



The New Govconomy

STRATEGIZE. OPTIMIZE. REALIZE.

Ready to Scale Series: Becoming a Valued Prime Contractor in the Federal Contracting Market

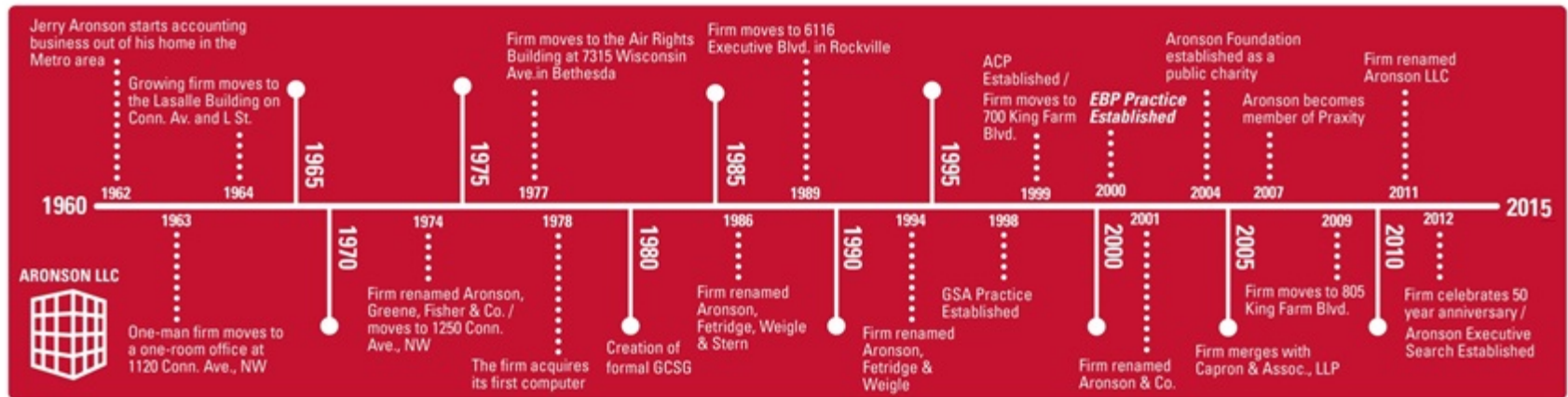
Welcome and Introductions



Our Speakers and Representatives

- Jim Fennel
Partner, GovCon Services Group
Aronson LLC
jfennel@aronsonllc.com
301-222-8287
- Hope Lane
Partner, GovCon Services Group
Aronson LLC
hlane@aronsonllc.com
301-231-6266
- Roger Yasin
Business Development Manager
Aronson LLC
ryasin@aronsonllc.com
240-364-2718
- Ralph Buchanan
Economic Development Specialist
SBA Washington Metro District Office
ralph.buchanan@sba.gov
202-205-6539
- Dwight D. Deneal
Advocate and Federal Acquisition
Professional
200 C Street SW | Room 11J20|
Washington, DC 20024
dwight.deneal@hhs.gov
202-692-4775

About Aronson LLC



FOUNDED 1962

Single office: Rockville, MD

30 Partners

160 Client Service Staff

36 Operational Support

225 TOTAL STAFF



INDUSTRY GROUPS:

Government Contracting, Technology, Nonprofit
Construction, Real Estate, and Diversified
Commercial

SERVICE OFFERINGS:

Assurance, Tax, and Consulting

DISCLAIMER

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

Ready to Scale Series

- Getting Started in Federal Government Contracting
- Becoming a Preferred Subcontractor in the Federal Contracting Market
- **Becoming a Valued Prime Contractor in the Federal Contracting Market**
- Transitioning from Small to Other-Than-Small Business



Are You Ready for PRIMETIME? : Growing from Subcontractor to Prime Contractor in the Federal Contracting Market

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Federal Procurement Budget Cycle

- Generally most agencies plan two (2) years out for budget request to Congress (i.e. Projected *FY 18* contracting needs are being prepared via budget needs during *FY 15* and early part of *FY 16*)
 - Most agencies receive 1 YEAR FUNDING
 - PRESIDENT of the United States' BUDGET IS normally APPROVED by Congress in August/September timeframe.
 - Key Marketing timeframe between October- January
 - Most Statement of Works (SOWs) are written between February/May timeframe.
 - WASTED TIME IN SUMMER (Myth of Low-Hanging Fruit)

The Government Stakeholder Trifecta

- **Target and Market:**
 - **Procurers** (including Contracting Officers/Specialists)
 - Procurers are the “gate-keepers” to the program managers and end users. Although program managers know what they want, contracting specialists help them get the needed materials/services and give advice on the best way to get those services. The contracting officers/specialists are key customers because of their influence over the project manager/end user and their responsibility for selecting the contracting method.
 - **Influencers** (including program managers/OSDBUs/high-level decision makers)
 - Program managers and high level decision makers are individuals who generate the contracting requirement or are responsible for facilitating its execution. These individuals may exercise influence over an individual contracting or organization-wide contracting policy, but do not actually conduct the contracting process itself.
 - **End Users** (including the staff who use your service/product)
 - Most end users are confused about the contracting process and turn to their contracting specialist for help. They do not care how they get the contractor; they want the quickest mechanism to get the contractor. End users often have input in selecting the contractor, and can be a key contact in the working relationship with the contractor.

The Importance of Responding to RFIs

- The purpose of the RFI It is to gather information that will help the Federal Customer/Buyer determine who can provide and offer the potential good or service.
- Aids the Federal Customer/Buyer in determining what good or service is suitable for a Small Business Set-aside (i.e. WOSB, HUBZone).
- Contractors who want to win treat the RFI responses like an RFP. They put together a team and prepare a quality response and aid in shifting the Acquisition Strategy towards a Small Business Set-aside.

Federal Buying Trend MACS/GWACS

- According to BGOV there were over 2500 active MACs in 2014.
- Research and understand which federal agencies/sub-agencies use various GWACs/MACs/IDIQs and position your company for those contracting vehicles.
- Maximize your competitive position(s) by winning GWAC/MAC/IDIQ business.

Proposal Capture Strategy/Matrix

- Have a clear understanding of the resources required to pursue the opportunity(B&P, capture/proposal personnel, facilities, executive commitment, etc.).
- Have a clear understanding of the capital required.
 - Being a prime contractor is more expensive than being a subcontractor. Therefore, a company will need sufficient capital to scale and compete for large federal contracts.
- Define the compliance matrix early and prior to issuance of the RFP.
 - Identify and begin to assign key contributors: Business Development Lead, Capture Manger, Technical Lead, Proposal Manager, Pricing Lead.

Getting it Right: Response to RFP

- Analyze all solicitation documents – including Questions & Answers posted to date.
- Understand the FAR clauses within the solicitation
- Understand key competitors' strengths and weaknesses.
- Address your technical approach with an outcome/impact focal base.
- Highlight applicable past performance projects.
 - Translate how the past performance projects drove results and innovation for the customer
- Establish Price-to-Win (PTW) range (Know your industry rates)

Success =

- The “Successful” Small Business Firm Working in the federal marketplace understands:
 - Core competencies
 - Customer’s Need(s)
 - Marketing and relationship building
 - Schedules/Multiple award contracts
 - Open market procurement (FEDBIZOPPS)
 - Relatable Prime Contracting Past Performance
 - Subcontracting
 - Problem Solver/Innovator

Questions & Answers

Connect & Contact Me:



@MrDDeneal



Dwight Deneal



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Transitioning from Subcontractor to a Prime Contractor

July 21, 2015

Presented by: Hope A. Lane

Top Reasons For Becoming a Prime Contractor

- Privity of Contract
- Guaranteed Share of Work
- Direct Relationship with the Gov't
- Future Opportunity Identification
- Greater Profitability
- Control Your Own Destiny

Marketing and Business Development

Sub

- Strategic Relationships with Primes
- Prime Small Business Liaisons
- “Meet the Primes” events
- Short-term Focus

Prime

- Strategic Relationships with Complementary/ Competitors
- Feet to the Street at Govt
- Opportunity Identification
- Short, Mid & Long-term Focus

Proposaling

Sub

- Flowdown FAR clauses
- Contribute to Technical Volume
- Past Performance Reference
- Key Person Resume
- Pricing Spreadsheet
- Minimal \$ Investment

Prime

- Understand RFP FAR clauses
- Form Proposed Team
- SubK RFPs
- Mgmt, Project & QA Plans
- Admin, Technical & Pricing Volumes
- Proposal Production
- Significant \$ Investment
- Consider GSA Schedules

Sub

- SubK agreement
- Invoice to Prime

Prime

- Subs - Source Selection, RFPs, Cost /Price Analysis, Agreements, Funding, Invoice Review & Payment
- Negotiate Contract/Mods
- Resolve Disputes in Performance/Payment
- Combined Invoice to Gov't

Project Execution

Sub

- Provide Bodies
- Respond to Prime Questions

Prime

- Manage Project Team
- Interact with Gov't Program Office
- Resolve Disputes
- Performance Measurement (PPIRS)

Client Relationship

Sub

- Primary Client = Prime Contractor
- Secondary Client = Government Customer

Prime

- Primary Client = Government Customer
- Secondary Client = SubK
- Procuring Contract Officer (PCO)
- Administrative Contract Officer (ACO)
- Contracting Officer Representative (COR)

Reporting Requirements

Sub

- Provide Input for Prime's Project Status Report
- Invoice to Prime

Prime

- Periodic Status Reports
- Invoice to Govt
- SubContract Award
- VETS-100
- Incurred Cost

Business Systems

Sub

- “Off the Shelf” QuickBooks
- Excel Spreadsheets
- Code of Business Conduct

Prime

- Approved Accounting System
- Purchasing
- Estimating
- Code of Business Conduct
- Government Property
- Earned Value Mgmt

Top Impacts of Becoming a Prime Contractor

- Increased Opportunity
- Increased Risk – Truth in Negotiations Act (TINA), False Claims Act (FCA), Performance (PPIRS), Working at Risk
- Increased Costs – BD, Proposals, Infrastructure, Back Office Personnel, Cost Overruns
- Potential Increased Profitability
- Control Your Own Destiny

How NOT to Become a “Valued Prime Contractor”

Things NOT to do

- Don't depend on your small business status
- Don't be all things to all people, develop a niche
- Don't plan a career on responding to RFP's
- Not evaluating your subcontractors
- Don't shortcut the back-office



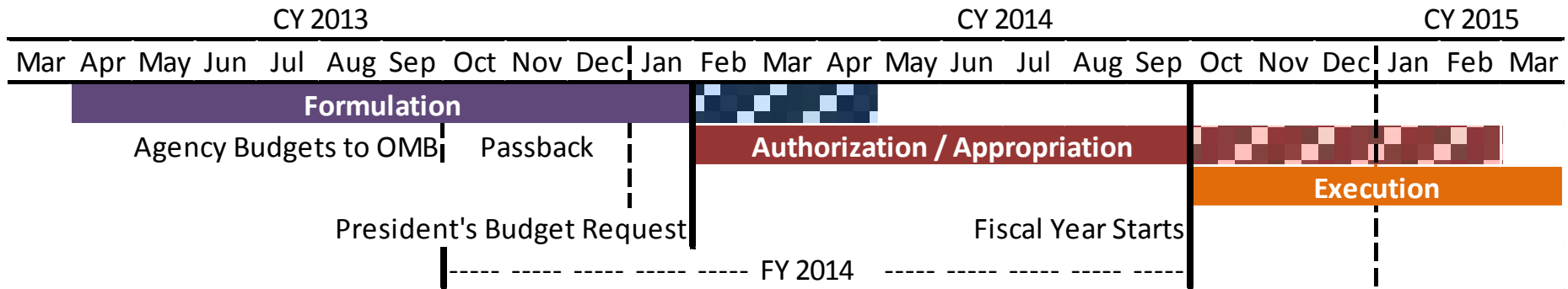
Don't Depend on your Small Business Status



Don't Be All Things to All People, Develop a Niche



Don't Plan a Career on Responding to RFP's



- Many FY2015 programs were dreamt up 2+ years ago
- Budget delays impact acquisitions (current and future)
- Agencies/Programs often must cram 12 months of acquisitions into <6 months

Don't Ignore Subcontracting

Year	SB %	SDB %	WOSB %	HUBZ %	SDVOSB %
2009	31.8%	4.5%	5.4%	1.7%	1.3%
2010	35.4%	5.3%	5.9%	2.0%	1.7%
2011	35.0%	5.4%	6.1%	1.9%	2.1%
2012	33.6%	5.1%	5.6%	1.3%	1.8%
2013	34.0%	6.7%	6.6%	1.2%	1.7%

Don't Shortcut the Back Office



Don't Shortcut the Back Office

Lesson learned resulting in lost dollars:

- Improper bidding of contract wrap rate
- Lack of written policies and procedures result in failing DCAA audit.
- Delay in financing for a new contract as a result of not having proper GAAP financials
- Filing tax returns in improper states, paying more than your fair share of tax

Remedies:

- Adopt proper accounting closing process, and external review process
- Adopt proper set up written policies and procedures proactively
- Monitor tax impacts more than just year end. Plan and be proactive.

How to Evaluate the Back Office

- When are you closing financial statements?
- How much do your financials statements vary?
- How quickly are you collecting invoices and paying subcontractors?
- How supportive is the accounting department to the bid and proposal inputs?
- What accounting system are you on and how does it support your goals and your future?
- Are you equipped to deal with any contract type?



Questions?