



PRICING

FOR CONTRACT AND GOVERNMENT PROFESSIONALS

June 1, 2021

The Players and Layers Methodology

by Judy Bradt

The Art of Market Research

by Jeff White

Innovation for Small Business

by Scott Maucione

Promoting a Culture of Risk Taking

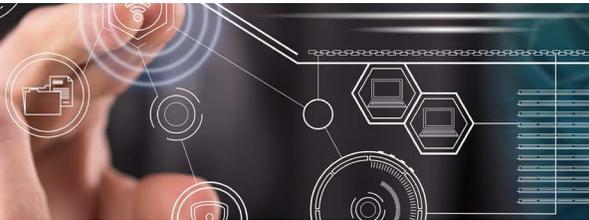
by Kirk Donnan

Insights by the Government Contract Pricing Summit

by GCP Summit Team

Innovation Edition

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Listen. Read. Engage.

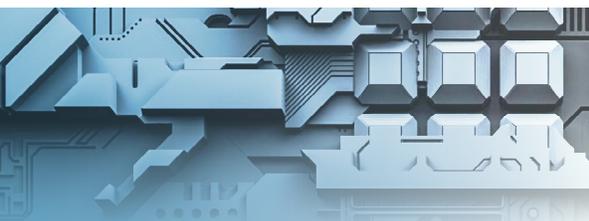
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Dear readers,

The topic of *innovation* is a popular buzz word that is used in many different disciplines these days. It seems like everywhere you turn, someone is touting an innovative idea, concept, or approach. Sometimes, for various reasons, these ideas run out of steam before they ever see the light of day. But obviously, without innovative thought and the courage to see those ideas through to fruition, we could take the word progress out of our vocabulary.

In some arenas, the need for constant innovation comes with the territory. Fields like science, medicine, and high technology come to mind. I'd like to make the case that every discipline requires some level of innovation or else it will eventually become extinct or overtaken by someone not afraid to look outside that proverbial box.

One area that isn't typically thought of as being particularly innovative is government contract pricing. After all, what could possibly need to be improved upon within such an inert discipline as contract pricing? As it turns out, plenty.

The government contract acquisition process—and in particular contract pricing and its components—has long been looked at as a monolithic monster that is so regulated and sluggish, that any thought of innovation in this area is often dismissed as being pie-in-the-sky dreaming. I'm here to tell you that's changing!

The innovative thoughts and insights from contributors to Pricing Magazine is one example of the status quo taking a back seat. It's no longer acceptable form to just look at what's always been and assume it is what always will be.

Another force pushing against the status quo is the annual, up-and-coming industry conference called the Government Contract Pricing Summit (GCP Summit). Now in its sixth year, the GCP Summit's primary purpose is to bring together those in the contract pricing community—from both government and industry—to discuss innovative ideas and solutions. But the GCP Summit's long-term objective goes beyond a few days of conversation and breakout sessions. It exists to be the conduit for far-reaching, innovative transformation to long-standing, inefficient policies and procedures within government contract pricing.

Some of the speakers and presenters at the GCP Summit are in the highest positions in both government and industry, so attendees hear from those who can make innovative ideas and concepts a reality. Those in the growing GCP Summit community are the ones that not only witness first-hand these discussions, but will directly benefit from them as they are implemented on both sides of the acquisition process.

Some of those involved in this unique community of innovators are also contributors to Pricing Magazine. As subscribers to Pricing Magazine, you've taken the first step in becoming part of the solution to this exciting new community of contract pricing innovators. I encourage you to take another step toward being involved in this innovative process by participating in the GCP Summit as either readers or attending the annual event. Learn from best and take your career to a new level by being involved in this exciting new community!

All the best,

Ken Silver, VP Corporate Communications
Executive Business Services Inc., makers of ProPricer

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The Pricing Hour:

Insights from
GovCon Experts

JUNE

Communication Between the Technical and Pricing Teams

*Karla Williams,
GovCon Academy*

WEDNESDAY, JUNE 23RD, 2021
11 AM PT / 2 PM ET

AUGUST

In the Eye of Scrutiny: Meeting and Exceeding the Government's Subcontract Cost and Price Analysis Expectations

*Jeff Shapiro, Jeff Witt & Lori Allen,
CohnReznick*

WEDNESDAY, AUGUST 25TH, 2021
11 AM PT / 2 PM ET

PROMOTING A CULTURE OF RISK TAKING



by Kirk Donnan

The Department of Homeland Security (DHS) Procurement Innovation Lab (PIL) is an entity grounded in risk. But intelligent risk. Risk with boundaries, if you will.

Team members, who are usually former Contracting Officers, consistently ask one another: “Can you envision truly getting more out this innovative technique than what could be the quantified waste if you failed?” The answer is more often than not, “yes.”

But as we’ll see, failure can also be a huge part of success.

Relatively new within the DHS, the Innovation Lab seeks to inject a spirit of creativity into the Homeland Security’s procurement processes, both on the Agency and Industry sides.

(No small feat in a division known for a highly conservative, regimented approach to protecting our nation’s well-being.)

In this report, we’ll:

- Discuss the inception, makeup, and mission of the PIL
- Look at an Agency’s role in leveraging the PIL as an “innovation consultant”
- Study some of the most creative procurement techniques at play today
- Know why the Lab enjoys such a stunning success rate
- Look at the PIL’s culture of transparency—that also benefits contractors
- See why the PIL is becoming the model for all government procurement.

SETTING A MISSION OF CALCULATED DISCOVERY FOR DHS AGENCIES

As do most Government Agencies, DHS Agencies tend to consistently bend towards fulfilling compliance requirements—first and foremost—during its various proposal processes.

“When I came into this position back in 2015, I was very familiar with the criticisms Agencies often hear when we decide to innovate,” says Soraya Correa, DHS Principal and Director of the Procurement Innovation. “I’d been a Contracting Officer throughout my career.”

But Correa is determined to promote a culture of risk-taking in the DHS, both then and now. She wants to bring out



think differently and more expansively. From those early days, the lab has grown to a staff of hundreds. Staff members meet continuously with procurement teams, typically made up of a Contracting Officer, a program official, and an attorney, to rally their efforts and offer progressive thinking or to inspire unique takes on standard approaches, depending on the nature of a procurement.

The objective? To understand a procurement action inside and out, then work with the Agency team to realize its goal in the most effective and efficient way possible.

THE CHALLENGE: SHIFTING A TIME-HONORED LEGACY TIDE

Can you actually use the words “acquisition” and “innovation” in the same sentence? It sounds like a melodramatic question, but during early days Correa and her people had to be careful of even how they would language their efforts.

“You also didn’t used to hear a word like ‘failure’ coming from anyone in an Agency,” says Correa. “I couldn’t see why. It’s simply a situation where you try a procurement approach and it doesn’t work. So you try another. This is the only way to truly innovate.”

Embracing the concept that the Lab had to be willing to fail in order to succeed didn’t come naturally to the people who worked with Correa. But they’ve since acclimated. “I’ve always been willing to work with my programs to find new ways to do something, but this isn’t always a natural inclination in government,” Correa admits.

“Yes, sometimes we or people we’re coaching fail and there are ramifications. But we encourage leadership support around this at the highest levels.” It’s the only way to a new, better path forward.

In promoting a culture of innovation, there must be top-level backing. And that means someone like Correa has to

stand up and say to her team, “We’re going to do this. And if you succeed, you’re going get all the credit. And if you fail, it’s on me. I’ll take responsibility for that.”

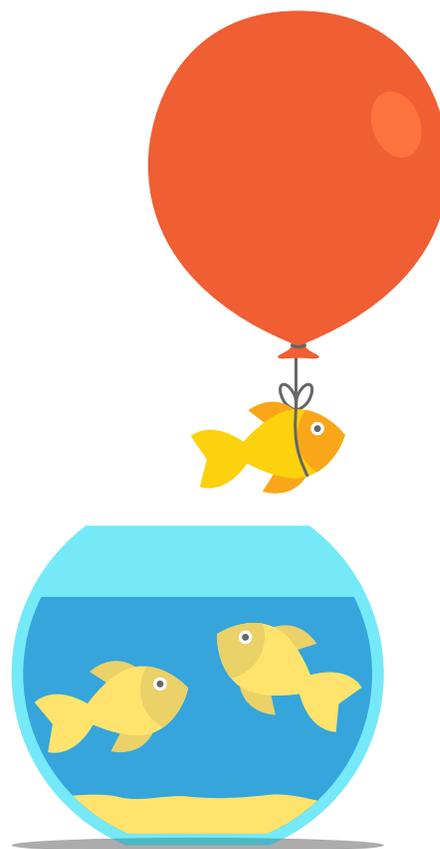
It’s an important management message to send to a staff. Yet one of Correa’s additional challenges was persuading colleagues that her support and that from other leaders is, in fact, real.

Seventy-six percent of her workforce claimed that fear and cultural resistance were the biggest reasons why they weren’t initially more innovative in their procurement methods. Why they weren’t willing to challenge the status quo.

the best thinking of all members of a procurement team. “DHS deserves that, so it can find and foster ways to do things better, faster, and more efficiently.” All to create better procurement outcomes.

“I stood up the Procurement Innovation Lab to show my support for fostering procurement innovation,” continues Correa “where smart risk-taking enables the DHS’s mission.” “Smart” is the operative word here.

Let’s be clear: The Lab itself isn’t designed to do procurement; it acts in an advisory capacity to DHS Agencies. It started out as one person, Correa, who worked to encourage those who actually execute procurement. She launched the practice of coaching DHS procurement pros on how to



“We are in a fishbowl,” continues Correa. “When you work for the federal government, your procurements are constantly under scrutiny by a multitude of stakeholders. Not to mention our own internal oversight.”

The risk of negative, non-constructive feedback. The fear of losing protests. The dread of reading that article in the press that claims an award didn't go to the best offeror. These are a few obstacles to approaching procurement coaching with the creativity that Correa now requires of her training staff. Creativity for which she's prepared to take the fall if things go sideways.

On the flipside, the Lab also helps Agency buyers understand that there's nothing wrong if they're adamant about not trying something new during a proposal process—innovation can't really be forced. The opportunity for it is either organically visible in a procurement situation, or it's not. But Lab members see it as their job to differentiate between these scenarios early in an acquisition.

INNOVATION MUST STILL FALL WITHIN FAR GUIDELINES

Once tested, all procurement techniques have to fall within the four corners of the FAR. True to how a government segment has to operate, the Lab doesn't encourage an Agency procurement team to change any rules, nor any regulations.

"We're using the flexibilities within the FAR to our advantage," muses Correa. "What we're sometimes doing is interpreting the FAR in new ways."

"We're making sure that we understand what the FAR is telling us, what case law tells us, and then we're often putting—let's call it a 'hybrid interpretation'—into practice."

CONTRACTOR FEEDBACK HELPS SHAPE FUTURE RFPS AND PROPOSALS

The Lab solicits constant feedback from its internal, Agency, and Contracting audiences. Here are some examples of feedback from offerors:

On the oral presentation technique. Vendors like it because "it puts us in front of the government." Contractors

are all about having that face time. They prefer to directly engage in dialogue with government officials, as these conversations help level-set competition. And it makes Contractors more likely to pursue an opportunity if it's a good fit.

On learning early if candidates are viable enough to compete. Frankly, Lab processes allow candidates to learn early if they are competitive enough to continue pursuing an opportunity.

If they're not, the process conserves their proposal resources for pre-solicitation phases on other contracts.



"Many Contractors have actually thanked us," realizes Correa, "as making a quick decision pre-contract allows them to either double-down on the current proposal's focus, or course-correct and move to other procurements that are coming up."

Correa continues: "They appreciate not having to spend money that wouldn't have an ROI. It also gives them better opportunity to plan."

On submitting YouTube videos. This technique is one that Contractors have a hard time with. Many want to submit high-production-value videos, with scripted voiceovers, elaborate B-roll film setups, and sophisticated graphics. "We want nothing of the sort," admits Correa. "We prefer to

see someone walking around their workspace, talking to their iPhone as it films. We want to see how and where they work, the other people in the background of their environment, and how they act every day. These kinds of things tell us a lot more about a candidate than a slick, rehearsed production."

EVERY PIL PROJECT HAS BEEN PROFITABLE IN TERMS OF CONDENSING TIMEFRAMES

It's not an exaggeration. Generally, what the PIL recommends to Agencies is able to save huge chunks of time, which translates to budget.

With the Lab's involvement, the Evaluation Phase of a Contract goes much faster. And condensing that evaluation time is crucial for Lab evaluators. Says Correa: "The longer the timeframe my program officials have to sit in a room evaluating a proposal, for consecutive proposals, the more likely we could lose them."

Of course she wants to keep talented people in order to create a cohesive, consistent team. And when her staff isn't spending a lot of time reading superfluous material, they're more focused and alert, and tend to work more efficiently, condensing the Lab's timeframes, as well.

PIL PROJECTS CONSERVE AGENCY FUNDS, BUT NOT IN THE WAY YOU MIGHT THINK

Obviously, Agency officials are very focused on the best response to their current requirement; they're always on the lookout for the proposal that's going to give them the ideal solution.

And as mentioned, with the Lab's help, officials often receive three or more ideal proposals. Choosing any one of them will result in a successful transaction.

Competition will always give Agencies a low-price leader. But more and more, immediate cost savings isn't

what Agencies are looking for. They're looking for the right solution at a reasonable price that will help them achieve success on the final deliverable.

Reflects Correa: "What I mean by cost savings here is the opportunity value. No one measures the administrative cost incurred by the teams of people that are working a proposal. A successful win in a condensed amount of time helps absorb this cost, creating incremental Agency savings from contract to contract."

THE LAB RECOMMENDS SOME OF THE LATEST IN TECH

The Lab is also focused on recommending technology for its client Agencies. Another question Lab people pose to themselves nearly each day is: Are we helping our program colleagues use technology wisely?

"One of the big tech initiatives we have going through the Procurement Lab," continues Correa, "involves working in partnership with the Office of Federal Procurement Policy and other federal agencies to improve our contractor past-performance assessment reporting system."

This system is where the government stores past-performance data about its contractors. The Lab is conducting a study using commercial vendors to develop a solution that leverages Artificial Intelligence (AI) to better extract data from reports in the system. The goal is to make it easier for Contracting Officers to search the support system and extract past-performance data to use as part of their candidate evaluations for current contracts.

"It's a fantastic program," says Correa. "I'm excited because in the past it's been very difficult for Contracting Officers to get helpful data on Contractors, that would enable analysis of candidate past-performance to inform projects we're working on now."

When the Lab flipped to a totally virtual environment as the pandemic

hit in 2020, it had just launched an electronic contract filing system. This system feeds information into an entire Agency, makes it easier to answer FAR requests, and instantly transfers files when Agency evaluators are ready to conduct candidate reviews.

THE LAB AS MODEL FOR ALL GOVERNMENT ACQUISITION MOTIONS

"The Lab is already the model for other government sectors. I've been working with federal Agencies who may want to stand up a similar program," says Correa. Not bad for a government initiative that's only been around for six years.

"We've tried to be as transparent as possible with what we're doing, and to share what we learn, not just across the DHS, but with other federal agencies. It's because I believe in good government," states Correa.

Correa sits on the Chief Acquisition Officers Council as one of the senior procurement executives in government, and also works with the Office of Federal Procurement Policy. She consistently shares the Innovation Lab concept with other Agencies. As a result, the Lab consults with Agencies outside the DHS on their in-motion projects.

The Lab helps to develop people—called Acquisition Innovation Advocates—within those Agencies, to assist their colleagues in creating, identifying, and using innovative techniques.

There's more: The Lab teaches PIL Bootcamps, which used to be one-day training sessions, that are now held online. Each is a 4-hour virtual event, where the PIL trains new recruits and also people from other Agencies.

"We use these Boot Camps as inhouse trainings, but also to train people from other Agencies on how to be innovative around pricing and procurement."

This year, the Lab kicked off an

Innovation Coaches Training Program "because we believe our coaches can teach others in various Agencies how to be excellent procurement professionals," says Correa. "These de-facto Coaches can then regularly mentor their colleagues."

THE LAB AS MODEL FOR INDUSTRY CONTRACTORS

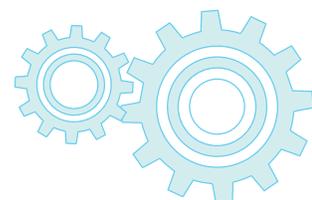
"We teach Industry our innovative techniques, because I think it's important for Contracting companies to understand what we're doing, how we're doing it, and why we're doing it," says Correa.

The thinking here is that Industry can give the Labs insight on how Agencies can write better solicitations, improve on requirements, and even better assess proposals. "Much of what we buy in government, Industry buys from itself," concludes Correa. "Since Contractors buy from one another, they can teach us additional tricks of the trade."

PROCUREMENT INNOVATION CAN BE EVERYWHERE

The PIL is all about sharing its wealth of knowledge. "How can we put our innovation processes into every procurement environment, so that all are coming up with the best solutions in the most expedient manner?" Adds Correa: "We're all here to serve our mission, but it's not just about the DHS. It's about, eventually, making sure procurement is done right throughout the government."

Read more from Soraya Correa; learn what it takes to become a successful Innovation Coach, and see how Coaching influences DHS Agencies and others. [Access here.](#)



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Janice Muskopf

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- Understanding the DCMA Defective Pricing Pilot Team
- Let's Talk: Pricing & Compliance from the Deckplate
- Federal Executive Perspectives: The Future of Contract Pricing
- Industry Executive Perspectives: Pricing Challenges & Insights from Defense Industry Leaders
- Fireside Chat: Innovations and Trends in Pricing and Acquisition Solutions

Day 3:

Government contract pricing workshops, including:

- Bottoms-Up Estimating (3-part series)
- 'Think Tank' - Audit & Compliance
- Components of an Effective Pricing Strategy
- Understanding Cost and Price Proposals
- 'Think Tank' - Artificial Intelligence and the Future of Acquisition & Pricing
- 'Think Tank' - NASA's Initiative for Advanced Pricing Strategies & Training
- Successful Management of the Cost Volume and Schedule
- 'Think Tank' - Professional Development: Key Ideas for Contract Management Professionals

* A total of 18 CLPs is recommended for those who attend the 2021 GCP Summit and access all session recordings.

Contract pricing professionals get



Published at FNN on April 29, 2021

RARE OPPORTUNITY

for collaboration at GCP Summit

IT'S BEEN SAID THAT BRINGING TOGETHER GOVERNMENT AND INDUSTRY TO TALK ABOUT IMPROVING THE ACQUISITION PROCESS IS FUTILE. BUT THAT HASN'T STOPPED PROPRICER FROM HOSTING ITS GOVERNMENT CONTRACT PRICING SUMMIT (GCP SUMMIT) THE PAST FIVE YEARS. AND IT HASN'T STOPPED GOVERNMENT AND INDUSTRY ATTENDEES FROM SHAPING THE FUTURE OF GOVERNMENT CONTRACT PRICING TOGETHER, THROUGH THEIR PARTICIPATION IN THE EVENT.



The GCP Summit evolved from ProPricer's annual user conference, originally designed for customers of its contractor proposal pricing software. After ProPricer released its Government Edition for proposal analysis, it became apparent that it was time to expand the conference. So in 2016, ProPricer opened the event to anyone who worked in government contracting, whether in the public or private sector, and renamed it the Government Contract Pricing Summit.

"Once we had a product for both sides of the acquisition process, we thought the conference should be designed to support the entire government contract pricing community – and not just ProPricer users," said Ken Silver, vice president of corporate communications at ProPricer. "What ProPricer has done from a technology and process standpoint, the GCP Summit is doing by bringing contract pricing professionals together to discuss and collaborate on current initiatives and issues that are impacting the pricing community. So it's a perfect fit for ProPricer to host such an event. And we're seeing attendance grow each year."

ProPricer allows contractors to submit their cost proposal in a format that gives agencies the ability to instantly view the contractor's cost and pricing data — exactly as it was submitted — with the contractor's fully-functional cost model intact and ready to use in their own analysis. That means agencies no longer have to recreate entire proposals to analyze them. They don't have to go through multiple Excel files, double check formulas, and hunt for inaccurate numbers.

The government contracting professionals who use ProPricer are a tight-knit community. But opportunities for those in the public sector to rub elbows with those from industry are few and far between. That means chances to collaborate, discuss common challenges, and propose solutions are rare. That's what makes the GCP Summit so unique.

"Bringing industry and government together to discuss the current state of the contract pricing industry, from numerous perspectives, I'd say is at the heart of why the GCP Summit exists," Silver said. "The conference offers government and industry attendees the opportunity to meet with their leaders, peers and partners on both sides. That just doesn't exist at any other event — especially at this scale. In addition, attendees have opportunities to share ideas, best practices and initiatives that can help shape the future of contract pricing."

That happens through both plenary and breakout sessions, where attendees have the opportunity to get specific questions answered. Most return from the conference with lessons learned and best practices that can not only benefit their organizations, but potentially fast track their careers as well.

Contract pricing and acquisition professionals at any level are welcome at the Summit, from pricing and contracts executives to cost/price analysts to technical evaluators and estimators. And it's the only large conference that offers content specific to these types of positions. The GCP Summit does not do Government Contracting 101. Everything is focused specifically on contract pricing and federal contract pricing compliance.

"Let me give you an idea of the types of sessions we will be having in 2021," Silver said. "Our government keynote interview is with John Tenaglia, the principal director for Defense pricing and contracting at the Defense Department. We're having a federal executive panel that will discuss the future of contract pricing. There will be an industry keynote interview as well, with our 2021 Service Recognition Award winner Denyce Carter, vice president, contracts & purchasing at General Atomics. And then we'll have a pricing and compliance panel discussion with reps from both government and industry. DCMA and DCAA will be participating in multiple sessions. That's just to name a few."

And that's on top of a full day of workshops and think tank sessions, where attendee participation will be solicited. Each session will feature a Q&A portion, so attendees can get their questions answered by experts in the field. Networking opportunities are also built into the format.

The 2021 Government Contract Pricing Summit will occur virtually over three four-hour days this year, though Silver said ProPricer plans to go back to an in-person format in 2022.

This kind of opportunity, that allows professionals from both government and industry to come together at a grassroots level and affect policies, procedures and processes across an entire field, is rare at best. And it also allows contract pricing professionals to shake off that workstation tunnel vision and expand their perspectives beyond their own four walls.

"This is at the heart of what we're trying to do with the conference: That attendees can see firsthand that it is possible to discuss and collaborate with peers and reps from the other side, so to speak," Silver said. "By coming together for the common goal of improving the acquisition process, each side may have a different perspective. But innovative thinking with those willing to get things done is a great way to see lasting improvements."

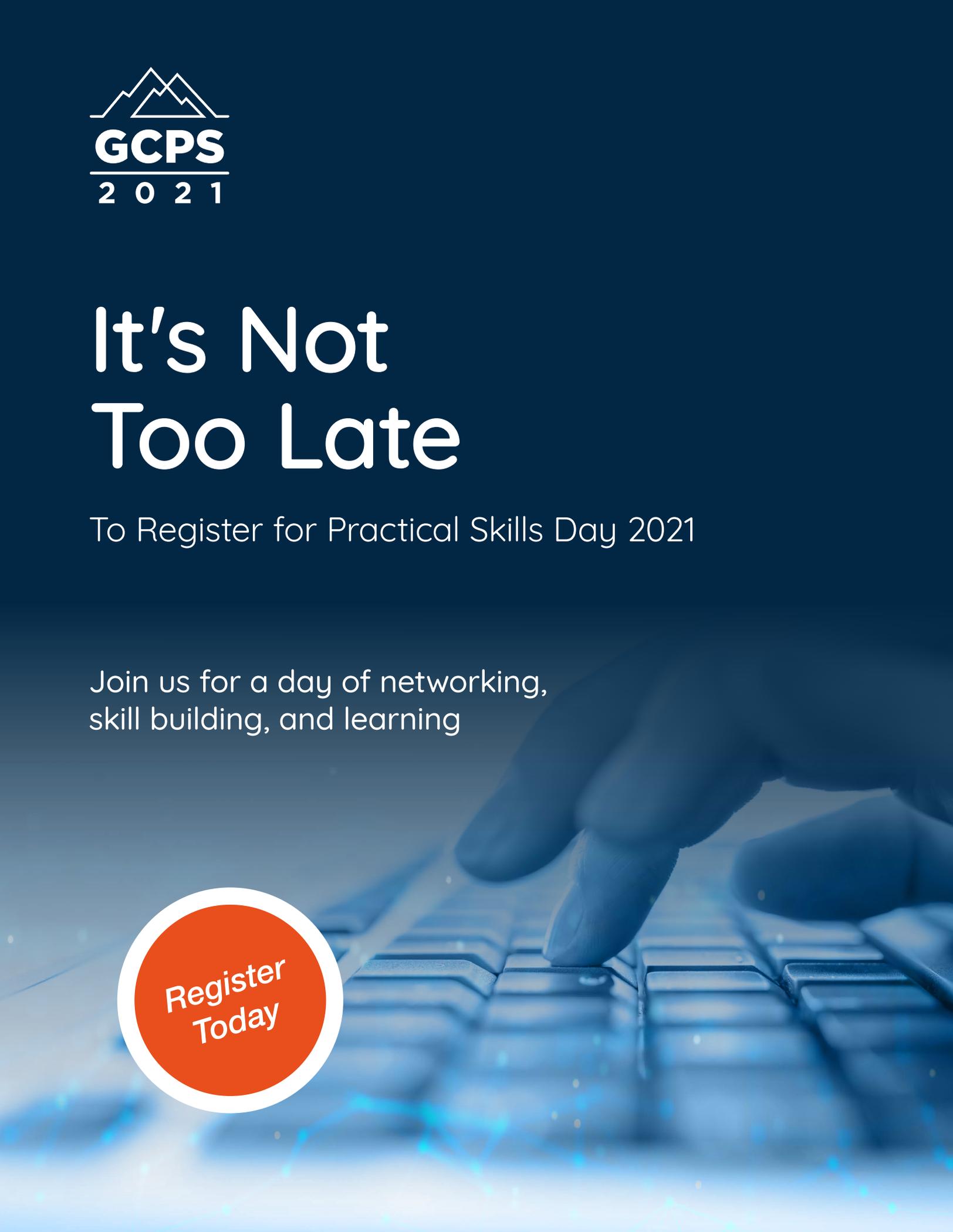




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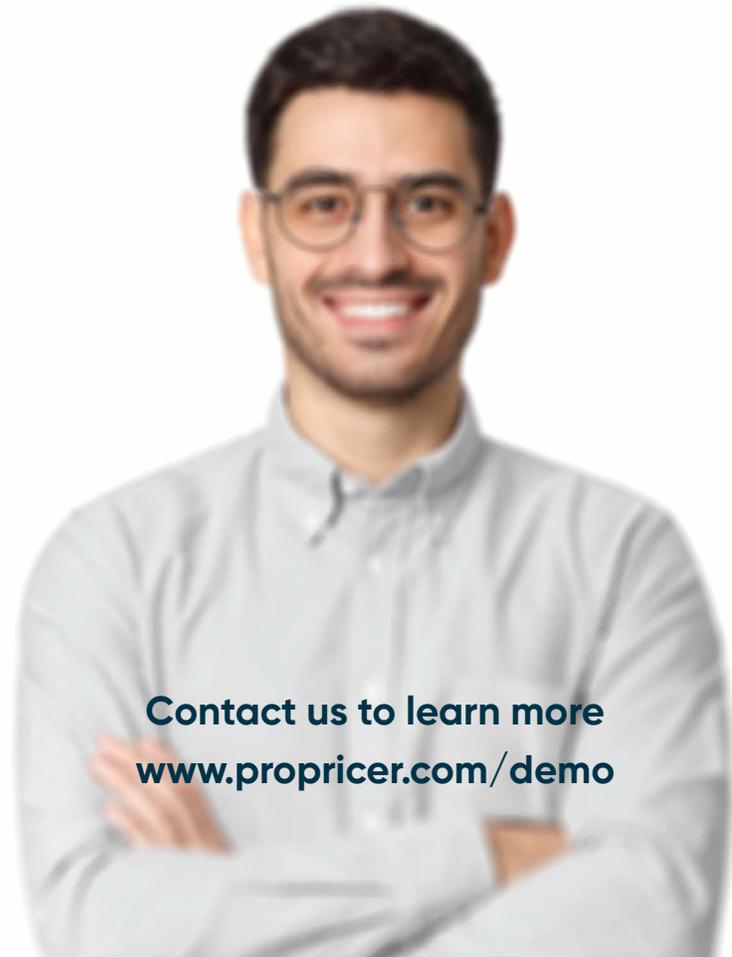
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INNOVATION

FOR SMALL

BUSINESSES



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*Digital and Radio Reporter,
FederalNewsNetwork.com*



Michael Weaver

*Director of Operations,
ProPricer*

The Defense Department is awarding more and more contracts to small businesses and companies that usually don't do business with the Pentagon.

In fact, the military is going out of its way to reach out to nontraditional businesses in order to amp up the amount of innovative technologies and ideas it can bring in.

Whether a company has been working with DoD for years, or is on its first contract, sending the right proposal with the right price to the Pentagon is crucial for an award.

Finding the right price to pitch to DoD can be a challenge though.

"What helps is having really good

coordination between the estimating and pricing teams, a lot of times that they're at odds with each other," said Michael Weaver, director of operations at ProPricer, during the discussion "Bringing Small Business into the Defense World," sponsored by ProPricer.

"A step above that, or beyond that, I think it's really important to understand how your rates work," Weaver said. "A lot of times, especially in the small business world, we've had customers that have come in and said, 'What should I use for an overhead rate?' That's not really something that anybody can tell you other than the people that you have working in your finance group. As you start hitting that threshold, where you have to start

disclosing those numbers, and you get audited, you want to make sure that you're not being kicked back, or that you're not getting any challenges put against you because you can't justify your overhead rate."

The main thing a company needs in navigating the complex process of government contracting is an awareness of itself.

Weaver said businesses want to make sure there aren't any hidden costs and to be upfront with government agencies. He said the best way to build a relationship and collaborative environment is to be honest and open with DoD.

Luckily, for small business, DoD has

lowered some of the thresholds. Award vehicles like other transaction authorities (OTAs) and mid-tier acquisition make it easier for nontraditional companies to work with DoD without having to jump through the hoops of the Federal Acquisition Regulations (FAR) and the Defense Federal Acquisition Regulations.

“With OTAs proposals can be awarded in under a month, you’re lessening a lot of the bureaucracy that takes place during the proposal, award process, and even the audit,” Weaver said. “From the small business perspective, even if you’re going through those OTAs, where you don’t have to be FAR compliant, one of the ways we can really help is to create a standardized process.”

Weaver said companies should standardize processes to decrease formula errors, more making “fat finger” typos that will lead to future audits.

“Even with new acquisition methodologies like OTAs, the benefit of using a pricing software still makes a lot of sense, because you can hot swap pricers,” he said. “Then you don’t have to worry about what type of program they worked on before. All of the resources for your labor categories are predefined. Your rates are set up and reusable. You’ve got that one-to-many relationship that allows you to update your rates as they come in. We use them as many times as possible. It just makes it easier for companies to go in and knock proposals out faster.”



INNOVATION FOR ACQUISITION

A lot of times, especially in the small business world, we’ve had customers that have come in and said, ‘What should I use for an overhead rate?’ That’s not really something that anybody can tell you other than the people that you have working in your finance group. As you start hitting that threshold, where you have to start disclosing those numbers, and you get audited, you want to make sure that you’re not being kicked back, or that you’re not getting any challenges put against you because you can’t justify your overhead rate.

PRICING STRATEGIES

Even with new acquisition methodologies like OTAs, the benefit of using a pricing software still makes a lot of sense, because you can hot swap pricers,” he said. “Then you don’t have to worry about what type of program they worked on before. All of the resources for your labor categories are predefined. Your rates are set up and reusable. You’ve got that one-to-many relationship that allows you to update your rates as they come in. We use them as many times as possible. It just makes it easier for companies to go in and knock proposals out faster.

Industry

Events

- ➔ [Fair and Reasonable Pricing](#)
- ➔ [Federal Data Strategy Conference @930gov 2021](#)
- ➔ [Q2 Deltek + ComputerEase Customer Town Hall](#)
- ➔ [Data Innovation Forum](#)
- ➔ [FAR - "Less Complicated" A Practical Guide to the FAR](#)
- ➔ [Communication Between the Technical and Pricing Teams](#)
- ➔ [2021 DFAR Part 229: Taxes](#)
- ➔ [GSA Schedule: What's In It For You?](#)
- ➔ [Gov Con Q&A Cafe: Proposal Writing](#)
- ➔ [Federal Sales: Capturing and Winning Business](#)
- ➔ [2021 DFAR Part 231: Contract Cost Principles And Procedures](#)
- ➔ [Flowdowns: Are you "Flowing" FAR and DFARS Flowdown Virtual Training](#)
- ➔ [2021 DFAR Part 232: Contract Financing](#)
- ➔ [Subcontract Management, Teaming Agreements, and Flowdowns](#)
- ➔ [Gov Con Q&A Cafe: Compliance](#)
- ➔ [FedTalks 2021](#)
- ➔ [In the Eye of Scrutiny: Meeting and Exceeding the Government's Subcontract Cost and Price Analysis Expectations](#)



Wed, Jun 2, 2021 2pm ET

Thu, Jun 3, 2021 09:30am - 2:00pm ET

Tue, Jun 8, 2021 2:00pm - 3:00pm ET

Tue, Jun 15, 2021 9:00am ET

Tue-Wed, Jun 22-23, 2021 9:30am 4:30pm ET

Wed, Jun 23, 2021 2:00pm ET

Wed, Jul 7, 2021 12:00pm - 1:00pm ET

Thu, Jul 8, 2021 12:30pm - 2:30pm ET

Fri, Jul 9, 2021 12:00pm - 1:30pm ET

Tue, Jul 20, 2021 10:00am - 4:00pm ET

Wed, Jul 21, 2021 12:00pm - 1:00pm ET

Thu, Jul 22, 2021 12:00pm - 4:00pm ET

Wed, Jul 28, 2021 12:00pm - 1:00pm ET

Thu, Aug 5, 2021 10:00am - 4:30pm ET

Fri, Aug 13, 2021 12:00pm - 1:30pm ET

Tue-Wed, Aug 24-25, 2021 10:00am - 12:00pm ET

Wed, Aug 25, 2021 2:00pm ET

3

PRICING GHOSTS

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.

Competitors Can Use to Unseat the Incumbent Prime Contractor

AN INCUMBENT'S FAMILIARITY WITH THE CUSTOMER'S ORGANIZATION, PROCESSES, AND MISSION REQUIREMENTS APPEARS TO CREATE AN INSURMOUNTABLE COMPETITIVE ADVANTAGE. LOOK OUT! HERE ARE THREE PRICING GHOSTS USURPERS COULD USE TO UNSEAT THE INCUMBENT (AND HOW YOU, THE INCUMBENT CAN RESPOND).

1

Incumbent Staff Are Overqualified

We've seen many re-competitions where the new solicitation required experience levels significantly below the incumbent contract's average experience levels. This is one of the biggest pricing traps faced by incumbents. There is an irresistible urge for the incumbent to bid their current experienced staff as-is despite the reduced experience requirements. Why? Because the incumbent "knows the customer" and the customer "knows us". Conversely, the usurper will extol the Government's wisdom in establishing these lower experience levels and will bid less expensive staff whose experience exactly matches the Government's requirements. Incumbents should thwart these tactics and similarly price staff with experience levels to match solicitation's requirements. If the incumbent cannot resist the urge to price staff that exceed the experience minimums, then the incumbent must articulate a clear value proposition that leads evaluators to identify a clear strength of using more experienced staff. That strength ultimately must warrant the price premium of using more experienced, higher priced staff to survive in a best-value trade-off.

2

Incumbent Staffing Levels Are Bloated

The usurper will intimate that outdated and inefficient incumbent processes, along with lack of new tools and automation, have created incumbent staff bloat and ultimately higher costs. The usurper's careful analysis will show 'efficiencies' can be applied that allows for the same throughput of product and services at a reduced headcount. As an incumbent, your pricing strategies should exorcise this ghost by demonstrating how the incumbent staff has already delivered more work (than originally anticipated) over the life of the incumbent contract with the same staffing levels. Additionally, where the solicitation allows offerors to propose staffing levels that differs from the Government's suggested staffing levels, the incumbent should identify some staffing reductions and give those savings to the Government in the form of reduced pricing.

3

Incumbent Pay is Exorbitant

Many incumbents price the same experienced staff for the follow-on contract and simply escalate their incumbent salaries. Just as no tree grows to heaven, the same employees working in the exact same and unchanging role will, over time, eventually become too expensive. Usurpers will demonstrate that current incumbent salaries for a given function or role are approaching or (gasp) exceeding the highest salary percentiles when compared against market data from salary surveys. The usurper's proposal will proclaim savings by ensuring that their salaries are aligned to current market compensation ranges. If "overpaid" essential incumbent employees require retention at reduced salaries, the usurper will make those incumbent employees whole (usually via retention bonuses) until a suitable replacement can be found or the incumbent employee is transitioned into a new (more valuable role). The incumbent should block this maneuver by promoting non-key incumbent staff into more senior roles on the follow-on contract. Newly promoted employee salaries tend to be in the lower end of the pay band range of the new role. So, those employees now appear to be very reasonably priced. Other senior staff that can't be promoted on or out of the project can be cross trained to take on additional value-added responsibilities without additional costs. Whether you are an incumbent seeking to secure a must win re-compete or you're a competitor seeking new markets and opportunities, let Federal Pricing Group's experts help formulate the right winning pricing strategy on your next proposal.

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BUSINESS**

faster



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INNOVATION IN FEDERAL BD:

PLAYERS AND LAYERS METHODOLOGY

What's The Player and Layers Methodology, and why does it matter to you?

Think of it this way: what percentage of the business you've won—federal, state, local, corporate—is built on relationships?

Any time I ask this question, people always give me a figure that's at least 80% and regularly 100%. If that's your answer too, then even if you say you hate sales, you or someone in your business already has the human savvy needed to use the Players and Layers Methodology (PALM) with great success!

First, I'll outline the steps. Then, I'll give you an easy way to discover a bit more about the players at each layer, what they need, what they want, and what they care about when you get in touch with them.

There are five steps to engage your fellow federal humans at the five layers where they play. If you want more wins for your federal business, with more ease and less stress, these five steps make all the difference!

1. Identify the federal departments or agencies who need or buy what we do. Then prioritize our list, supported by past contract data that shows who spends money to buy what we do. That will let us pick the top three to five departments or agencies with confidence and stay focused.
2. Niche down: within our top choices, identify the specific agencies, divisions, regions, offices, and programs that most need or use what we do. Set priority again, starting with the offices where we know people, ideally those who know us and know our work and expertise. Sort again based on our geographic reach, capacity, and proven experience to help them solve their problems. Set goals for our efforts in each office. There might be a specific contract we want to win, but think beyond that. What would ultimate success look like in each? Now, get granular: what might be the markers that indicate we're on track to achieve those goals?

When I do this with our clients, we pick three offices or programs to start with:

- Our first choice has many of our friends, contacts, and clients; people know us and love us, and we know pretty much everybody.
 - For our second choice, we might know a couple of people, and we can probably figure out the rest once we sit down and work on it.
 - The third choice is somewhere that we have great experience and solutions for and we're a great fit but we've never really tried or been successful, or we just don't know anyone there.
3. Detective work: At this step, we build what I call a "Contact Set." The goal of the contact set is to identify all the "players" at the five layers in each office or location where we want to win business. These players are actively involved in framing requirements for and acquiring the products or services we provide. Start easy: who do we already know in each office? What's their job title and what role do they play? That determines the "layer" they're in, which we'll discuss later in this article.

This is where a simple spreadsheet is super helpful, fast, and effective. You don't need a fancy-schmancy, pricey database to do this! Most importantly: where are the gaps? At which layers are there people that we know are important but haven't met yet? And who might already be doing business with our competition?

Once we lay this out, we've got our federal sales plan. Then the objective is to get to know everyone in each office where we want to be successful; people who are involved in buying or using what we do in a way that means they see us as the low-risk choice.

4. Contact! Get to know those individual federal humans. Understand their big goals, which might be different from our big goals. Then take a step back and brainstorm a bit. What would their milestones be on the way to those goals? What kinds of things—even small things, not necessarily paid services every time—could we offer to each person to help them be successful?
5. Stay in the game! Use the plan relentlessly, persistently, and consistently. Because we've chosen our target agencies with confidence, that gives us the resilience to keep going, to keep up the effort, and to work every angle even when they don't return our calls. The quality of our efforts here—bringing value every time, really getting to know our fellow federal humans, supporting them, and creating a great experience with every conversation, email, or voicemail no matter how small—is vital to opening hearts and minds as well as pocketbooks and building the trust that is the foundation of every win.

These are the steps for success in federal business. If you want to move the needle on your federal wins, these steps make all the difference.

Judy Bradt is CEO of Summit Insight, a consulting company that guides experienced govcons to greater success. She created the Players and Layers Methodology to share the breakthrough she discovered after years of struggling with federal sales. Her clients—savvy business owners with decades of experience—use this system to drive millions of dollars in federal wins. She hopes you can, too.

OKAY, IS IT TIME WE TALKED?

If your company has more than \$5 million in revenue, you've been in business for more than five years, and you've got close to five people involved in sales and business development, maybe you're not growing the way you want to. Maybe your company is veteran-owned and you want to bring the special military expertise and experience from your career to federal buyers and agencies where you can make a difference. Maybe you've got an 8(a) certification, but you haven't been bringing in the wins you hoped for, and time is running out. Maybe your minority-owned or woman-owned company is really successful doing business with big corporations, but the idea of taking on the federal market is intimidating, and if you do it, you want to get it right.



tools they need to get on track for the wins they've always wanted. Find out more about this private program for you and your company team **here**, and if it sounds right for you, **book a call today** and let's chat.

This eight-week experience is ideal for small group teams that want to get everybody pulling together on the same rope. In eight weeks or less, we create and activate a custom federal sales plan for you and your team.

There are four steps that you have to take if you want to be successful in the federal market:

- Learn the federal sales game—what to do, what to say, and what to ask—to build relationships with the players at all five layers.
- Make a confident choice based on the hard data of where you're going to focus.
- Build a custom federal sales plan around just those target agencies.
- Lastly, you must do the work and use the plan.

By the end of eight weeks, and after you've done the work, you will have built a solid relationship pipeline into at least three places where you're confident you can win work. Everyone in your company is pulling together working toward building those relationships.

If you think this might be right for you, let's book that conversation and find out how we can start making a difference for you this year in the federal arena.

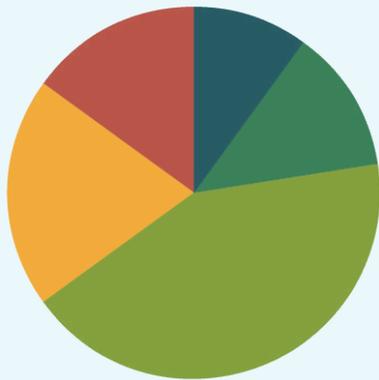
Tap the complete Players and Layers Methodology today!

RESOURCES:

- *The WHOLE Players and Layers Playlist* <https://www.youtube.com/playlist?list...>
- *Complimentary GovCon Personas Guide: 22 pages of connection ideas and tips to understand the players at all the layers* <https://growfedbiz.com/players-and-la...>
- *Use the methodology in your company: create and activate a custom federal Sales Plan so that, in eight weeks or less, you have a solid relationship pipeline into at least three places where you're confident you can win work. Find out about the Federal Business Intensive here* <https://growfedbiz.com/federal-busine...>

Innovative Practices Survey

On a scale of 1 to 5, what is your level of confidence in using any of the above innovations or technologies in your day-to-day business?



- 5 - 15 %
- 4 - 20 %
- 3 - 42.5 %
- 2 - 12.5 %
- 1 - 10 %

40 Answers
Weighted Average 3.125

Has your office implemented or considered the use of any innovative acquisition practices or technologies (I.e. other transaction authorities (OTA); robotic process automation (RPA); acquiring/selling software; or other) as ways to improve acquisition outcomes?



- Yes - 47.5 %
- No - 52.5 %

40 Answers
Yes 19; No 21.

Would you have interest in training on leading-edge technologies and innovative practices that could help improve acquisition outcomes?



- Yes - 70 %
- No - 30 %

40 Answers
Yes 28; No 12.

THE ART

OF MARKET RESEARCH:

Focus on Innovated Techniques Used

INTRODUCTION

Each day, I am simply amazed at the volume, depth, and quality of the data available to industry professionals as it relates to evaluating the fair and reasonableness of a subcontractor's proposal. If given enough time, and with an acumen towards market resources, one can readily obtain price comparison data on a vast amount of products and services. The true challenge we face is how can we take the data that we obtain by way of market research, discern whether it adds value to our analysis, and apply it as the source of market-based intelligence. My goal in this article is to provide a few innovated techniques that I use to leverage market research when conducting price analyses, specifically as it related to subcontracting.



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BACKGROUND

Let's set the stage: the Federal Acquisition Regulation (FAR) is very clear regarding this topic. According to FAR 15.404-3(b), "the prime contractor or subcontractor shall (1) Conduct appropriate cost or price analyses to establish the reasonableness of proposed subcontract prices," and it describes price analysis as "the process of examining and evaluating a price without evaluating its separate cost elements and proposed profit."

Furthermore, FAR Part 10 addresses market research, the requirements for it, and the techniques typically used by the government when conducting market research. The government oversight environment focuses contractors to conduct market research and price analysis within the confines of the regulations and internal government norms, but our current operational environment does not often lend itself to these approaches. The challenge is: how do we apply the intent of FAR to real-world sources of market research and buying situations?



CURRENT STATE OF AFFAIRS

While discussing the comparative analysis techniques for determining price reasonableness, FAR indicates that the comparison of prices obtained through market research for the same or similar items is an acceptable technique for determining price reasonableness (FAR 15.404-1(b)(2)(vi)). However, one quickly realizes that market research is not only a price analysis technique, but it is a foundational process behind every price analysis technique. In other words, before any type of price analysis is conducted, the subcontract administrator conducts some form of market research. This research ranges from searching for competitive sources to researching price lists, to reviewing historical analytics related to market spend.

We are used to conducting market research, but we tend to use the same approach time and time again. It's time to add some innovation to our price analysis process.

OPPORTUNITIES FOR INNOVATION

Now that we understand that market research is a fundamental tool for determining price reasonableness, let us review some innovative market research techniques.

Pre-Solicitation and Solicitation Tools

If the underlying intent of market research is to obtain data and knowledge about the marketplace, in my opinion, some of the most overlooked and underappreciated market research tools are those we use daily. Most subcontract administrators and buyers use requests for information, requests for quotations, and requests for proposals simply for their titled purposes: to obtain information, quotations, and proposals. These tools should be reevaluated and revitalized to become more proactively focused on obtaining market research information that will help a buyer establish market parameters regarding fair and reasonable pricing.

For example, instead of asking for prices for the exact quantities required by your organization, consider structuring the request for quotation so that pricing can be obtained for various quantities, lot pricing, price and quantity discounts, economic production quantities, etc. During the pre-solicitation and solicitation phases, potential subcontractors are more likely to provide market research information as opposed to similar requests for market research information made by the buyer after quotes or proposals have been received.

The key point to remember here is that potential subcontractors will only be interested in providing information to a buyer if they view it as beneficial to their organization. Therefore, as a buyer, make sure that you structure your pre-solicitation and solicitation documents in such a way that it's easy for the potential respondents to provide you the information you desire, in the format that you desire it.

Historical Pricing Data as Sources of Market Research

Although certainly not a new concept, using historical datasets as a basis for establishing fair and reasonableness of current prices should be considered as a vital market research technique. Whether the historical dataset comes from in-hours or external spend analytics, buyers can build historical pricing models that track the pricing trends of, for example, rates paid for a specific labor category, in specific geographical regions, and over specific periods of time.

Because of the capabilities of the enterprise systems most contractors use, collecting historical datasets is relatively easy. The opportunity for innovation presents itself in the analysis of the data. For example, since we understand that the past is often a good predictor of future pricing behavior, we can build historical pricing models whereby we analyze the most recent behavior over time—normally monthly, quarterly, bi-annually, or annually—depending on the type of product or service.

A buyer should consider the use of a Moving Average Analysis, or Mean Analysis, in building these models. This is a fairly simple, yet useful, historical pricing model whereby a buyer collects pricing datasets over three or more periods, and calculates the mean for each period. This calculation is done by summing the datasets, then dividing by the number of time periods. That average then becomes a forecast for future time periods. As the model goes further in the future, datasets from new time periods are added, and in turn, datasets from earlier time periods are removed from the calculation of the mean.

Once a database of moving averages has been developed, a buyer can apply a graphic analysis process to plot the data and inspect for visual trends in the datasets. Of course, this is just a starting point. Once moving averages are modeled, buyers can apply several analytical techniques to measure the pricing behavior over time, such as regression analyses, improvement curves, etc.

Leveraging Sources of Market Research

The “Internet of Everything” holds a wealth of data that can be easily leveraged when conducting a price analysis. Let’s explore some of the data that can really help drive innovation when we are conducting subcontractor price analyses.

- **U.S. Bureau of Labor Statistics (www.bls.gov)**

The Bureau of Labor Statistics (BLS) operates as a unit of the United States Department of Labor. It is the principal fact-finding agency for the government in the broad field of labor economics and statistics. The BLS is a government statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other federal agencies, state and local governments, businesses, and labor representatives. As such, much of the data used by third-party suppliers of market research data utilizes the BLS datasets as one, and in some cases, it is their only source of data.

One of the most popular datasets provided by BLS is the BLS Wage Data by Area and Occupation, which provides data for over 800 occupations classified by Standard Occupational Classifications. It also includes data by job characteristics and covers over 400 industries tracked by North American Industry Classification System (NAICS) codes.

- **Compensation Surveys**

There are several companies and state governments that provide Human Resources-based salary and compensation information that can assist buyers in their price analyses. These datasets are based on actual data obtained from companies participating in targeted surveys or reports required by state governments.

- **Price Comparison Websites and Search Engines**

The amount of national and international-based price comparison websites and apps that provide market research data on both products and services is on the rise. Whether you are performing a comparative analysis of travel costs or researching prices for electronic components, you will find numerous sites that provide actual pricing data that can be used in your determination of price reasonableness.



Some price comparison tools require you to scan the barcode, while others allow you to type in the product name to find your product. The price comparison tools then show you a list of retailers who are selling the same product, and how much they are selling it for.

- **Government Tools**

Let us not forget the fact that the U.S. Government maintains arguably the largest dataset of pricing information. That data includes previous prices paid by the government and prices agreed upon between the government and contractors. Following is a list of sources for obtaining this type of information.

GSA Schedules (gsa.gov)

GSA schedules are long-term contracts which show prices agreed-upon between the GSA and contractors.

The Contract-Awarded Labor Category (CALC) (calc.gsa.gov) tool is designed to assist federal contracting officers and others, including industry, in finding awarded prices and rates to use in negotiations for labor contracts. It offers ceiling prices, fully burdened costs, services data, and worldwide rates.

General Schedule (GS) Salary Calculator (General Schedule (GS) Salary Calculator (opm.gov) is an Office of Personnel Management tool that can be used to obtain GS salary data.

GSA Pricing Estimation Tool (PET) ASSIST - Assisted Services Shared Information System (gsa.gov)
GSA's OASIS Price Estimating Tool assists federal agencies in developing the labor portion of the independent government cost estimate (IGCE) for OASIS task orders. Users can conduct a wage comparison across different occupations, experience and qualifications levels, indirect rate levels, and metropolitan statistical areas. The power of PET lies in its ability to index pricing to approximately 640 precise geographic locations.

The estimating tool captures:

Every labor occupation in the Office of Management and Budget's (OMB) Standard Occupational Classification (SOC) System.

The BLS database of wage statistics for the SOC occupations across the nation and several territories like Guam, Puerto Rico, and the Virgin Islands. These statistics are determined with surveys conducted by the Department of Labor's Bureau of Labor Statistics (BLS).

Precise performance locations defined as Metropolitan Statistical Areas by the BLS.

The lowest, average, and highest indirect costs associated with the OASIS contracts.



FINAL THOUGHTS

There is no exact process, prescribed format, or magical solutions for conducting market research relative to subcontractors' proposals. In my experience, the extent to which your price analysis is considered adequate by a government auditor relies heavily on three things:

1. The sources of your information.
2. The extent to which you relied on the information used during the analysis.
3. The extent to which you documented your research, analysis, and judgements.

With that in mind, my final thoughts to you are regarding the latter point of documentation. Regardless of how innovative the technique is, documentation is the key to supporting your determination of fair and reasonableness.

Price analysis is clearly a subjective evaluation. As such, using different market research techniques and datasets will certainly yield different results. Because innovative techniques push the norm and may not be widely understood or considered part of the conventional wisdom, I encourage you to take the time to document your market research approaches and results, so that others, such as auditors, can understand how you reached your conclusion.

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The State of DCAA: Innovation in a Compliance Environment

A conversation with Anita Bales, Director of DCAA



Anita Bales
Director of DCAA

No contracting firm is salivating to go through an audit. Rather, many see it as a months-long dentist appointment. Without anesthetic.

But if you take off your contractor hat for a moment and put on your taxpayer hat, you'll realize that auditors exist simply to make sure taxpayer money is spent well and judiciously.

And even agency auditors are audited. They don't take it personally, because it's not a personal transaction. Like other checks and balances, auditing is intrinsic to working with the government in general and, for the purposes of this paper, the Department of Defense (DoD) in particular.

There will always be some tension in an auditing situation; it's the nature of the beast. But new feedback techniques, technology advances, and the skill sets of innovative staff are actually strengthening customer bonds between the Defense Contracting Audit Agency (DCAA) and the DoD's contractor clients.

But audit clients aren't the only customer body the DCAA has to please. The agency is in a unique situation, because it regards the DoD itself as its primary client. With these two groups to serve, and a bright new five-year vision in place, the DCAA is well on its way to creating the ideal audit environment for the 21st century.

Recently, ProPricer had the pleasure of hosting an informative Q&A session with a special guest, Anita Bales, Director of the DCAA.



ProPricer: What are your key strategic priorities for the DCAA today?

Anita: We recently published our 2021-2025 strategic plan, and in it, we state three overarching goals for the agency. As we wrote the goals, we made sure they have an outward-looking focus, not just internal. What does that mean? It's important for us to build and refine the organization around understanding our customers and making sure our customers understand us. If we can create synergy, we can provide more value.

But back to the DCAA goals themselves. We have three:

- **Better Serve the Department by Strengthening Key Strategic Alliances.** We service the DoD best when we reach out and create powerful relationships with strategic partners. This helps us understand all levels of the DoD. Folks in the field may deal with individual contracting officers. As we go up the chain, we may deal with the role who's usually responsible for acquisition and sustainment. But we view every departmental stakeholder as a customer. Of course, industry contractors make up a key group of our stakeholders. We don't look at the people we're auditing as just those who need to follow our directives; we look at them as both clients and colleagues, too.

- **Align Our Products & Services to be Flexible & Responsive to Customer Needs.** This dimension is about the criticality of packaging and presenting our services in the best way possible for our clients. After we absorb what our customers need from us—what their expectations are—we of course want to understand what we can do best for each.
 - **Recruit, Cultivate, & Retain a Highly Skilled, Flexible, & Empowered Workforce.** We also want to look internally and say, "How do we shape our internal processes and products to better meet the needs of our employees?" We want to recruit and retain a highly skilled workforce, and as a service organization, that in itself takes a lot of effort. It's all about having the right people who are trained and skilled, but that also always have an eye on our future state.

Those are our three overarching five-year objectives. Then specifically for 2021:

Come out of COVID-19 stronger than we went in.

I'm crossing my fingers that we do exit the pandemic this year; I think we will. At the same time, we need to recognize the opportunities that COVID brought us—as it did result in some upsides—and not lose the advantages we gained moving forward.

- **Over-communicating.** This includes making a huge effort to communicate both internally and externally, as we've been dispersed and working physically away from one another. Over-communicating is key to understanding, and I applaud my staff for consistently taking those extra steps to be heard and understood over videoconferencing. It's a huge plus we can carry with us back into a hybrid or on-site environment.
- **Systems access.** We now have a lot more connectivity and access to systems that are run by our contractors. This makes our lives as an agency department much more efficient, and it's better for industry, in that contracting companies no longer have to put a dedicated person in charge of retrieving data for us.

ProPricer: What are some of the more recent audit innovations the agency has initiated to improve outcomes for your customers?

Anita: One thing I'll highlight right away is a new, web-based audit submissions portal.

Contractor Submissions Portal. To start, it's for incurred-cost proposal submissions, but will eventually also be able to handle forward-pricing contracts. Currently, the portal is available through the

Procurement Integrated Enterprise Environment (PIEE), the primary enterprise procure-to-pay (P2P) application for the DoD.

When a contractor submits a proposal for audit, they can be confident in its safety. The Portal automatically attaches the appropriate cybersecurity to their submission.

Previously, contractors emailed their submissions to us, and security can be “iffy” on either end of this process.

We also have to ensure the right proposals are routed to the correct audit office, which in itself is a logistical challenge. But the portal helps with this, too.

Where we’re going with this: eventually, the portal will be an interactive interface where the tool asks the submitter questions like “Do you have subcontractors?” and if the answer is “yes,” the portal will bring up the appropriate schedule.

There will also be built-in edit checks. Sometimes a proposal is labeled “inadequate” by the portal. If this can be resolved through edit checks in the portal submission process, that will save everyone a lot of time. It’s good for both industry and us.

Artificial Intelligence (AI). Whether it’s implementing data analytics or going down the bot road or both, we’re working on integrating AI into our systems. It’s definitely something that has to be able to play.

We’re looking at how we can use data automation to handle the large data sets we have now—let the machines do all the data-entry work they can, extracting the information we need a human to analyze. Information that only a human can analyze.

New Contracting Vehicles. Some of our current innovations relate to the new contracting vehicles that are

in place now. Many allow for working under other transaction authorities, making sure that even though a contract may not be FAR-based, we can still determine what our customers need from us, and what information we can provide back.

We’ve worked with the Section 809 Panel on materiality and, as a result, have inserted commercially accepted standards of risk into materiality. Prior, we measured high and low risk; we now have high-medium-low, and each triggers different levels of audit.

New Communications Mediums. The platform tools we’re using during COVID have really helped us continue our mission. Looking ahead, there are some things we think we’ll still have to do in-person, so when things open again, we won’t be able to be 100% virtual in terms of our environment. But we can continue to handle most actions remotely.

We’ve done our mission fairly well—some things have slipped that we can’t do remotely, but the tools that tech companies innovate for us to work in this virtual environment have been extraordinarily helpful.

Innovative Modeling. We’re developing models that let us go into a contractor’s situational data, break out the different types of cost data involved, and feed that data into the model, resulting in generation of risk factors.

ProPricer: What are a few of the challenges you’ve encountered during recent audits that give pause for concern?

Anita: As mentioned, industry contractors are sensitive to allowing us access to their internal data analytics and predictive analytics systems. But when we do have access, the audit process goes that much smoother and faster.

It somewhat goes without saying. We have to build up a trust factor with each industry contractor that we audit, during anything other than a standard audit, where the contractor is





delivering us the data. And that rapport-building takes time.

That said, I think we're making great progress establishing trust across industry contractors, and that includes working through each other's cybersecurity protocols—us securely accessing a company's virtual private network (VPN) with no hesitancy on the client's end, for example. Establishing a communications channel between a contractor's IT people and our IT people is important, because those folks speak a common language that only they understand.

And both industry and government have so many vectors for attack. We certainly don't want to create a vulnerability for anyone.

Finally, we've worked hard to interact with industry associations to incorporate some of the voice of the customer into our processes. As I've mentioned, there will always be a bit of tension in an audit process, but we're more than willing to listen to our customers and lay our own cards on the table. But then at the end of the day, we do always have to follow the law.

We walk a fine line. We have to be independent and can't let industry sway us, but we always have to be willing to hear a customer out. Sometimes just being willing to listen is enough.

When we can take a discussion out of an individual-audit scenario, that's the best way to move forward from a policy or legal perspective. In an industry-association context, we can at least try to have topical discussions so both sides feel they're being heard.

ProPricer: How is the DCAA leveraging big data and robotics technology to support its audits and customer needs?

Anita: We've had a new audit software platform in place for about three years. This system allows us to tag certain things like metadata, enabling us to run bots via our own internal data, to gather additional information. This lets us provide a value to the department that we hadn't before.

As you can imagine, we have a lot of data. We audit many contracts, but each proposal in front of us is the most important proposal at that time, whether it's a forward-pricing proposal or a determination of incurred-cost.

We can now go into that proposal's data set and run trends. This lets us focus even more deeply on where we may need to look in order to know what our priorities are in the audit—as well as how to send that data back to the department to answer

questions that are being asked.

There are so many different questions we can now answer from the data, but we always still need to use human intelligence to get to the right story that the data wants to tell us. Then we can have the machines go in and get that data to determine if there is, in fact, an auditable story there. We can then tag according to service, or according to cost-plus, or according to fixed-price.

Analyzing data by program, instead of contractor.

We also have to be able to parse data by program instead of by contractor, as this is how the department needs information.

If I have a large contracting program that involves a prime and 30 or 40 subs, I may have that many individual audits running out there, involving several dozen offices. The question is: how do we bring that data together and analyze it to tell us, "Here's what we know about that program," not its individual contractors?

This goes back to our need to build credibility for and confidence in our auditing system. If the department is questioned on its activity on a specific program and the DCAA can bring all of our data together better by program, I think that's good news for everyone.

Modeling. We're doing different models:

- A Bill of Materials (BOM) model lets us go into a data set and quickly check an entire BOM for certain things like bomb component consistencies by price and fighter plane regularities by same.
- We use historical data to do trend, ratio, and regression analyses, so we can compare projected to actual, in order to develop more accurate forecasting models.

Power BI. We use Power BI to develop easier ways for auditors to display data and aggregate sources. Here's where bots and AI can help us gain access to three or four databases and bring relevant data sets together to help us find the anomalies that trigger our study. Remember, getting access to the data sets within government and then within industry, too, is always a challenge.

It all comes down to the data. We have to have the right data in order to pull the right cost areas that might trigger audit actions—or not.



ProPricer: Any last words for us?

Anita: To wrap up, I have to plug my people! I'm amazed at the dedication of our associates—they're so passionate about what they do. Sometimes that passion can get a little in the way, say if a contracting officer doesn't want to participate in a negotiation.

That said, every audit with every client is a negotiation. To keep information exchange flowing, we conduct customer satisfaction surveys, believe it or not, and we're very interested in what clients have to say.

And I'll end with what we opened with: if industry personnel can step out of their industry shoes during an audit, they're usually glad we're making sure the DoD is spending taxpayers' money wisely. That's why we're here.

Read more on this interview with Anita Bales where she discusses key impacts from a public and private perspective, how DCAA was able to clear the incurred-cost audit backlog, training programs, and more – access here.



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The ProPricer Partnership Program gives consultants, referrers, and system integrators a new way to increase profitability while growing their business. Partners can offer a serious competitive edge by augmenting their services with unmatched proposal pricing capabilities.

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The Contract Coach offers a unique set of skills and expertise to the potential client. Those skills encompass a deep understanding of U.S. Government contracts (Certified by the National Contract Management Association) coupled with a PMP certification and acceptance by the American Association of Cost Engineers International as a Certified Cost Technician. The Contract Coach can work seamlessly with your proposal or execution team using advanced tools like ProPricer and RiskyProject to tie all the pieces (and data) together to produce risk adjusted schedule and cost estimates.

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Media



Federal News Network is the key source of breaking news, information and analysis on the topics that matter most to federal agency managers, policy makers and contractors. We cover the federal government and those who do business with the government, concentrating on workforce, management, defense, technology, contracting, policy, and pay and benefits issues.

Industry News

NOT RETURNING TO THE STATUS QUO: THE SPEED OF THE 'NEW NORMAL'

Though many of the procurements in 2020 were due to special allowances implemented by Congress and federal regulators, there is a new level of expectation among the acquisition community.

Things can move quickly.

With process improvements and the adoption of new technology tools during COVID, the speed of acquisition that 2020 brought is hard to ignore or go back to.

- Moving nearly to an all telework environment and familiarizing departments with online tools for collaboration.
- The use of GSA schedules has forced the reduction of purchase interactions between companies and government purchasers, making the process more streamlined and faster.
- Implementing the use of commercially available supply chain tools.

As more successes come out of the post-pandemic changes, many

acquisition professionals hope this is just the beginning of a new way to do business.

THE FUTURE OF OTHER TRANSACTION AGREEMENTS

While Other Transaction Agreements (OTAs) remain popular, they have also become controversial over the past few years due to the lack of requirements or federal regulatory oversights that applies to other government contracting proposals. The third-party groups managing these agreements do not give much, if any, insight to help manage these solicitations and awards.

According to a [new audit](#) by the DoD Inspector General, billions of dollars were spent over the past year via OTAs; however, these transactions were found to be a source of a wide range of problems with said spending and confidentiality.

Like previously mentioned, the lack

of visibility is a problem. The Federal Procurement Data System was never designed (and has not been updated) to handle the way DoD interacts with these third-party groups. This alone, has made these instances a perfect candidate for additional oversight.

Because of the more flexible nature of OTAs (for example, asking for a white paper instead of going through a traditional solicitation process), government procurers have become fans of the consortium approach. However, in those instances, the relationship is between the government and the third party, not the contractor performing the work. Data starts to be stored and spread on individual spreadsheets across multiple offices. This does not give a clear picture to know if efforts are being duplicated, how much is being spent, who is performing the work, etc.

Besides visibility, the audit found that DoD needs to do more to vet third party groups and better oversee the types of information that is released to them. The audit found many examples of security weaknesses.

DoD is relying on CMO's to ensure secure requirements are being met; however, mistakes happen. This is



partly because the current DoD OTA guidance doesn't require the need for vendors to register themselves in the System for Award Management.

Then there are bid protests, or the lack thereof. There is still no legal consensus as to whether OTA awards can be protested at all. At a minimum, DoD could include standard language in its OTAs that makes clear when it will and won't entertain an agency-level protest.

Concluding the audit, the OIG made 13 recommendations to fix DoD's approach to OTAs via consortiums, and John Tegnalia, the department's principal director for pricing and contracting has agreed to fully-implement 12 of them; he partially concurred with the remaining one.

“FUTURE OF WORK” CONCEPTS FROM THE ARMY'S COMBAT CAPABILITIES DEVELOPMENT COMMAND (DEVCOM)

There has been a lot of talk from senior officials in DoD and across the government about what the workforce landscape will look like in the near future and if we will go back to the pre-pandemic status quo. One

of the few organizations that has put some thought and plans together to tackle this issue is the Army's Combat Capabilities Development Command (DEVCOM).

Their [“future of work” concept paper](#) was recently released and covers several key topics about what employees can expect in a post-pandemic environment. The conclusion, the Command must ‘embrace a future of work environment that is different from the past,’ and ‘flexibility is essential.’

This concept paper is the start to what many agencies and organization feel they need to do to chart a path forward. While mission set has not changed, the Command is looking at itself to see what areas can and will continue to be more flexible.

A few of those areas are “core hours” and location. The paper noticed that flexibility in the time of day worked actually lead to a more productive work environment. Based on their findings, DEVCOM found most of their employees worked forty more hours over the past year than they did in the previous one. Now, the objective is no longer “locally defined ‘core hours’, but rather, ‘work **when** you are most productive.’”

Another challenge and area of examination is the location of employees. It not only changes the way managers and leaders must manage their staff, but also raises infrastructure questions. Where will highly sensitive data be protected? What does it mean to virtually build teams? As DEVCOM works to answer these questions, the new objectives focus on finding “the best talent... **anywhere**” and “work **where** you are **most productive**.”

This shift will continue to be evolve as organizations learn more and more about what works the best for productivity and employee moral. The good news is a baseline has been created showing agencies are actively changing and updating to fits the present landscape.

This shift will continue to evolve over the next few years, as the workforce adjusts to some form of normalcy. Learning the individual patterns of each employee to help them be successful remotely will increase productivity, employee morale, and work satisfaction. The good news is that a baseline has been created; showing that agencies are on board with these concepts and are actively making the shift towards the present landscape.

We Hope You Take Part in All We Have to Offer 2.0

AS OUR TEAM RELEASES OUR SECOND 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 enjoyed the second quarterly issue of Pricing Magazine (PM). This project has been planned for a long time, and I am especially happy that it is happening now. We received positive feedback from you so far and cannot wait to hear more; please keep it coming!

A big thanks to all our article contributors and partners who helped us put this magazine together. Our entire team is privileged to learn and work with some extremely talented individuals in the government contracting sector. Your contributions have been exceedingly valuable, and we look forward to future articles and projects with all of you again.

We also want to give a special thanks to our readers. We would like you to continue growing with us as we work together to make Pricing Magazine an educational tool and a reliable source of information for you, your coworkers, and the entire pricing community.

Regarding ProPricer software, our development team has an exciting and promising path ahead for the next few years. To stay innovative alongside the industry, we are planning several different cutting-edge projects with our existing and future products. Currently, we are making great progress with web-based applications, and we have our sights set on a full suite of SaaS products.

My goal is to create products that other people love as much as we do. Through my regular interaction with customers and the feedback received, we have successfully improved our current ProPricer products by leaps and bounds, and we will always be listening to you for more ideas and suggestions. Our company's goal is to continuously meet the desires for future services and innovations so that we may develop professional growth in the pricing and acquisition arena, as well as support its many changing phases.

Along with this publication and our products, we want to keep you involved in everything we have to offer the GovCon community. Join us at our Government Contract Pricing Summit in June, take part in our monthly GovCon specific webinar series, and stay tuned for much more!



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