the State of Ohio, a Certified Professional Contracts Manager (CPCM), and a National Contract Management Association (NCMA) Fellow.

BACKGROUND

Congress approved several COVID-19 relief programs for businesses in 2020, many of which were extended into 2021. These programs are available to businesses in all industries including government contractors. The proper treatment of these programs is of particular interest to government contractors who must follow another set of rules—the <u>Federal Acquisition Regulations (FAR)</u>.

At Left Brain Professionals, we believe government contractors can benefit from these programs and should participate in them to the maximum extent possible. This article addresses the various reporting requirements necessary to remain compliant with each program and with the FAR.



We Maximize Your Profitability

We focus on total cost recovery when building indirect rates so you can experience maximum profitability.

Clients rely on us to-

- Strategically design indirect rate models
- Ensure proper composition of pools
- Validate the accuracy of calculations

Contact us today to see how we can help you develop new rate models for your growing and changing business.



TAX ISSUES

Congress approved the <u>Coronavirus Aid, Relief, and Economic Security Act</u> (CARES) in March 2020 which includes funding for the <u>Paycheck Protection Program</u> (PPP) loans with forgiveness; a mechanism intended to get tax-free money into the hands of small businesses. On April 9, 2020, the IRS issued <u>Notice 20-32</u> stating that expenses that generated PPP loan forgiveness would not be deductible. This stance is in line with IRC Section 265(a)(1). Then, in November 2020, the IRS issued <u>Rev Rule 2020-27</u> which further clarified that expenses would not be deductible in the year incurred if, at the end of the tax year, the taxpayer expected to receive forgiveness of the loan.

Both IRS documents effectively made loan forgiveness taxable. Luckily, Congress stepped in on December 27, 2020, to approve the **Consolidated Appropriations Act** which included, among many other things in its 5,000-plus pages, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). This provided the clarification that expenses related to PPP loan forgiveness would be tax deductible.

The following is a tax example of a business receiving a \$100,000 PPP loan and forgiveness:

	Before	Exp	Not Deduct	After		
Revenue	\$ 1,000,000	\$	1,000,000	\$	1,000,000	
Expenses	\$ 950,000	\$	850,000	\$	950,000	
Taxable Income	\$ 50,000	\$	150,000	\$	50,000	

CONCERNS FOR GOVERNMENT CONTRACTORS

In addition to tax concerns facing all businesses, government contractors have been concerned about the impact of PPP forgiveness on their contract billings, indirect rates, and incurred cost proposal (ICP). Along with PPP loans, contractors have asked about the proper treatment of employer paid leave, the employee retention credit, and other parts of the CARES and Families First Coronavirus Relief Acts (FFCRA). We're here to address those concerns and answer some of your questions.

PAYCHECK PROTECTION PROGRAM (PPP)

ELIGIBLE EXPENSES THAT QUALIFY FOR PPP FORGIVENESS AS A GOVERNMENT CONTRACTOR

The list of eligible expenses for government contractors is the same as all other businesses. However, the selection of specific expenses can have a significant impact on indirect rates and reimbursable amounts on cost-type contracts. Whereas most commercial entities simply track and report salaries and wages as a single line item, government contractors must segregate salaries and wages into Direct Labor, Overhead Labor, G&A Labor, and Paid Absences. The segregation of these expenses is critical to the accurate calculation of indirect rates, and the respective amounts must be accurately reported on the incurred cost proposal.

ELIGIBLE EXPENSES

- Payroll Costs
 - Labor/Salaries
 - Group Health Benefits Paid by Employer
 - Employer State & Local Taxes
 - Retirement Plan Contributions
- Business Mortgage Interest
- Rent
- Utilities
- Covered worker protection and facility modification expenditures, including personal protective equipment, to comply with COVID-19 federal health and safety guidelines.
- Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations.
- Covered operating costs, such as software, cloud computing services, and accounting needs.



Since contractors cannot receive payment from the government and PPP loan forgiveness for the same expenses, contractors must carefully select and document the expenses used to claim forgiveness. FAR 31.201-5 clearly states that the contractor must pass on any rebates, refunds, or other credits in the form of reduced costs or cash refunds. By carefully selecting and documenting their forgiveness calculations, government contractors can meet the requirements of FAR 31.201-5 and avoid double-dipping on any government funded payments.

PPP FORGIVENESS STRATEGY FOR GOVERNMENT CONTRACTORS

Government contractors should focus on seeking forgiveness for indirect expenses, such as fringe, overhead, and G&A, without including any direct expenses on government contracts. By claiming forgiveness on indirect expenses, government contractors can still bill the government all direct costs incurred plus the newly adjusted indirect costs.

Contractors must use the same expenses claimed for PPP forgiveness when calculating indirect rates and preparing the incurred cost proposal.

While contractors cannot use PPP loan forgiveness for direct expenses on government contracts, they could, in theory, use them for direct expenses on commercial contracts. Keep in mind that all direct expenses affect fringe, overhead, and G&A rates, and the reduction of direct expenses through the application of PPP loan forgiveness is not advisable. Further, we cannot foresee a situation where a government contractor would not have enough indirect expenses to absorb PPP loan forgiveness.

Rates Before Forgiveness Calculation

	Direct			Fringe	Overhead	G&A	Total
Labor	\$	100,000	\$	-	\$ 150,000	\$ 45,000	\$ 295,000
Expenses	\$	300,000	\$	95,000	\$ 155,000	\$ 105,000	\$ 655,000
Applied Fringe	\$	32,203			\$ 48,305	\$ 14,492	\$ 95,000
Total Pool Numerator	\$	432,203	\$	95,000	\$ 353,305	\$ 164,492	
· ·							
Base Denominator			\$	295,000	\$ 132,203	\$ 785,508	
						, and the second	
				32.20%	267.24%	20.94%	

Forgiveness 100% Applied to Labor

	Fringe		Overhead	G&A
Labor	\$	=	\$ 150,000	\$ 45,000
Expenses	\$	95,000	\$ 155,000	\$ 105,000
Forgiveness			\$ (80,000)	\$ (20,000)
Labor			\$ 70,000	\$ 25,000
Expenses	\$	95,000	\$ 155,000	\$ 105,000

Rates After: Forgiveness 100% Applied to Labor

	Direct		Fringe		Overhead	G&A	Total
Labor	\$ 100,000	\$	=	\$	70,000	\$ 25,000	\$ 195,000
Expenses	\$ 300,000	\$	95,000	\$	155,000	\$ 105,000	\$ 655,000
Applied Fringe	\$ 48,718			\$	34,103	\$ 12,179	
Total Pool Numerator	\$ 432,203	\$	95,000	\$	259,103	\$ 142,179	
Base Denominator		\$	195.000	\$	148,718	\$ 707,821	
base benominator		_	155,000	_	140,710	 707,021	
Rate Pool/Base			48.72%		174.22%	20.09%	

Forgiveness 60% Applied to Labor

	Fringe	Overhead	G&A
Labor	\$ =	\$ 150,000	\$ 45,000
Expenses	\$ 95,000	\$ 155,000	\$ 105,000
Forgiveness		\$ (80,000)	\$ (20,000)
Labor		\$ 102,000	\$ 33,000
Expenses	\$ 95,000	\$ 123,000	\$ 97,000

Rates After: Forgiveness 60% Applied to Labor

	Direct	Fringe	Overhead	G&A	Total
Labor	\$ 100,000	\$ -	\$ 102,000	\$ 33,000	\$ 235,000
Expenses	\$ 300,000	\$ 95,000	\$ 123,000	\$ 97,000	
Applied Fringe	\$ 40,426		\$ 41,234	\$ 13,340	\$ 95,000
Total Pool Numerator	\$	\$ 95,000	\$ 263,234	\$ 143,340	
Base Denominator		\$ 235,000	\$ 140,426	\$ 703,360	
		40.43%	187.45%	20.37%	

Rate Summary

	Fringe	Overhead	G&A	Multiplier
Before	32.20%	267.24%	20.94%	5.871532
100% Labor	48.72%	174.22%	20.09%	4.89751
60% Labor	40.43%	187.45%	20.37%	4.858928

WHY GOVERNMENT CONTRACTORS SHOULD APPLY FOR PPP FORGIVENESS

Throughout the PPP loan process, some government contractors have expressed concerns about applying for forgiveness, citing issues with tax deductibility, double-dipping on government payments, and the impact on their indirect rates.

Government contractors should take advantage of the program designed by Congress to put tax-free funds in the hands of struggling small businesses. There is nothing, in our opinion, to keep government contractors from participating in the forgiveness aspect of PPP loans. While there are some issues unique to government contractors, they are easily resolved through the proper allocation of refunds, rebates, or credits received in accordance with FAR 31.201-5. In fact, PPP loan forgiveness may have a positive impact on indirect rates.

SECTION 3610

THE IMPACT OF SECTION 3610 ASSISTANCE

Section 3610 of the CARES Act allows contractors to ask contracting officers, on a contract-by-contract basis, for additional funding to keep staff in a ready state while idle due to facility closures or other restrictions preventing the completion of work. These funds were to be added to the existing contract as a separate contract line item number (CLIN) and could be issued as cost-type or fixed price modifications.

These idle costs are now direct costs for those specific contracts since the readiness is a paid deliverable of that contract.

Contractors may be confused and could potentially mischarge labor when idle employees on a contract with 3610 funding are treated as direct, while idle employees on a contract without 3610 funding are treated as indirect. This is a situation where terms of the contract supersede the normal treatment of a cost in accordance with the contractor's standard practices and should be noted in the contract, the project or job, timekeeping, and the incurred cost proposal.

HOW TO REPORT PPP FORGIVENESS AND SECTION 3610 ON THE ICP

Adjustments to general ledger (GL) balances are reported in the "Adjustment" column on the incurred cost proposal with a note explaining the adjustment. Since PPP forgiveness will cause adjustments to the fringe, overhead, and G&A pools, contractors will want to include a worksheet for each pool, preferably as a separate tab, showing the calculation of PPP forgiveness funds applied to each pool.

Fiscal Year End - 06/30/2020			any Name ny location				SCHEDULE
	General a	nd Administrative (G&A	A) Expenses (Fina	Indirect Cost Pool)		
		General and Adminis	strative (G&A) Ex	penses			
			TOTAL DED CALE				1
ACCOUNT NUMBER	DESCRIPTION	ACCT BALANCES	TOTAL PER G/L, F/ &TRIAL BAL	ADJUSTMENT	CLAIMED	NOTES	REFERENCE
4010			\$ -		\$ -	Labor	
4050			\$ -		\$ -	Labor	
4080			\$ -		\$ -	Labor	
4150			\$ -		\$ -	Labor	
7130			\$ -		\$ -		



Download our incurred cost proposal template and access additional ICP resources at www.leftbrainpro.com

Section 3610 funds are billable CLINs, just like any other CLIN, and will be presented on the ICP Schedule H as a separate line item in the appropriate section for the affected contracts.

Fiscal Year End - 06/30/2020

COST TYPE								
Job Order	_	Contract Number	_	Subcontract Number	_	Labor OH1	Labor OH2	_
Total Cost Type								
A. TOTAL COST TYPE:						\$ -	\$	-
OTHER FLEXEBLY PRICED	(COST	r-PLUS)						
Job Order	_	Contract Number	~	Subcontract Number	•	Labor OH	Labor O	H2 <mark>▼</mark>
Total						\$ -	\$	
B. TOTAL OTHER FLEXEB	LY PRI	CED				\$ -	\$	-

Download our incurred cost proposal template and access additional ICP resources at www.LeftBrainPro.com

WHY GOVERNMENT CONTRACTORS SHOULD SEEK SECTION 3610 FUNDING

The CARES Act originally provided Section 3610 funding of paid leave for contractors who could not access the worksite or telework due to COVID-19 restrictions. The intent of this funding was to keep employees in a ready state for the resumption of work.

The Consolidated Appropriations Act extended the eligibility date from December 21, 2020 to March 31, 2021. With more funding opportunities available, contractors should work with their contracting officers to determine if continued COVID-19 restrictions make them eligible to receive these funds.

The Defense Department used Section 3610 more than any other agencies and provided guidance to contractors, including a class deviation, regarding eligibility to receive funds and the proper treatment of costs and credits. As we will discuss, the proper treatment of costs and credits is critical to the accurate calculation of indirect rates and preparation of the incurred cost proposal.

THE EFFECT OF PPP FORGIVENESS AND SECTION 3610 ON INDIRECT RATES

PPP FORGIVENESS

PPP loan forgiveness, when applied to indirect costs, will reduce indirect rates. For some contractors, this may be their saving grace. At a time when many contractors shifted direct employees to overhead, an opportunity to reduce overhead expenses may be a breath of fresh air.

Should I be concerned about reducing my indirect rates?

No, not really.

First and foremost, the incurred cost proposal must be presented, and indirect rates calculated, in accordance with the FAR, Cost Accounting Standards (CAS), and other contract requirements. In other words, the rates are the rates. At the end of the day, we must calculate and report the rates for what they are regardless of our subjective opinion of those rates.

Secondly, reduced rates for 2020, or any fiscal years incorporating the covered period for COVID-19 relief programs, do not mean reduced rates for future years. While many contractors use actual historical rates for future provisional rates, they can—and should—develop forward-looking budgets for those future periods. Yes, the Defense Contract Audit Agency (DCAA) or another cognizant agency will evaluate indirect rate trends, but the 2020 blip can be easily explained and reconciled. Provisional billing rates are intended to reflect what the contractor expects to experience. If historical rates do not accurately reflect a contractor's forecast, they should not be used.

SECTION 3610

Section 3610 should work to reduce indirect rates by increasing the amount of direct costs. Remember that direct costs are in the bases of



fringe, overhead, and G&A, and that increases in direct costs work to reduce indirect rates by providing a larger base, or denominator, over which to apply the pool, or numerator.

OTHER FFCRA & CARES ACT RELIEF

The principles addressed here apply to other forms of relief including employer paid leave, employee retention credits, and deferred payroll taxes.

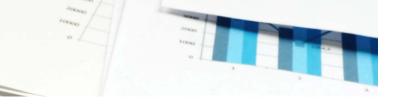
In the case of employer paid leave and employee retention credits, employers are reimbursed for qualified wages and healthcare expenses through tax credits. Remember FAR 31.201-5 from above? Any credit, rebate, or refund of taxes the original payment of which would otherwise be included in an indirect pool, must be credited back to the indirect pool and passed on to the government in the form of reduced costs.

Changes to the CARES Act through the Consolidated Appropriations Act passed on December 27, 2020 allow companies to apply for both PPP forgiveness and the employee retention credit. However, companies may not count the same wages toward multiple forms of relief. For example, in the case of a company with \$500,000 in eligible payroll expenses, portions of those wages may separately be applied to the applicable forms of relief:

- \$200,000 PPP forgiveness
- \$50,000 employer paid leave
- \$30,000 employee retention credit
- \$220,000 not applied to any form of relief

Contact your payroll and tax advisors for the proper reporting of wages and accurate calculation of tax credits.

Download our <u>indirect rate calculator</u> at www.LeftBrainPro.com



BEST PRACTICES

Document, document, document.

As with all things legal and accounting, documentation is key. Contract and incurred cost audits often occur months or years after the fact, making the explanation of events more difficult as time passes. Factors necessitating accurate record-keeping that make accounting documentation in 2020 even more important are:

- Multiple forms of relief
- Varying and extended eligibility dates
- Various reporting requirements
- Differing tax treatments

The issues discussed in this article will result in different amounts reported for book, tax, and incurred cost purposes. Contractors will want to develop and maintain a worksheet identifying the expenses claimed for each, and a reconciliation between and among the differing reported amounts. We recommend filing a copy of the worksheet and reconciliation with the PPP forgiveness application, financial statements, income and payroll tax returns, Section 3610-affected contracts, and the incurred cost proposal.

GENERAL LEDGER

Contractors should capture all of these costs in separate general ledger accounts to allow for easy identification, reporting, and reconciliation of amounts. For example:

- Direct Labor
- Direct Labor 3610
- PTO
- PTO FFCRA
- Overhead Labor
- Overhead COVID Idle Labor

JOB LEDGER

Contractors should create separate jobs or tasks to capture these amounts for easy identification, reporting, and reconciliation. Section 3610 funds need to be reported as separate line items on the invoice and ICP Schedule H. Even separate indirect jobs can further support a contractor's proper claim of forgiven amounts when calculating indirect rates.

With a second round of PPP loans now available and Section 3610 extended through March 31, 2021, it is not too late to start off on the right foot.

Contact us for help with your PPP loan forgiveness, indirect rates, or incurred cost proposal.





Jeff Witt, CPA @



Jeffrey Witt is a Director within CohnReznick's Government Contracting Practice. He has more than 25 years of government contract audit and consulting experience. In addition, Mr. Witt served as Corporate Controller for a government contractor for approximately two years. He was also a Defense Contract Audit Agency (DCAA) auditor for more than 10 vears. He has extensive knowledge of Federal Acquisition Regulation (FAR), Cost Accounting Standards (CAS), GAGAS and GAAP.

Mr. Witt has conducted audits for a variety of clients that include government contractors and government agencies. He also provides consulting services to government contractors including incurred cost submission compliance, policy rate benchmarking, response to Defense Contract Audit Agency (DCAA) audit findings, and a variety of other consulting services. In addition, he has served as an expert witness in several legal actions, the outcome of which were favorable to his clients. Services included deposition under oath and providing of written analysis and testimony.

Education

Portland State University, Bachelor of Science, Accounting

Affiliations

American Institute of Certified **Public Accountants**

Defective Pricing & What Does An Auditor Look For?

By Jeffrey Witt and Lori Allen

In fall 2019, Bloomberg News reported that the Defense Contract Audit Agency (DCAA) planned to conduct a significantly higher number of defective pricing audits in 2020. The Defense Contract Management Agency (DCMA) noted in a memo dated Sept. 30, 2020, that it is creating a new DCMA Defective Pricing Pilot Team to specifically provide support to government Procurement Contracting Officers (PCOs) to aid in resolving and dispositioning these audits. We thought it would be helpful to explain what exactly a defective pricing audit is and what steps can help contractors avoid or prepare for one.

The Truthful Cost or Pricing Data statute, still commonly referred to as the Truth in Negotiations Act, or TINA, establishes requirements regarding certified cost or pricing data that is submitted by contractors in support of proposals submitted to the government or government contractors. Certified cost or pricing data is required, in certain circumstances, by FAR 15.403-4, when certain exemptions do not apply. The current threshold for certified cost or pricing data now applies to proposals in excess of \$2 million.



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Lori Allen, CPA @



in CohnReznick's Government Contracting Practice. She has more than 20 years of audit and industry experience. She is a former DCAA Supervisory Auditor who worked with DOD. DOE and FEMA to advise on cost allowability, allocability, reasonableness, and compliance. She is an expert in Generally **Accepted Government Auditing** Standards (GAGAS), Federal Acquisition Regulation (FAR), and Cost Accounting Standards (CAS). Lori is currently the audit manager for a variety of pre-award and postaward contract audits being conducted on behalf of several government agencies. In her current role, she also provides a wide-range of regulatory, business system and process improvement consultative advice to government contractors.

Education

Straver University, Bachelor and Master of Science, Accounting

Affiliations

American Institute of Certified **Public Accountants**

NEGATIVE RESULTS OF A DEFECTIVE PRICING **DETERMINATION**

When auditors can prove that certified cost or pricing data was not current, accurate, or complete, a finding of defective pricing can result. FAR 15.407-1 states that such a finding will result in an adjustment to the contract price. However, this goes beyond just FAR. FAR 15.407-1 is specifically derived from 10 U.S.C. 2306a and 41 U.S.C. Chapter 35, taking it beyond regulation and into the realm of law. A related clause, FAR 52.215-10, or the Price Reduction for Defective Certified Cost or Pricing Data, is included in government contracts and provides the government with the leverage to obtain a contract price adjustment. The government is also entitled to the recovery of any overpayment plus interest, and to penalty amounts related to overpayments.

Apart from the financial impact, companies that have submitted defective certified cost or pricing data may face a negative perception within the government. Also, if the government can prove fraudulent intent, the personnel involved could face criminal prosecution. Accordingly, this is an area that should be taken seriously.

EXEMPTIONS FROM REQUIREMENTS FOR **CERTIFIED COST OR PRICING DATA**

For many reasons, including those discussed above, contractors should avoid submission of certified cost or pricing data unless it is necessary. FAR 15.403-1 provides exceptions to certified cost or pricing data requirements and indicates that contracting officers shall not require such data when one of the following exemptions is met:

- 1. When prices agreed upon are based on adequate price competition.
- 2. When prices are set by law or regulation.
- 3. When a commercial item is being acquired.
- 4. When a waiver has been granted.
- 5. When modifying a contract or subcontract for commercial items.

If any of these scenarios could apply, it is very important that this is communicated to the contracting officer so they can avoid certification of cost or pricing data and, in doing so, avoid potential future defective pricing findings.

HOW DCAA CONDUCTS DEFECTIVE PRICING AUDITS

When DCAA is engaged to perform an audit, their objective is to determine whether certified cost or pricing data were inaccurate, not current, or incomplete. They will generally begin with establishing a baseline for the audit. To do this, they will first look at the last proposed costs by cost element before negotiations began Then, they adjust for any additional certified cost or pricing data submitted up to the time of agreement on the price. Finally, they will compare the baseline to actual costs to determine risky areas and apply a combination of analytical tests, observation, inspection, inquiry, and additional testing of details as necessary to determine the existence of any defective pricing.

Contract type is an important consideration of DCAA engagements because interest begins when payments are first made to the contractor on any fixed amounts that are determined to be defectively priced. For Cost Plus Fixed Fee contracts, this is limited to fee payments if it is determined that the fee was overstated based on defective pricing. For Fixed Price contracts, interest begins with the first payment related to any part of the contract that is determined to be defectively priced. Because of this, Fixed Price contracts are the highest risk because they have the highest potential contract price adjustment.

DCAA CONTRACT AUDIT MANUAL (CAM) CHAPTER 14

For those potentially subject to DCAA audit, a review of the DCAA Contract Audit Manual (CAM) Chapter 14 is an important step in understanding DCAA's mindset related to these audits. Some of the highlights include:

- 14-105: Availability of books and records does not constitute submission of certified cost or pricing data. "The adequacy of a given submission or disclosure depends on whether the certified cost or pricing data is disclosed in a way that places the Government on essentially equal footing with the contractor in regard to making the pricing decisions," the CAM states. If a company has analyzed data in a way that could impact pricing decisions. DCAA believes the company must disclose the analysis, not just provide the data.
- 14-109: DCAA's position is that the natural and probable consequence of defective data is an increase in contract price. Therefore, unless rebutted, DCAA presumes that a contract price adjustment is necessary without having to prove that the government actually relied upon the defective data.
- 14-110: The right to examine contractor records relative to a defective pricing audit expires three years after final payment under the contract. Contractors should be aware of this limitation in DCAA's ability to pursue defective pricing.
- 14-118: Any defective pricing audit findings that might wrongdoing suggest be referred to investigative organizations for potential prosecution under 18 U.S.C.

287 (False Claims) and/or 31 U.S.C. 3729 (False Claims Act).

THE ROLE OF THE DCMA **DEFECTIVE PRICING PILOT TEAM**

The Sept. 30, 2020 memo provides PCOs with delegation authority of the FAR 15.407-1(b), (d), and (e) functions to DCMA pricing support upon request. DCMA will evaluate these requests and determine whether to proceed or decline.

If DCMA decides to proceed, the memo states, "DCMA will take all actions to resolve and disposition the DCAA findings of defective pricing in the Contract Audit Follow Up (CAFU) system; will issue contracting officer final decisions as needed, if no agreement is reached; and will execute any contract modifications necessary to implement final price adjustments, in coordination with the PCO. DCMA will litigate any appeal or case that results from delegated DCMA defective pricing actions. PCOs will retain responsibility to initiate audit requests if they suspect defective pricing pursuant to FAR 15.407-1(c), and update previously reported pricing information in the Federal Awardee Performance and Integrity (FAPIIS) Information System module of the Past Performance Information Retrieval System (PPIRS). DCMA will disposition the related audit reports in CAFU once all required steps have been completed."

CASE STUDY (SYMETRICS INDUSTRIES, LLC, ASBCA NO. 59297, 15-1 BCA 36,070)

On Jan. 23, 2008, Symetrics Industries, LLC submitted a proposal to the Department of the Army for the production of data modems. The proposal identified an overhead rate of 182.45% and G&A rate of 18.24%. On Feb. 7 of that year, Symetrics sent DCAA a Forward Pricing Rate Proposal (FPRP) with an overhead rate of 170.38% and G&A rate of 17.13%. On March 27, when negotiations to definitize the contract price began, Symetrics submitted its final proposal to the PCO that included the same rates as submitted in the Jan. 23 proposal. The PCO, in their pre-negotiation memorandum, referenced the Feb. 7 FPRP, indicating their awareness of the submission. However, the rates negotiated were those submitted on Jan. 23 and March 27.

On Feb. 26, 2014, the current contracting officer issued a final decision demanding payment for the difference between the negotiated rates and the FPRP rates, plus interest. The government's position was that Symetrics had violated TINA by failing to provide the FPRP that had been submitted to DCAA directly to the PCO.

The Armed Services Board of Contract Appeals (ASBCA) decided in favor of Symetrics, citing a statement it had made previously: "Disclosure is not confined to a formal, written submission. Instead the contractor's disclosure obligation is fulfilled if the Government obtains the data in question in some other manner or had knowledge. It must be meaningful, regardless of the form it takes. Whether there has been meaningful disclosure depends upon application of a 'rule of reason' to the particular circumstances of each case."

CASE STUDY (ALLOY SURFACES CO., ASBCA NO. 59625, APRIL 9, 2020)

On April 18, 2006, Alloy Surfaces Co. submitted a proposal for Delivery Order (DO) 14 under an ongoing contract with the Army to provide additional M211 flares. Alloy's proposal did not contain labor and material usage data related to DO 13, which utilized new automated manufacturing processes. Instead it provided data from earlier jobs that were produced without those processes.

DCAA concluded that Alloy defectively priced DO 14 due to the providing of the earlier data. The contracting officer concurred, and the government demanded a contract adjustment of \$15,920,212.00 plus interest.

The ASBCA indicated that the government "was aware of the effect of automation on the

pricing for the flares, but chose instead to rely on manufacturing data from earlier, non-automated jobs." It continued, "As the Army acknowledged during its negotiations, the pricing of the non-automated jobs best reflected a compromise between the increased efficiency of automation and the inefficiency of increasing production." The ASBCA sided with Alloy.

These cases provide insight into the mindset of DCAA and DCMA officials when they are negotiating contracts and attempting to assert defective pricing. They also provide valuable information to contractors concerning potential defenses to defective pricing allegations.

SUMMARY

The increase in DCAA's planned defective pricing audit activity necessitates that contractors examine their controls related to preparation of certified cost or pricing data. Controls should be sufficient to enable the certifier to confidently conclude that the data submissions are current, accurate, and complete as of the date of negotiations.





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Peer to Peer Interview



Brian C. Huther, CFCM

Contract Price/Cost Analyst DCMA

Commercial Item Group - PC-CC

Pricing a commercial item or service is easy, right? Just do a quick web search and voila, an abundance of market data showing the most up-to-date prices being paid will magically pop up at the click of a button.



Antoinette Boccutto
Price/Cost Analyst DCMA
Commercial Item Group

Next, you just document your search and you're done!

Although this is an actual dream myself and my colleagues have had on far too many occasions, the reality of this occurring is few and far between. So much so that in 2015, the Department of Defense (DOD) decided to stand up a "cadre of experts" to specialize in the acquisition of commercial items across the DOD. This cadre has been formalized into the Defense Contract Management Agency's (DCMA) Commercial Item Group (CIG).

So what is a day in the life of a CIG Price/Cost Analyst like? What tools do we use to better understand the commercial marketplace and better understand how to price the items we are evaluating? What challenges arise, and what can be done to help expedite the process once it reaches the CIG for review? To better address these questions.



I reached out to Ms. Antoinette Boccutto (a Price/Cost Analyst within the DCMA Commercial Item Group) to help readers better understand the DCMA CIG, our mission, and our challenges and successes.

What is a day in the life of a CIG Price/Cost Analyst like?

Boccutto: Every day is a challenge and no two days are alike. We don't always receive complete information for the cases that we are supporting so it is up to the Price/Cost Analyst to supplement the data with information found in the commercial marketplace. The lack of data available frequently requires us to think "outside the box." The CIG is customer-focused and strives to provide a quality analysis with supporting documentation. We often engage with our customers early in the acquisition process to better understand the requirements, scope of work, the required timelines of review, and will frequently close out the customer request by offering to assist with negotiations. We also work on special projects requested by DoD Sr. Leaders, continuously evaluate internal processes and procedures seeking more efficient ways to support our customers, maintain a pulse on regulatory/statutory changes, as well as identify innovative ways to influence efficiencies in support of commercial acquisition procedures.

What tools does the CIG use better understand the commercial marketplace and better understand how to price items?

Boccutto: First and foremost. we need to understand what it is that we are buying, in terms of form, fit and function of the products(s)/service(s); is the exact item sold in the commercial market, is there a commercial equivalent, is it a modified product, what does that industry look like? Who is buying likeitems? Who is selling like-items? Extensive market research is the key to understanding the market. the industry, and the commercial application of the products being procured.

Government of variety

external resources and resources are available to us (i.e. government historical data. purchase history data provided from the contractor, sales data from the supplier, Request for Quotes (RFQ) from competitors, pricing techniques in FAR Subpart 15.4, tools that provide access to real-time quotes, esindices. forecasted calation annual growth rates for specific industries, and regression analysis). Additionally, many software tools, online tools, Government databases and resources are available to us which all play a role in helping the CIG establish a wealth of data points. Each of these tools help us to and build a substantiated recommended price for the contracting officer to use in negotiations. Every case is different and contains different data points available for evaluation. It is also important to note that market research is an iterative process and should be performed early and often during the acquisition life-cycle.

What challenges do you see, and what can be done to help expedite the process once it reaches the CIG for review?

Boccutto: It is important to understand that in many instances, we are being introduced to the procurement for the first time; therefore, we have to rely on our buying activity and contractor to provide critical information they have in order for the CIG to make a comprehensive recommendation. It is essential to develop a good working relationship with industry. Most importantly, our industry counterparts play a critical role in providing actionable and supportable data that will allow us to effectively analyze the proposal.

In my experience, the following statements provide a few examples of systemic challenges the CIG experiences during proposal reviews ultimately delaying or preventing the CIG from performing a thorough analysis:

- Offeror did not perform independent market research to identify similar items when performing price analysis on a subcontractor's product(s)/ service(s)
- Offeror did not identify the technical differences tween the proposed product/ service and the commercial similar-to products/services, and any terms and conditions or drivers that may affect the price
- Difficulty obtaining un-redacted invoices to support commercial similar-to sales and government sales, and where possible in similar quantities with similar terms and conditions
- Difficulty obtaining sales data containing a sufficient number of transactions representing the full range of relevant sales to both Government and commercial customers. Ideally, the data would also include key information, such as: date, quantity sold, part number,

- national stock number (NSN). nomenclature. price, and identification of the end user/customer
- Additional considerations include warranties, related agreements, key product technical specifications. agreements, maintenance production vs. spare procurements, and preferred customer rewards

Additionally, I have benefited from scheduling a proposal walk through to ensure both the Government and contractor have the same understanding of what is proposed, and can discuss any requests for additional information at the onset of the review.

We are thankful for Antoinette participating in this interview and sharing her experiences when performing price analysis of proposed commercial products/ services. Hopefully this interview has provided a better understanding of DCMA's Commercial Item Group and our mission. Although pricing is only a part of our overall mission, our ability to do so in an expeditious fashion is pertinent to our ability to support the Department of Defense with streamlining the acquisition cycle, ultimately delivering quality products/services on time (or early) to the Warfighter.

ProPricer Champions*

ProPricer congratulates our 2019 and 2020 ProPricer Champions. The following list includes the champions who met the requirements over the last couple of years. We wanted to highlight and thank each and every one of them for helping advocate and promote best pricing practices within government contracting. Learn more about the ProPricer Champion and Advocate Program at www.propricer.com/customers.

2019

Phillip Heim BAE Systems

Kevin Cunningham Northrop Grumman

George Barbic Lockheed Martin Corporation

Kevin Gagnier SRC Inc.

Ruth Pauly General Dynamics Mission Systems

Dan GerelickArmorWorks EnterprisesBenjamin LindholmDepartment of Energy

Sheryl Mamerto General Atomics Aeronautical Systems, Inc.

Kai Chang Jet Propulsion Laboratory (JPL)

Brian Beauchamp L3Harris Technologies

Patricia Young Moog, Inc.

Heather Nakagawa Nammo Talley, Inc.

Michael Ferrin Northrop Grumman Innovation Systems

Cory Miller Southwest Research Institute

Patrick Hempsey ViaSat

2020

Cynthia Austin Northrop Grumman

Leslie Flugum Lockheed Martin Corporation

Nancy Iwasaka Stanford Linear Accelerator Center (SLAC)

Bruce Canwell
Heather Neiger
Rockwell Collins
Tony Sablan
Bechtel Group, Inc.
Simone Montemorra
Signature Science, LLC

Judy Paleski Pratt Whitney

Hagen McHenry Peraton

Holly SenneL3Harris TechnologiesSusan BrennanThe Boeing CompanyLee AmlickeJacobs Engineering Group

Michael Shultz Leidos

Matt Albrecht United Launch Alliance (ULA)



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UNPACKING THE 2021 NDAA

Just months into 2021, defense contractors are no doubt tracking the economic and policy implications of the <u>National Defense Authorization Act</u> (NDAA)¹. At over 1000 pages long, Congress's more than \$700 billion annual defense policy bill is packed full of provisions that defense contractors should be aware of

 Other Transaction Authorities (OTAs) Growing in Popularity

Since 2015, OTAs have gain significant popularity due to the flexibility they allow. OTAs don't normally have the typical competitive requirements or federal regulatory oversight that other government contracting proposals do. Now, the NDAA has widened its scope to require the Department of Defense (DoD) to implement a public portal to track and gain insight into these OTAs due to their lack of

regulatory requirements.

 Employee Based Size Standards

For manufacturers and supply providers, the period of measurement for employee based size standards has increased. Previously, it has been based on the number of employees a company had during the preceding 12 months of a performance period. Now, it is 24 months.

 Software Development and Acquisition

Software development and acquisition is a hot topic within the federal government and an important mandate noted within the NDAA (see 2021 Technology Investments). First though, the DoD will need to develop regulations and strict security protocols that will govern and ultimately lead software development and acquisition processes.

 Closing the Self-Certification Process

Due to fraud and abuse in the area of business certification, the NDAA has recognized the Small Business Administration (SBA) as the most qualified administration to give oversight into business certification processes. The plan is to consolidate business certification systems into one. This transition will take roughly two years to go into effect. Once in effect, a loophole that allows



Service-Disabled Verteran-Owned Small Businesses (SDVOSBs) to self-certify will be closed.



WHAT FEDERAL CONTRACTORS SHOULD KNOW ABOUT BIDEN'S COVID **RESPONSE**

The Biden administration has been quick to release a national strategy to deal with COVID-19. Included in that plan is a call for continued and escalated use of the Defense Production Act (DPA). The DPA, which dates back to the 1950's, gives the government the authority to expedite and expand the supply of



materials and services from U.S. industrial bases to promote national defense and security².

Read more about the increased usage of the DPA under Biden.

So, what does this mean for contractors? It means the coronavirus pandemic is likely to agencies' dominate federal contract spending in 2021, according to a recent Bloomberg Government (BGOV) report⁴.

If spending in fiscal year 2020 provides any indication of what to expect in 2021, contract spending in other agencies, such as the Department of Health and Human Services, the Department of Veteran Affairs, and the Department of Energy is likely to increase significantly due to COVID-193.

"Continued efforts to combat the COVID-19 pandemic are likely to drive increases in agency contract spending throughout fiscal 2021," the report said, "while much of the current spending is related to vaccine development, fiscal 2021 could play out as a transition to production and deployment activities resulting from a potential vaccine. In addition, legislators are considering future economic stimulus spending that could replenish disbursement to select agencies such as the Small Business Administration."

If the new administration focuses on using DPA powers, contractors will need to be prepared for more rushed projects. In a recent interview with Federal News Network, Jerry McGinn, Executive Director of the Center for Government Contracting at George Mason University said that he expects more projects coming out of the Biden administration to be focused on the vaccine, especially when it comes to rushing contracts. He added that if the government for some reason feels that vaccine production is not meeting the needs of the nation then the DPA may be used as a tool to push the private sector⁵.

2021 TECHNOLOGY INVESTMENTS

Besides the pandemic. another major trend Bloomberg Government predicted in their December 2020 report is an increase in agency spending on artificial intelligence (AI) initiatives in fiscal year 2021. IT investments have proven to not only be an operational necessity for government agencies but have opened the doors to modernize IT infrastructure. The pandemic shined a spotlight on the weaknesses and vulnerabilities of the legacy systems still in place throughout the U.S. government.

computing capacity, and AI tools together will expedite digital transformations across the government and enable agencies to move from reactive to proactive service delivery.

Though the budget is there, contractors and agencies need to be mindful of the importance of complying with the Cybersecurity Maturity Model Certification (CMMC).

"Let's be clear, if you are a government contractor, and want to sell to the Department of Defense, even as a subcontractor, then you have to have your CMMC down," said Larry

Those are rules that are going to go above and beyond things like CMMC and Section 889," Allen said.

DOD AMENDS DFARS

The DoD issued a final rule on Covered Telecommunications Equipment or Services that implements Section 1656 of the National Defense Authorization Act for fiscal year 2018 (Pub. L. 115-91). (7)



GSA's Al Center Excellence and the Pentagon's Joint Al Center are aimed at speeding the adoption of AI technologies by civilian and defense respectively, agencies, while the departments of Energy and Veterans Affairs have opened Al research offices. Meanwhile, federal contract spending on AI is on pace to grow by almost 50%, according to BGOV projections, reaching \$3 billion in fiscal 2021," the report said (4)

IT modernization efforts seem to be focusing on enabling high availability, high quality, and accessible data. Bringing this data, Allen, president of Allen Federal Business Partners, on a recent episode of the Amtower Off Center podcast (6).

Sometimes there are exclusions to this, however, most businesses are only protecting themselves more by getting a certain level of security documented for their business.

"Government contracting is cyclical. We're in a cycle right now where I think government contractors can expect to see more rules and regulations...we talked about some of the new rules that the Biden administration is going to likely place on contractors.

The regulations under the rule prohibit the DoD from buying any equipment, system, or service that uses certain Chinese or Russian telecommunications equipment or services in connection with the DoD's nuclear deterrence and homeland





defense missions.

According to the DoD, this will increase the security of systems and critical technology with the broader, government-wide implementation of Section 889(a)(1) (A) (Section 889 Part A) of the fiscal year 2019 National Defense Authorization Act in the Federal Acquisition Regulation.

The final rule makes the following two changes to the interim rule— Defense Federal Acquisition Regulation (DFARS) Case 2018-D022-that was published Dec. 31, 2019:

- 1. Amends DFARS 252.204-Prohibition on the 7018. Acquisition of Covered Defense Telecommunications Equipment or Services, by extending the reporting period for discovery of covered defense telecommunications or equipment, from one business day to three business days.
- 2. Extends the reporting period for the submission of information about mitigating actions, from 10 business days to 30 business days.

The final rule also provides guidance through discussion and analysis of public comment. The rule affirms that the government may rely upon an annual representation "if a negative representation is provided in lieu of an offer-by-offer representation." It also explains that prime contractors and higher-tier subcontractors who are subject to the mandatory flow-down requirements under **DFARS** 252.204-7018(e) may incur risk of violation for a failure to report lower-tier notifications. The language states that "if the higher tier subcontractor or prime contractor does not report lower tier notifications of the discovery of covered defense telecommunications equipment or services, the higher tier subcontractor and prime contractor are at risk of being in violation of the prohibition."

REFERENCES:

Congressional Report

Defense **Production Act**

Fiscal 2020 Civilian Contracting Hits Record

Fiscal 2021 Government Contracting Playbook

Federal Response to Covid

The Top GovCon Issues in 2021

Covered Defense Telecommunications Equipment or Services

We Hope You Take Part in All We Have to Offer

AS OUR TEAM RELEASES OUR FIRST PUBLICATION, PRICING MAGAZINE, WE HOPE OUR READERS JOIN US ON OUR PATH TO ENGAGE AND TRANSFORM THE GOVERNMENT CONTRACTING PRICING LANDSCAPE.

Dear Reader,

I hope you have enjoyed this inaugural issue of Pricing Magazine (PM). This publication has been something our team has talked about and wanted to do for quite some time. I am so excited that we are finally releasing it and even more excited to hear feedback on its insights.

To all our article contributors and partners who have helped us put this magazine together, a huge thank you. Our whole team feels so honored that we have been able to learn and work with some extremely talented individuals in the government contracting sector. Your work has blown us away, and we look forward to future articles and projects with you all.

We also want to give a special thanks to our readers. We hope you continue to grow with us as we work together to make our Pricing Magazine a valuable tool and information source for you, your coworkers, and your fellow pricing community.

Finally, our team has already begun to look at long-term goals. We want to always make sure we reflect the GovCon pricing community. Our goal is to continue to meet the interests and desires for future services and information that will expand and develop professional growth and support the many changing phases of pricing and acquisition.

This year, I hope our publication keeps you informed about everything our team has to offer to the GovCon community – the Government Contract Pricing Summit, monthly GovCon specific webinar series, and much more.



Holly DeHesa

Vice President of Marketing



hdehesa@propricer.com



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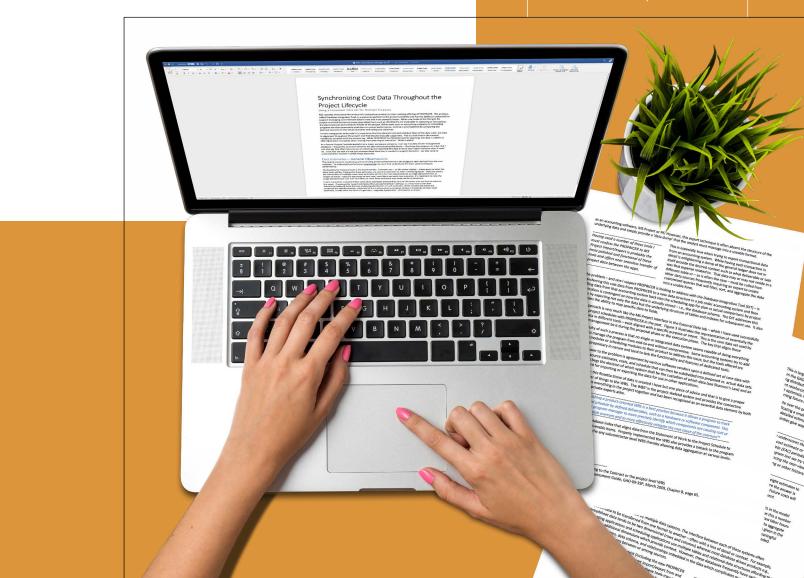
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- May, 2021
- August, 2021
- November, 2021





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