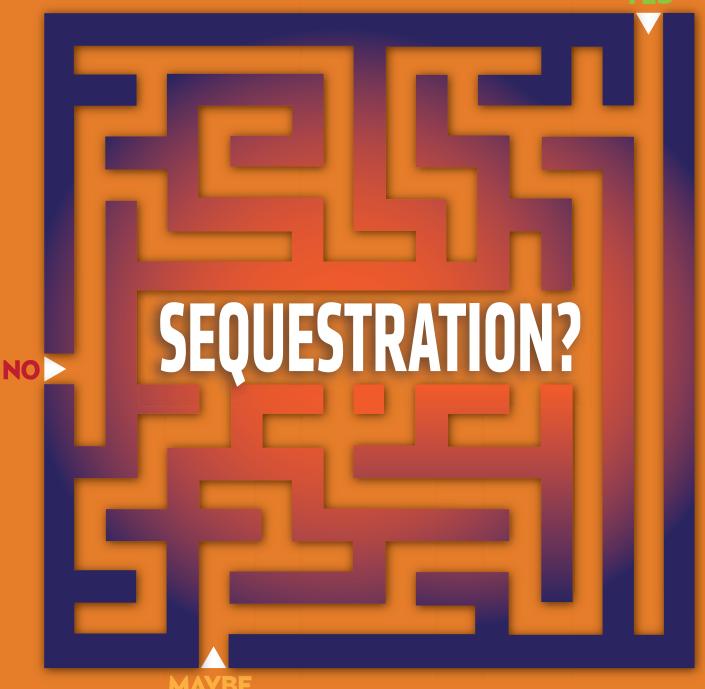
Services Council Services Contractor

September 2012 / The Voice of the Government Services Industry

YES



ALSO INSIDE:

7 NAVIGATING CASH FLOW CHALLENGES 8
Dod Focuses on counterfeit parts

13 DCAA'S AUDIT GUIDANCE 21
NATIONAL SECURITY
ON A SHOESTRING



Can your government contracts stand up to the scrutiny of a Department of Labor investigation? In order to remain viable in the government contracting arena — and avoid violating Service Contract Act (SCA) regulations — you must determine the health and welfare liability of your government contracts.

An SCA Compliance Review from Government Service Administrators (GSA) can help.

Offering a detailed and thorough compliance analysis of your government contracts — including labor categories and fringe rates — GSA helps you ...

- · Minimize the risk of non-compliance
- Deter potential future audits from the Department of Labor
- Receive immediate assistance for current and ongoing investigations
- · Avoid future funding deficiencies
- Prevent fringe benefit cost overruns
- Accurately project future costs
- Assess compliance with area wage determinations (AWDs)
- Benefit from compliant, cost-effective, and comprehensive recommendations

Take a preemptive strike against regulatory investigations ... and gain a **competitive edge** during the bidding process.





800-250-2741, ext. 170 · solutions@gsanational.com · www.gsanational.com



Service Contractor is a publication of the

Professional Services Council

4401 Wilson Blvd., Suite 1110 Arlington, VA 22203 Phone: 703-875-8059 Fax: 703-875-8922 Web: www.pscouncil.org

All Rights Reserved

PSC STAFF Stan Z. Soloway President & CEO

soloway@pscouncil.org

Executive Vice President & Counsel chvotkin@pscouncil.org

Bryan Bowman Manager, Marketing bowman@pscouncil.org

Matt Busby Manager, Member Services busby@pscouncil.org

Joe Carden Vice President, Marketing & Membership carden@pscouncil.org

Elise Castelli Manager, Media Relations castelli@pscouncil.org

Bethany Egan Administrator, Coalition of International Development Companies egan@pscouncil.org

Larry Halloran Director, PSC International Development Initiative halloran@pscouncil.org

Karen L. Holmes Office Manager/Receptionist holmes@pscouncil.org

Victoria Huet Events Support Coordinator huet@pscouncil.org

Roger Jordan Vice President, Government Relations jordan@pscouncil.org

Jeremy W. Madson Manager, Federal Affairs madson@pscouncil.org

Kate Petersen Manager, Legislative Affairs petersen@pscouncil.org

Melissa R. Phillips Director of Meetings & Events phillips@pscouncil.org

Robert Piening Director of Finance piening@pscouncil.org

Jean Tarascio Membership Associate tarascio@pscouncil.org

Kristine Thomas Executive Assistant thomas@pscouncil.org

For advertising or to submit articles or items for the Member News section, contact: Bryan Bowman

Service Contractor September 2012

The Voice of the Government Services Industry









DCAA'S AUDIT **GUIDANCE ON DoD BUSINESS SYSTEMS**

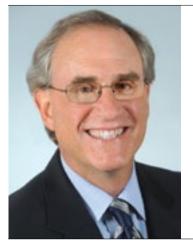


NATIONAL **SECURITY ON A** SHOFSTRING



PSC TURNS 40

4 President's Corner /31 Bill Tracker / 39 Policy Spotlight/ 43 Committee Corner / 44 Member News / 46 PSC Scene and Heard



PRESIDENT'S CORNER

he more things change, the more they stay the same. Or do they? As the nation faces the November elections, the so-called "fiscal cliff," a final faceoff over the Bush tax cuts, and, of course, an economy that continues to struggle, many predict that major change could be in the offing. But at press time, the chances are that, regardless of who wins the White House or control of either house of Congress, we could well continue to face a political process in effective stasis.

After all, it appears clear that neither party will win the requisite 60 seats in the Senate to ensure its ability to overcome filibusters and it is likely that the majority's margin in the House will be no bigger, and quite possibly narrower, than it is now.

Of course, the outcomes of many of the policy decisions facing our elected leaders are well beyond our immediate control or even influence. But that doesn't mean that there is nothing we can do about their impacts. Nor does it mean that those impacts are not already being felt. As such, in this issue of *Service Contractor*, we attempt to delve into a few of those impacts and the related actions companies can take.

For our regular "Sounding Board" feature, we asked three members of the PSC Board of Directors—Larry Besterman of TWD & Associates, Deb Alderson of SRA, and Mark Danisewicz of American Systems—to discuss, in light of the current fiscal environment, the ways in which they've experienced, or not, changes in government pay practices and/or their own company's cash management practices.

In keeping with our goal of providing actionable, tactical insights, Michael J. LaCorte, Bradley H. Smith and Christine J. Wade of Cherry Bekaert and Holland offer their advice on implementing the Defense Business Systems Rule, while Robert S. Metzger, Patricia A. Meagher and Jeffery M. Chow of Rogers Joseph shares their expert analysis of the meaning and impacts of evolving rules surrounding counterfeit parts in the IT and other arenas. In addition, while we rarely reprint material that first appeared elsewhere, we have made an

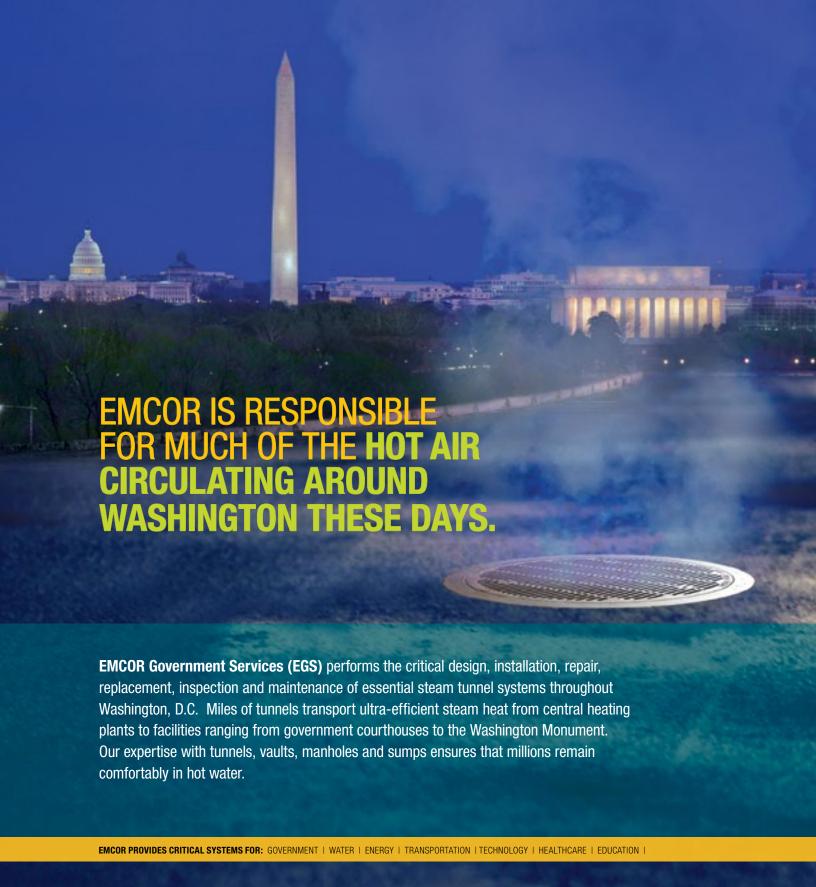
exception in this issue so that we could include the transcript of the outstanding speech TASC CEO David Langstaff gave at the National Press Club a few months ago. The questions and concerns he raises with regard to the budget and national security are both cogent and compelling.

As you may know, PSC recently launched a new task force with a sole focus on business and market policy issues in the intelligence community. In our "Committee Corner," PSC's Vice President of Government Relations Roger Jordan discusses the committee and its agenda—which early returns suggest will be most robust.

Finally, as this is PSC's 40th Anniversary year, we are pleased to share some brief thoughts and observations from our current and former PSC chairmen. Their leadership has been vital to PSC's growth and success and has, in many ways, been a reflection of the broader membership's passion and energy for the organization and the work we do. We on the staff are deeply appreciative of the extraordinary leadership and member support we receive.

Thank you all for your support of PSC.

Stan Soloway
President & CEO



How can we be there for you? 866.890.7794 emcor_info@emcor.net www.emcorgroup.com





Wyle's team of engineers, scientists and flight crew tackle the tough jobs, such as completing the first airborne refueling of the Joint Strike Fighter F-35B short takeoff/vertical landing variant. With 16 years of dedicated support for the JSF program, Wyle provides engineering and program management support; foreign military sales management; flight test support; threat reprogramming, analysis and assessments; and basing and ship suitability services. For more information, go to www.wyle.com





SOUNDING BOARD:

In each issue, PSC asks members of our board of directors to offer their perspectives on key challenges facing the government services industry.

Navigating Cash Flow Challenges

QUESTION: In recent years how has cash flow and financing been affected by government pay practices? What changes to your practices has this generated?



Deb AldersonExecutive Vice President,
Strategy, SRA

t is certainly no secret that the federal government contracting environment has become more challenging and hyper-competitive as our clients face significant budget challenges and it is more difficult to manage in an environment where federal spending is tightening. SRA is reacting by continually looking for ways to improve the efficiency of our internal operations as well as the efficiency of the contract work we perform for our clients. We are proud of our diverse portfolio of business, which provides us with many and varied opportunities to help our federal government address its daunting challenges. This diverse portfolio does introduce the challenge of dealing with multiple government payment and contract offices and each has some unique practices.

Despite these difficult market conditions, SRA has not seen a significant impact to cash flow or financing due to government pay practices and has not noted any slow-down in the collection of our receivables. In fact our cash flow, which is measured by Days Sales Out-

continued on page 17



Larry Besterman
President and CEO,
TWD and Associates

When the government market has been somewhat challenging over the last year or two. The debt ceiling impasse, series of short-term continuing resolutions, focus on significant budget cuts, and threats of sequestration have made this space more competitive, more volatile, and harder to navigate than at any point during my career. Almost every company in this space—including mid-tier vendors—is forced to make difficult decisions in terms of cash flow and financing activities.

To its credit, the government has made strides in regards to paying bills efficiently—especially when federal funds are available and flowing—but even still, as a company and an industry, we are facing the threat of cash flow issues that we must take seriously. The cash flow challenge is accentuated when a company has term debt on its books and uses a line of credit (LOC) for working capital purposes. But even without term debt, the current fiscal environment has had many secondary effects on cash flow that have to

continued on page 17



Mark Danisewicz Executive Vice President and CFO, American Systems

ver the last several years, cash flow and financing have been particularly choppy, thus impacting the ability of government contractors to operate smoothly and efficiently. In 2008, when the financial markets crashed, bank funding tightened, making it more difficult for businesses to obtain and maintain loans. Over the last few years, government contractors have also had to grapple with continuing resolutions and the threat of government shutdowns. Although the economy is gradually pulling out of the recession, our businesses now must deal with serious federal budget cuts, the potential for increased taxes and the possibility of sequestration. All of these events will obviously impact cash flow.

Fortunately for government contractors, during this same time we have also seen a gradual shift in governmental payment practices to web-based or "Internet payment platforms" (IPP). The most well known of these systems is the Department of Defense's (DoD) Wide Area Workflow (WAWF) system, which DoD has used since 2004. The intent of these systems is to increase

continued on page 42



that the Department of Defense (DoD) was expected to publish on September 26, will, of course, impact contractors supplying electronic parts and systems to DoD. Perhaps less obvious are the reverberations that the new rules mandated by Section 818 of the 2012 National Defense Authorization Act (NDAA) will send throughout the defense supply chain and beyond, affecting

integrators, logistics and supply chain support contractors, engineers, testing facilities, acquisition professionals, business consultants, accountants, lawyers, and many more service providers.

A Senate Armed Services Committee (SASC) hearing last November gave rise to the counterfeit parts legislation and the SASC's May 2012 investigative report provides substantial evidence that DoD's

parts. Recognizing that there is a problem, there are no easy answers.

More than 20 years ago the DoD began a steady and substantial shift away from purchasing military specific (MIL-SPEC) items in order to enjoy the benefits of the commercial market. The movement toward commercial technologies revolutionized federal acquisitions and the way we live. For all the criticism lobbed at DoD acquisitions, imagine how much each



MIL-SPEC GPS-enabled, 9.5" x 7.3", touch-sensitive, rugged, handheld data storage and computation device would cost—certainly much more than any of the ubiquitous tablet devices available with a government purchase card. At the same time, the existence of an active government market no doubt encouraged many technical innovations in the commercial sector. While both DoD and commercial companies

a chasm between DoD's needs and what the commercial market could readily supply.

The resulting obsolescence problem has created an urgent need for military-grade electronic parts to repair or replace aging DoD systems. At some point in the short lifecycle of commercial electronics, manufacturers stop producing one product so that they can begin making the successor product that is more capable and intended to meet evolving commercial actors to create counterfeit parts. In the city of Shenzen, China, an entire counterfeit industry exists to provide bogus parts to meet the demand for hard-to-find parts.

Beginning in 2008, media reports first identified the counterfeit parts problem in DoD's supply chain suggesting that counterfeit parts had been included in fielded military aircraft and were degrading the reliability of U.S. weapons systems. In the succeeding years, investigations

continued on page 10

from page 9

by the Department of Commerce's Bureau of Industry and Security, Government Accountability Office (GAO), SASC and DoD itself confirmed that DoD's supply chain was infected with counterfeit parts and that reforming DoD and contractor purchasing practices was a necessary step in dealing with counterfeit parts. Section 818 represents Congress's attempt to mandate that DoD and its contractors take the steps necessary to reduce the risk of counterfeit electronic parts. A full discussion of Section 818's requirements is beyond the scope of this article, so we will focus on the likely impact of key requirements on service contractors.

1. Costs of counterfeits and remediation. Section 818 makes contractors responsible for the costs of any counterfeit part delivered to DoD and any associated rework or corrective action. All such costs are unallowable. Even setting aside



the issue of the government's role in creating the counterfeit parts problem, implementing the rule in the real world exposes prime contractors to substantial and inevitable risk. The law requires contractors to, whenever possible, purchase electronic parts from Original Equipment Manufacturers (OEMs), their authorized distributors or "trusted suppliers." If a contractor follows that mandate and purchases from one of these three trustworthy sources or receives

a part as government-furnished equipment (GFE), the law still seeks to place 100 percent of the financial responsibility on the contractor. Prime contractors will understandably seek to shift risk to suppliers by requiring certifications and indemnification; and the counterfeit parts clause will be a mandatory flow down provision. Nonetheless, service professionals will need to create terms and conditions that account for this novelty and the inability, especially of lower-tier participants, to accept liability substantially beyond the contract value.

In most cases, contract liability as between the prime contractor and the government is a negotiated term, and the government self-insures. Where Section 818 is concerned, the law makes the prime contractor the insurer against counterfeit parts-related liability—potentially in excess of the contract value—which the contractor may have been forced to



accept by the government's purchasing rules. Evaluating, managing, pricing and dealing with claims relating to that risk will require the skills of many service professionals.

2. Contractor systems to detect and avoid counterfeit parts. DoD's new regulations provide the framework for new contractor systems for the detection and avoidance of counterfeit electronic parts. Many elements of required contractor systems are spelled out in the law and supply chain scholars and standards organizations have developed guidance on mitigating the risk of counterfeit parts. Establishing, operating, auditing and certifying those contractor systems will also require the skills of many service professionals. Other service providers will perform, perhaps as a third party, testing and inspection services.

3. Managing obsolescence. Contractors that deliver new products to DoD, and those that

have contracts to perform operations and maintenance support, will need to account for and, where possible, avoid the business risk posed by Section 818. At all stages, from bidding through performance, contractors may involve engineers, risk analysts, quality professionals and other service professionals to mitigate the risk posed by obsolete parts. Similarly, for contracts already in place, if purchasing from reliable sources is not possible, contractors will need to consider or create alternatives through engineering, refurbishing or replicating parts of unknown authenticity. Contractors should notify DoD before trying to replicate parts because even if they are successful, they will have likely introduced a "counterfeit part" under DoD's current definition.

DoD's counterfeit parts regulation will likely be a precursor to requirements that will someday apply to all federal acquisitions. So even companies that deal primarily with civilian agencies will want to stay apprised of DoD's implementation and industry's efforts to deal with the unique obligations imposed by Section 818. There will be many challenges in implementation, and over time contractors and the government will reorder their practices to satisfy the laudable goal of avoiding counterfeit parts in systems the government buys. Until that occurs, there will be no shortage of problems in need of service sector solutions.

Rogers Joseph O'Donnell, with offices in San Francisco and Washington, D.C., has a national reputation built on 30 plus years committed to public contracting matters. Robert S. Metzger is the partner in charge of Rogers Joseph O'Donnell's D.C. office; Patricia A. Meagher is a partner in Rogers Joseph O'Donnell's San Francisco office; and Jeffery M. Chiow is an associate in Rogers Joseph O'Donnell's D.C. Office.

The Outsourced Accounting Solution for CAS, FAR, and DCAA Compliance



Complete Accounting Services for Contractors

- > Industry Experts in Government Contracting
- » Best-in-Class Software Tools from Deltek®
- > Hosting in a SSAE-16 Environment
- » Cognos® Reporting Tools
- > CAS, FAR, and DCAA Compliant

Financial Planning & Analysis

- > Provisional Rate Models, Budgeting, and Forecasting
- > Financial Project and Reporting
- > Cost Proposal Preparation
- > Earned Value Management Support
- > DCAA Compliance Support







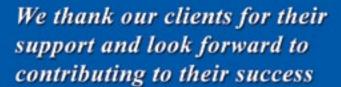
www.neosystemscorp.com

571.234.4940 or **888.676.6367** | fax 571.234.4948

Original Thinking

Uncommon Access

Pure Advice™





Selected Transactions



Frontier Capital

\$15 Million Financial Advisor



Sale to General Dynamics

Sellside Advisor



Acquisition of Composite Engineering

> \$155 Million Buyside Advisor



Sale to Salient Federal Solutions

\$75 Million Sellside Advisor



Sale to GeoEye

\$46 Million Sellside Advisor



Acquisition of Lockheed Martin's Enterprise Integration Group

> \$815 Million Buyside Advisor



Sale to Gilat Satellite Networks

\$137 Million Sellside Advisor



Sale to Torch Hill Investment Partners

Sellside Advisor

STANLEY

Sale to CGI Group

\$1.1 Billion Sellside Advisor



Acquisition of SGIS

Buyside Advisor

Sagent's Defense, Aerospace and Technology Services Practice

Chris Oliver

Managing Director (704) 414-3140 coliver@sagentadvisors.com

Omar Namoos

Principal (212) 904-9465 onamoos@sagentadvisors.com

Sagent Advisors is an independent investment banking firm that advises its clients on mergers, acquisitions, private capital raises, restructurings and other advisory matters. Sagent provides broad industry and product sector expertise through its offices in the U.S. and globally through its alliance with Daiwa Securities in Asia and DC Advisory in Europe.

Charlotte . Chicago . New York . San Francisco

www.sagentadvisors.com







by Michael J. LaCorte, Bradley H. Smith and Christine J. Wade Cherry, Bekaert, & Holland, L.L.P.

DCAA's Audit Guidance on **DoD Business Systems**

Audit Agency ("DCAA") issued long-awaited audit guidance governing contractor business systems, with a particular focus on the Accounting system. This memorandum for regional directors, MRD 12-PAS-012(R), represents the first published audit guidance specific to the Defense Department's business systems rule since it was finalized in February 2012. The MRD provides key insight into DCAA's audit approach, definition and treatment of deficiencies, and the frequency of Accounting system and sub-system audits.

A New Audit Approach

DCAA has revised their approach to audits in two ways:

- How audits are performed; and
- The performance of sufficient testing.

The new approach leverages a team-based model to facilitate a bet-



ter understanding of the contractor's system(s). DCAA has emphasized that auditors must perform sufficient testing in order to support conclusions asserted within the audit report. Specific guidelines surrounding what constitutes "sufficient testing" remains largely absent, so this could result in inconsistent application of testing parameters from au-

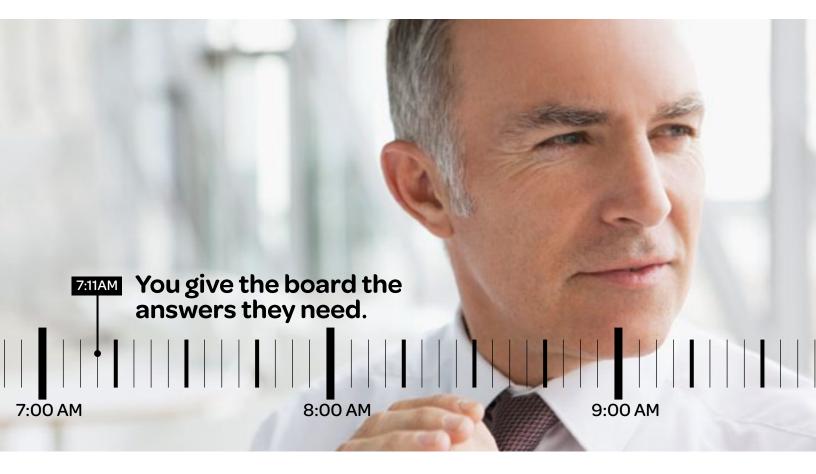
ditor to auditor. However, both DCAA and the Defense Contract Management Agency are carefully monitoring the initial implementation activities. Auditors are instructed to consider risk, the nature and frequency of the control/ operation involved, and the volume of transactions, when determining what constitutes "sufficient testing." If internal controls are considered to be operating effectively, then the level sufficient to demonstrate substantive testing should be lowered to provide for greater reliance on contractor controls. The result is continued reliance on the professional judgment of the individual auditor. However, adequate focus on the effectiveness of controls and incorporation of a team-based approach to audit theoretically should facilitate a more appropriate risk assessment and ultimately increase the efficiency of future business system audits.

continued on page 15









Your work isn't just 9 to 5. You always need to be on. So why not let every minute work to your advantage?

Business is complex. But with Deltek's government contracting solutions, you see it all-especially the information that makes a difference. And when you bring that knowledge to the table, your organization makes better decisions-and exceeds expectations.

Take a moment to see more. You'll be closer to making each minute more precise.

Take control today. Download the FREE white paper at deltek.com/visibility

Make every minute count.

That's precision with Deltek.

Deficiencies and Non-Compliances

The MRD provides guidance pertaining to significant deficiencies, the relationship of deficiencies to noncompliances and deficiency reporting requirements. A significant deficiency represents a shortcoming in a business system that materially affects the ability of DoD officials to rely upon information produced by the system. A significant deficiency will usually represent a material weakness of internal controls as defined by Generally Accepted Government Auditing Standards (GA-GAS). GAGAS requires auditors to report deficiencies, or a combination of deficiencies, that are less severe than a material weakness but are important enough to merit inclusion in the audit report. Therefore, information reported in business system audits may provide useful insight relative to the effectiveness of internal controls for other contractor reporting purposes (such as for financial reporting).

In evaluating identified business system non-compliances, DCAA will consider the likelihood of the identified non-compliance resulting in non-compliance with other government contract laws and regulations. Auditors have also been advised that a non-compliance should be viewed both individually and also in conjunction with any other identified non-compliance, as the combination of multiple instances of non-compliance may also result in a material weakness. The MRD states that factors to consider include: the history of non-compliance found in contractor assertions, identification of material non-compliance with government contract laws and regulations, sampling risk, materiality, the effect of

compensating controls, and qualitative considerations. Furthermore, the significant deficiency only needs to result in a reasonable possibility of non-compliance (i.e., an actual monetary impact does not have to be discovered for a significant deficiency finding).

DCAA has advised that it may be appropriate to facilitate timely communication of significant deficiency findings on in-process business system and non-business system audits. The MRD appears to indicate that findings in other than a business system audit can be used as the basis for establishing that a business system contains a significant deficiency. When a deficiency or non-compliance with the business system criteria is identified in an audit other than a business system audit, a separate "Business System Deficiency Report Assignment" will be created. Additional guidance advises that auditors should not wait until issuance of a final Accounting system audit report to communicate significant deficiencies within Accounting sub-systems (such as Billing, or Indirect and ODC); these findings should be communicated via a deficiency report. Thus, it is critical that contractors consider internal controls across their organization and assess the effect that material weaknesses could have on current and planned audits and use the adequacy of their business systems to mitigate the risk of potential deficiencies.

Frequency of Audits

The MRD provides summary guidance relative to the frequency with which the Accounting system and sub-system audits should be performed. The Accounting system and Control

Environment audits will be performed every three years whereas the Billing system audit will generally be performed annually. Identified deficiencies will be considered outstanding for future audits unless the contractor has corrected the deficiency and DCAA has performed a follow-up audit, found the corrective action to be effective. and closed the deficiency. This leaves contractors at the mercy of when a follow up audit can occur in order to clear deficiencies, although both DCAA and DCMA are sensitive to the impact of cycle time reviews. The MRD has created a risk-based approach to auditing. Contractors with sound internal controls should enjoy more audit success as a result of decreased detailed testing and subsequent follow-up audits due to a lower perceived risk than contractors with deficient internal controls. Therefore, it is imperative that contractors perform self-assessments to ensure that internal controls are performing as intended and in compliance with regulatory and audit requirements.

Business system rule non-compliance can decrease cash-flow and damage market position; therefore, contractors must understand the new audit guidance and be diligent in proactively ensuring the effectiveness of their internal controls.

Michael J. LaCorte, CPA, CVA is a manager; Bradley H. Smith, CPA is a partner; and Christine J. Wade, PMP, CFCM, is a senior manager in Cherry, Bekaert & Holland, L.L.P.'s Government Contractor Services Group. They can be reached at mlacorte@cbh.com, bhsmith@cbh.com or cwade@cbh.com, respectively.







Deb Alderson continued from pq. 7

standing (time elapsed between performance of services and payment of invoices), has improved in the last three years. We do encounter periodic problems with collections, not as a result of the government fiscal constraints, but rather as a result of discrete operational issues at government's payment and procurement offices (for example, where there is a system error or an office is shut down for the implementation of a new system or process). Our experience has been that once a contract is awarded and funded, we have not noted any pattern of behavior on the part of our clients making invoicing more challenging or obtaining the proper approvals for payment.

We have noted more bridges and modifications for incremental funding driven by government budget constraints. This creates additional work to get an accurate and timely invoice out to the client. Also an increase in incremental funding actions usually results in adding new contract line items which requires more time by our contract administrators to process a greater volume of modifications. Additionally, we need to create additional charge numbers and incur more communication time to ensure employees are charging to the new charge numbers. This requires more effort on our part to ensure the costs are captured and invoiced correctly.

SRA has made changes to our practices over the past several years to address payment office nuances encountered across our diverse portfolio of business. What's worked for us: (1) streamlining our collections and invoicing process to ensure accurate and understandable invoices; (2) establishing a single invoicing/collections point of contact for unique agencies; (3) increasing managers' involvement in obtaining customer approval; (4) increasing knowledge and awareness of all employees (e.g., completing timecards accurately) of their effect on cash flow. We continuously review our operations for efficiencies while meeting the challenge of maintaining a steady cash flow in this dynamic market environment.

Larry Besterman continued from pg. 7

be considered as companies decide how to deploy cash and invest in their business.

What we are seeing at TWD is significant, periodic swings in "days of sales outstanding" (DSO). These swings are directly tied to the government fiscal events referenced above, which are completely out of our control. Another factor is a decrease in the timeliness of incremental funding modifications, which results in regular periods where we receive funding anywhere from 60-90 days late, causing a scramble internally to catch up on bill payments once funding modifications are finally received. Over the last couple of years, these government fiscal events and swings in available funding have caused our LOC usage to ebb and flow in a much wider range than it ever has before.

The government market is also experiencing delays in contract awards and postponement of work start dates (especially on construction-type projects) that has lowered direct labor (DL) utilization efficiency and increased costs, squeezing profit margins and increasing LOC usage.

The tight fiscal environment has also resulted in increased price competition as companies fight harder for every dollar of funding, which further impacts profit margins. This is forcing us to re-focus bid strategies and increase investments in revenue generating activities such as business development, capture, and proposal resources. The combination of lower operating profits from intensified price competition and increased business development investments to win our share of a shrinking pie makes it that much more challenging to have sufficient free cash flow to retire debt and lower the LOC balance.

Taking the entire current fiscal environment into consideration, TWD is employing specific strategies to ensure continued growth and success, including the following:

• Strategic pricing of proposals. We have shifted our focus from how much profit we think we can generate on a bid to how much contribution margin we can squeeze out of a bid. We are attempting to use operating leverage to add new business volume while keeping our "fixed costs" steady.

continued on page 18





Larry Besterman continued from pg. 17

- Searching for the winning price. To achieve the operating leverage we seek, we are focused on finding the perfect balance between our operating costs and the amount we bid on a proposal, with the ultimate goal of building volume. In an environment of lowest price, technically acceptable (LPTA) proposal evaluations by the government, it is of utmost importance to provide a price that is acceptable to the government, but still maintains an appropriate margin for the company.
- Focus our business development efforts. We have identified certain technologies where we can help customers enhance mission performance, reduce costs, or both. Right now we believe that unified communications and collaboration technologies offer us the best opportunity to distinguish ourselves given our broad-based capabilities and expertise in these areas, as well as the growing market acceptance and utilization of these types of technologies.
- Deliver exceptional customer service. As always, we are committed to ensuring we are delivering the best possible service and results to our customers. The ability to prove our value to the end user will more than likely enable us to expand and grow that business organically.

All that said, a company cannot be afraid to make hard decisions when faced with increasing cash flow pressures, but we feel strongly that some areas have to be sheltered as much as possible for the overall health of the business. As such, we currently are <u>not</u> considering the following measures in response to the current fiscal environment:

- Cutting employee benefits. We are keeping our programs intact despite the relentless upward cost pressure of health, dental, and disability insurance plans.
- Reducing or eliminating employee education and training dollars. We remain committed to helping our employees improve their lifetime employability as we enter an era where jobs may become harder to find.
- Reducing or eliminating dollars for marketing and promotion. As a mid-tier contractor caught in the classic squeeze between large companies going down market to search for new business and the socioeconomic set-aside goals for small businesses, we have to increase market awareness of our company and what we do.

TWD has been in this market for 20 years. We are committed to ensuring we remain here for the long haul, no matter how difficult the fiscal environment becomes in the years ahead. ■



For more information on Unanet, the spreadsheet terminator, visit www.unanet.com/psc or call 703.689.9440.





Most benefit brokers know their business. Only CBIZ NBA knows *yours!*

Comprehensive benefits solutions designed specifically for **GOVERNMENT CONTRACTORS**.

	CBIZ NBA	Most Brokers
Benefit Administration Technology	✓	Some
Premium Administration	✓	✓
Hour Bank Accounting	✓	No
COBRA & HIPAA Administration	✓	✓
Carrier Eligibility Administration	✓	Some
SCA/Davis Bacon Compliance Consulting	~	No
Government Contract Transition Assistance	~	No
Exclusive SCA/DBA Benefit Plan Design	~	Some
In House Legal/ Actuary Expert Resources	~	No

INDUSTRY EXPERTISE, TECHNOLOGY AND SERVICE



CBIZ National Benefit Alliance

Call Matt Marchant • 800.390.1224 x209 mmarchant@cbiz.com • www.cbiznba.com



You can depend on our Defense and Government Services experts.

Discover bankers who put your needs first. At Regions, we understand the unique financial needs and changing dynamics of your industry. Whether it's financing for a complex acquisition requiring access to capital markets, or financing for everyday operations, our bankers are here to help. We have the defense and government services expertise to provide you with customized financial solutions, strategies, trusted advice and guidance. Find out what others already know: Banking with Regions means banking with more financial control.

David Sozio, Managing Director | 704.335.9632





Capital Markets | Financing | Advisory | Risk Management | Treasury Management

regions.com/defense



Comments of **David H. Langstaff**President and CEO, TASC, Inc. National Press Club Newsmaker, June 12, 2012

National Security on a Shoestring – **Do We Dare?**

o we dare?' The problem with the question, 'do we dare', is that it suggests we have no choices. This assumption is wrong...

A number of months ago, Admiral Mullen observed that one of the greatest threats to national security is our national debt. It's stating the obvious to note that, as a country, we must get our fiscal house in order. Doing so will require smart sacrifices and hard choices by everyone, including those in government and industry who are entrusted with our national security.

What we are not hearing enough about from anyone is HOW we meet our national security goals and address our financial and budgetary crisis at the same time. We all have to change our behavior and we must embrace the change — not fight it. We must think and act at the national level — not at the parochial levels of interest group self-interest where we seem to dwell.

Recently, the Secretary of Defense informed Congress that restoring funds to unnecessary programs will hurt national security by denying proper funding for the programs that are essential today and in the future. We must listen.

The government, by its own admission, has not managed previous defense budget downturns well. Past efforts have led to a 'hollowing out' of our armed forces and overall capabilities. In the past, we navigated downturns in times of relative global stability. Today, we are navigating a downturn in a time of relative global volatility. Simply put,



we can't afford to get national security wrong.

One prerequisite for embracing constructive change is to agree on a shared goal. The goal is not to protect jobs in my district, or maximize revenue growth next quarter for my company! The shared goal is America's national security.

I would like to suggest three points that must be part of the necessary conversation of how to accomplish our shared goal of national security within an austere budget environment, and to try to get away from a discussion that is fast becoming nothing more than irresponsible grandstanding.

First, the government must stop racing to the lowest cost, regardless of risk, capability or mission importance.

Remember the classic children's story of the three little pigs? Each little pig chooses to build a house out of different materials, with different consequences. We tell this story to our kids to make the point that it's important to do things right the first time and to

beware of the consequences of taking shortcuts.

Today's race to the lowest cost makes sense on the surface. After all, why pay more than you seemingly have to? But, in many instances, it's like building our national security house out of straw. By defining value as the lowest upfront cost without adequate regard for other factors, we risk building on the wrong foundation, bearing unnecessary risk, and, in time, incurring a much higher cost through budget overruns, delivery delays and, in the worst cases, failure.

I am not suggesting that the government shouldn't seek to buy at the best price and value, but the best value accounts for all the costs over time, as well as the objectives of the mission. Think what you do as an individual: It is one thing to buy the cheapest generic drug to treat a cold, but when it comes to open-heart surgery on your heart, you act differently. Investing in our national security is our country's open-heart surgery. We need to understand what is at stake before we buy, or cut.

Which leads me to my second point.

There is a growing tendency to think of only using the private sector to provide staff augmentation where government resources are insufficient. This, too, is a mistake. The private sector is far more than a supply of temporary labor, for at least two reasons. First, our country's institutional knowledge of national security programs and systems resides across government AND the private sector. Again, we're in it

continued on page 23



Safeguarding National Security



Keeping America Strong

DELTA Resources Inc. enhances the government decision making process through high quality products and services. Our skilled team of professionals offers the highest caliber of service; making your team stronger and more competitive.

DELTA is a woman owned small business, providing government support services in:

- Business Solutions
- Program Management
- Administrative Support
- Financial Management
- Acquisition Management
- Engineering Services
- Information Technology

together. Second, innovation and the application of new technologies come from the private sector. Treating the private sector as nothing more than a low-cost provider of staff augmentation shuts out American experience and innovation.

The government should articulate what it needs to accomplish, what it is prepared to pay for, and then let the private sector figure out how to deliver it. Think of it this way: Do you buy a car based on the cost of the steering wheel and the engine and the wages of the assembly-line workers? No. You buy a car that performs to your criteria and which is at a price you consider fair and affordable. Similarly, the government acquisition process should move away from its current obsession with the cost of component inputs, and shift its focus to desired outputs such as performance and affordability. By doing so, we re-open the door to private sector experience, innovation and ingenuity, and allow companies to bring their institutional knowledge to bear rather than simply

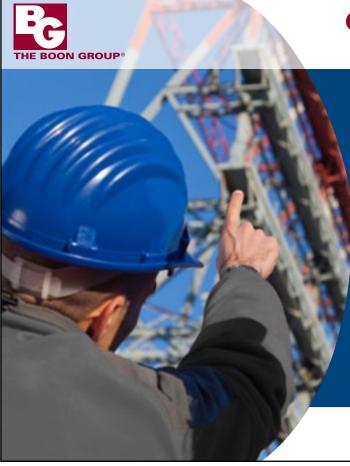
contribute their individual employees on a scheduled basis.

Third, it is increasingly recognized in both government and industry circles that we lack sufficient systems engineering. Good systems engineering is the architect you hire before you build a house...the architect helps you make the tradeoffs so that you get what you need, when you need it, and within a budget you can afford. Unfortunately, over the past decade, we have built a few too many houses without architects! Just consider the development of the F-35 Lightning II. As reported in the Washington Post last week, the fighter is almost three years late and has run \$8 billion over budget.

Systems engineering is usually associated with the construction of a program or system. In today's age of fiscal austerity, systems engineering can help us with deconstruction—that is, making the right tradeoffs to scale back programs and systems without sacrificing mission readiness, mission sustainability and overall mission goals.

As a country, we face major challenges on multiple fronts—challenges for which solutions will come in conflict with each other and which will test our collective willingness to execute our responsibilities as citizens in a democracy, and perhaps more pointedly, as government and business leaders. Pulling it all together, doing 'more with less'—or doing 'more with no more'—while not ignoring our national security responsibilities—requires knowledge, intelligence and courage. It is time for us to embrace the changes we know we need to make and put aside our self-serving, parochial interests. And, we must rethink how we engage the private sector in order to unleash the innovation and brain power that have defined our country for more than 200 years.

David Langstaff is president and CEO of TASC, Inc. His remarks were delivered to the National Press Club on June 12 alongside Sen. Carl Levin, chairman of the Senate Armed Services Committee, and Gen. James Cartwright, former vice chair of the Joint Chiefs of Staff.



Connecting Health and Wealth Solutions.

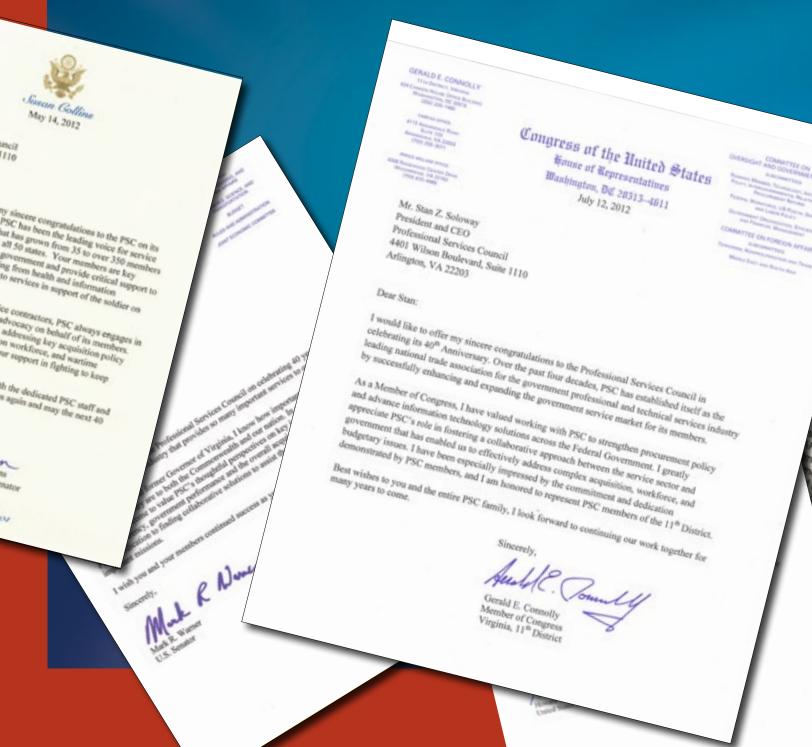
- Administrative compliance and administrative services for SCA, DBA, Living Wage and Prevailing Wage Contracts, ERISA and The Affordable Care Act
 - **MedPremier** the first ever fully insured hourly cost major medical plan built specific to your fringe rate
 - Healthy Achievers a URAC Core accredited company offering worksite wellness programs that provide health and risk assessments, biometric screenings and immunizations
- Retirement Solutions qualified retirement plans through a registered investment advisor

w w w . b o o n g r o u p . c o m 866-831-0847



PSC Turns 40

As PSC starts the celebration of our 40th year, we look back at the many milestones we've reached during our years of leadership of the federal professional and technical services industry and recognize the people who have been an integral part of our history.



DEFENSE CONTRACT MANAGEMENT AGENCY July 11, 2012 THE UNDER SECRETARY OF DEPTH WAS ENGINE FOR ACCOUNT President and CEO Professional Services Council Mr. Stan Soloway 4401 Wilson Bookers 440 Wilson Benferred State 1110 Professional Services Council President and CEO Congratulations to the Professional Services Council for 40 years of support and 4401 Wilson Blvd, Ste, 1110 Congratulations to the Professional Services Council for 40 years of support and commitment to building relationships across the public/private sector seam. The Council's ability to ensure continious and viscous are beard below to dressether the realist making. Dear Mr. Soloway. Arlington, VA 22203 in 400 Please accept my committalisions to the Professional Services Council on the commitment to building relationships across the public/private sector seam. The Countries ability to ensure opinions and views are heard helps to strengthen the policy making The Professional Services Council serves a surject and valuable role as the council serves a surject and valuable role as the council serves as surject and valuable role as the council services to the Federal Government and Report of the Services to the Federal Government Goognamers. Dear Dr. Soloway: Good luck and best wishes in the coming 40 years! As the Department of Defence depends upon the national industrial base for suppliers a sensitive of invaluable combined experience. As the Department of Deferore depends upon the national industrial base for respect to the Department of Deferore depends upon the national industrial base for respect to the Department and the Proportion and the Proportio process. d constitution contribution to tenional sartto H Director 961 CO S CO S noil for its offerts to enhance our .. 0.5 Sugar Line? Mr. San Z. Soloway INITED STATE Protessional Services Council WASHINGTON, Produkteren 24at Wilson Blyd, Saile 1140 Stan, Arlington, Vagaria (22293) February 10, 3 want to take this opportunity to congrate Ligard to express my success compratidations for the past 40 years of the Want to take the opportunity to congress
as a seal teacher as \$550clation to congress
as a seal teacher as a seal teache Profession of Relatives that is the loss work transfer only obtained to might all as a real leader across a specialism of ships The programmer here ices nector. The creation of the Pide in 1902 is link a real by Dear State. not processing a section of managers to shape and grow the government wer the years, my staff and I have had many wer the years, my staff and I have had many sociation's thoughtful and collaborative approach curity to acquisition, from federal workforce issues PSG Seconnitiment to a wille wariety of key andestry assues, from altressing accessing charges in the contractor process to adviscary for regulators ETY Act and a range of other challenges facing the services sector marrowany accessory consigns in the consistent process to accessing the expension reference is been important and highly commendation. It is clear that the Canadally, postidition is provide an about a subject table securior manager. The closest care one a sound nt of Homeland Security, PSC's continual to the security of th community of the federal services market, is indicated by the caseful attention paid of and scope of knowledge has been of great held the constitutes. Whether through formal testimony demonstrated construction are restricted to the entire terminated as management by the conservation of such continued. cussions, PSC has consistently demonstrated a real tor may no a supermonstry actions, and area as such a surressess, such contribute feeligation is extremely valuable to members of the industry in this entered supplied cussions, PSC has consistently corrected and standard standards and standards and a real standards. Constitution and clearys. In addition, year leadership of the organization in securiee of professionassin, expense, and a real and a real and anticionally Hireny he leve than four executes since its rango as a the professional les, you are 'the voice of the Services Connect continues to realize its good of representing and helping the years has been she far es, you are the voice of the stand of dialogue that so tability bearish to continue a services seeled to the inject extent brought. It is Informs our work for your e member companies of PSC morning Ar He

BRIT

regions becoming generalized a secretary source transistions for Comment a highly 4000 and the Comment at highly 4000. Sir crety. aming cont.

Witham S. Cohen



PSC's Role and Future Opportunities



by Paul CofoniChairman of the Board, PSC, and Chief Advisor to the Board of Directors, CACI International

uring my year as chairman of the Professional Services Council, I've witnessed firsthand the pivotal role the association plays in helping to create an ethical dialog between Congress and the government contracting industry. PSC continues to do an excellent job convincing Congress to take onerous language out of bills that affect contractors like my company, CACI. PSC has always been an effective voice for our industry—and with sequestration on the horizon, its role is becoming more important than ever.

Though the association can't directly influence the outcome of sequestration, it can certainly help our membership understand the impacts on our industry, in terms of both jobs and revenue. PSC has already worked with the National Defense Industrial Association and the Aerospace Industries Association to develop an impact study for the Defense Department that shows sequestration could put up to a million American jobs at stake.

In early July, the association also held a seminar to help members understand the three major directions sequestration could go and how to prepare for them. We heard from PSC Executive Vice President and Counsel Alan Chvotkin as well as Bill Roberts of Wiley Rein. A major takeaway was that there's still time to act, for both Congress and our industry. Congress can still avoid sequestration by passing a balanced deficit reduction bill, and our industry can take the time now to begin contingency planning for the possibility that such a bill will not be passed.

While it's only a remote possibility that we'll have a full-fledged sequestration of discretionary government spending come January 2, it's likely that we'll at least have some sort of interruption or short-term reduction. That's why it's important for all of us to prepare our plans—everything from how we're going to communicate with our people to which parts of our businesses are likely to be most impacted. Some companies will be impacted more than others, but every company should understand the possible outcomes and how to plan for each of those conditions.

Fortunately, just as we have for the past 40 years, we can all continue to count on PSC to stay at the forefront of government activity and provide salient advice during these times of pressure. It's easy for people and companies to overreact during times like this, resulting in decisions that are good for the short term but that often work out badly in the long term.

Going forward, PSC will play an important role in keeping corporate memory alive by reminding us of past cycles that are similar to what we're dealing with today. PSC can help everyone affected—not just within our industry, but also the administration and Congress—to understand the unintended consequences of overreaction and short-term thinking.

Our industry is entering a period that's very different than the last decade. The previous decade was about resourcing needs as fast as we could for the government because of the two conflicts our nation was involved in. Now, as troops are coming out of Afghanistan, the period going forward will be about how we can help our government become more efficient and accomplish its missions while working with fewer resources.

Historically, the government's reaction to pressures on spending has focused on contractor profits and reducing consulting personnel. But ultimately, government agencies can't cut enough costs that way, and they will instead have to look at streamlining their end-to-end processes.

This is why I think we should view the near future not as a down-market but as a market rich with new opportunities. This turbulent environment is going to require all of us to work together to change the way government does business. This is an ideal time for our industry to examine how we can support the government, help it increase the value it provides, and change its business processes—and our own—for the better.

Paul Cofoni is chief advisor to the Board of Directors and former president and CEO of CACI International Inc., a leading provider of information solutions in the areas of defense, intelligence, homeland security, and IT modernization and government transformation.

hen PSC was founded in 1972 by a group of industry leaders who recognized the emergence and growing vitality of the professional services sector, the sector itself was virtually unaccounted for as part of the U.S. economy and barely considered in the government marketplace. This despite the fact that, overall, it was growing at twice the rate of the rest of the economy and slowly but surely within the government as well. In the decades since, as the professional services sector has become an essential partner with the federal government in virtually all aspects of its operations, PSC has become its clear and consistent voice. In 2008, PSC and the Contract Services Association of America (CSA) merged to create a single, unified voice representing the full range and diversity of the government services sector. Today, PSC is the most respected industry voice and leader on legislative and regulatory policy issues related to government procurement, outsourcing and related business policy.

It has been a remarkable 40 years for our association and the industry we serve, and we've asked some of the visionary business leaders who have shepherded PSC through its years of growth and success to reflect back on key moments in our history.

The Spark that Ignited PSC

George Monroe, former president of PRC Systems Services; PSC Chairman 1980-1981

"After 40 years many members probably are not aware of the singular event that was the catalyst for PSC's formation. Bob Krueger had been toying with trying to create such an organization for some time, but with the press of other duties, had not given it all-out effort. My division at PRC had a competitively-won contract to support the Los Angeles division of the Navy Space Systems Agency. Toward the end of the contract, the Navy prepared to recompete it. The Aerospace Corporation (an FCRC/FFRDC) was able to stop the procurement and take over the work. Protests by the Agency to higher authority, to no avail, were made known to us. Hence, the energy arose to give birth to PSC. "

1. What do you remember most about your tenure as chairman?

Mac Curtis, former president and CEO of Vangent; PSC Chairman 2010-2011

"The activity and pace of PSC. There were always many issues being evaluated and responded to by PSC, all important to our industry and members. The energy of the staff to attack these issues and the passion of the membership never ceased to amaze me. It was great to be part of



George Monroe



Mac Curtis



Mike Shelton



Joseph Kampf

the leadership for such a vibrant not-for-profit organization that was so effective."

Mike Shelton, president of EMCOR Government Services; PSC Chairman 2008

"The most vivid memory of my tenure is the merging of CSA into PSC. It was a mixture of herding cats and cultural assimilation. CSA's member composition varied significantly from PSC's with many small businesses in markets very different from PSC's predominant membership. This was the source of uncertainty and unhappiness at the start. Over time, the majority of the CSA members were won over to the value of PSC's contacts and lobbying. I think the annual conference set up was a major contributor to bringing these two organizations together."

Joseph Kampf, CEO of CoVant Management; PSC Chairman 2003-2004

"My tenure through 2003 was a time when

the country and DoD knew it needed its contractor base to fight post 9/11 terrorism. Although the acquisition workforce was certainly not as efficient as it was in the 1980's, it at least recognized that contracts had to be let and professional services support was an imperative. PSC was first beginning to be a regular on Capitol Hill, briefing Congress on issues that affected our marketplace, but not nearly as active as PSC is today and not yet recognized as the brand it now is."

Paul Lombardi, former CEO of DynCorp; PSC Chairman 2001-2002

"My fondest memory during my tenure as Chairman was the ability to communicate and socialize with the leaders of the service industry. We were able to shed the corporate veils and put the health of the industry ahead of issues of our individual companies."

continued on next page







Ken Driesen



Ed Bersoff

Monroe

"My tenure was at the peak of a strong movement, in the Congress and by the government employee unions, to discredit and eliminate the use of service contracts. My challenge was to continue development of a strategy and to organize the tactics that we used to counter this threat. This had to be accomplished entirely with the volunteer efforts of PSC's membership. Looking back, I think we were remarkably successful."

2. Could you share one anecdote about a particularly important PSC achievement during your tenure?

Ken Driessen, chairman, president and CEO, MRJ Technology Solutions; PSC Chairman 1999-2000

"The two things that I remember during my tenure were working with Sen. John Warner to get his commitment that he would propose in the upcoming bill that contractors could charge the government for their late payments; and, perhaps more importantly, recruiting a new president to PSC to lead the association. I'm pleased that both have worked out for PSC."

Shelton

"The 'food fight' between former CSA members and long-standing PSC members led to a 'confrontation' over the necessity of having two conferences a year since CSA usually had a Spring Conference and PSC a Fall Conference. Amazingly, the solution was to have two PSC conferences, one in the spring and one in the fall. The rest is history with this format being very successful."

Monroe

"Probably the most important single achievement of my time with PSC really took place before my tenure as chairman. H.R. 314 was a bill to extend the wage determination provisions of the Service Contract Act to apply to professional employees.

We worked strenuously to defeat H.R. 314 and, with the help of other organizations, we were successful."

3. How would you describe the importance of PSC's role then and now?

Curtis

"PSC is the advocate for our industry across all aspects of the federal market space, no question. When the market is growing, it is amazing to hear people neutralize PSC's impact, but when times get tough or market sectors come under scrutiny, everyone wants help from PSC. That is the true sign of PSC's importance."

Shelton

"Politics and the political landscape is everything. With a Republican administration, we were busy expanding the role of our industry via outsourcing and reduced regulation. Now, under a pro-federal employee union Democratic administration, PSC has been heavily involved in defending our industry against unwarranted and unfounded attacks and attempts to over regulate our business. This has been a significant effort and one that PSC has done well."

Kampf

"There is no question that PSC's role today is more critical than ever before. It is trying to both protect its membership from adverse government actions and also protect our government and its mission from its own form of political recklessness. Never before has this been more vital than with the advent of global terrorism, cyber warfare and nuclear proliferation. Without PSC there is no voice of reason and it is a credit to PSC that the Hill now listens carefully and acts accordingly. I'd like to think that our past chairmen and all those who have served PSC over the years have contributed to laying the groundwork for today's successes. This is why it is essential to continue

to build membership and to make certain company key personnel stay involved at all PSC levels."

Monroe

"Then: PSC's establishment was in response to grossly unfair treatment of the private sector in the role of providing essential government services. We were threatened by the Federal Contract Research Centers (FCRC) [now known as FFRDCs] as well as having our services broadly painted as "consultants", a term meant to connote charlatanism in some congressional circles. At that time, PSC's efforts were critically important in blunting these threats. Now: Significant reductions in government spending are a virtual certainty. Undoubtedly, the tendency will be to preserve the government in-house workforce at the expense of private-sector contracting, even as quality suffers. Countering this tendency will challenge PSC in much the same way as it was challenged in the early years."

Lombardi

"Even in the early 2000's, our industry was a loose federation of companies that had no focus or clout in Congress. PSC supplied the network for direct dialogue with key members that could affect positive changes. Today, with staggering agency budget cuts, getting the message out that the services industry can be an instrument of operational efficiency for government becomes a paramount mission. PSC is uniquely positioned to 'carry the mail.'"

Ed Bersoff, former chairman of BTG; PSC Chairman 1995-1996

"PSC has always represented the interests of a core sector of our national economy, both with respect to the individual businesses that are members and also the many thousands of our employees. PSC acts, and has always acted, with commitment to our needs and with the intellectual muscle to make our case thoughtfully and convincingly."

The PSC Annual Conference

PSC is known for providing insights and information in a timely manner. Its conferences are key to that information exchange. In 1987, PSC hosted its first Annual Conference at the Rayburn House Office Building in Washington, D.C. Over the last 25 years, the conference has moved and grown, but one thing remains the same: it is the premier government contracting networking and educational event of the year.

1980



1987

Rear Adm. Grace Murray Hooper, a pioneer of computer software engineering, addressed "Transforming Leadership" during her lunchtime keynote speech at PSC's first ever Annual Conference in 1987.



1987

Earle Williams, then president and CEO of PSC member company BDM International, discusses "The Proactive CEO" at PSC's first annual conference in 1987.

1990



1991

PSC members network at the 1991 Annual Conference.



1993

A PSC member asks a question during the 1993 Annual Conference.



1994

A panel discusses the theme of the 1994 Annual Conference: "Capturing Tomorrow's Successes."

2000



2008

Then-Homeland Security Secretary Michael Chertoff headlined the 2008 PSC Annual Conference, "Transitions."



2009

DCMA Director Charlie Williams talks with PSC members following his speech at the 2009 PSC Annual Conference.

continued on next page

The PSC Annual Conference...

2000

2011

Annual Conferences aren't the only major gatherings PSC hosts each year. After PSC merged with CSA, it launched the PSC Spring Conference, Marketview.





2009

OMB Management Director Jeff Zients delivers his keynote address to the 2009 PSC Annual Conference.



2011

Procurement Policy leaders Dan Gordon, Nick Nayak, Glenn Haggstrom and Elliot Branch address the 2011 Annual Conference at the Greenbrier in West Virginia.



2009

Golf is always a popular way to kick off the PSC Annual Conference.



2011

In 2011, PSC launched the Leadership Summit. The first keynote speaker was then-Deputy Secretary of Defense Bill Lynn.

H.R. 174

Homeland Security Cyber and Physical Infrastructure Protection Act of 2011, Thompson (D-MS)

SUMMARY

Seeks to enhance cybersecurity capacity by creating and enforcing performance-based standards.

STATUS

Referred to Oversight and Government Reform Committee on 2/8/2011.

H.R. 282

Federal contractors participation in the E-Verify Program, Gallegly (R-CA)

SUMMARY

Would require federal contractors and subcontractors to use E-Verify to confirm the employment eligibility of all of their employees.

STATUS

Referred to Judiciary Committee on 2/7/2011.

H.R. 598

Alaska Native Corporations Contracting Reforms, Thompson (D-MS)

SUMMARY

Would eliminate the preferences and special rules for Alaska Native Corporations under the program under section 8(a) of the Small Business Act.

STATUS

Referred to Natural Resources Committee on 2/14/2011. Related Bill: S. 236.

H.R. 651 SUMMARY United States-Afghanistan Status of Forces Agreement (SOFA) Act of 2011, Woolsey (D-CA)

Would require the president to seek to negotiate and enter into a status of forces agreement with Afghanistan, mandating that U.S. Armed Services and contractor personnel be completely redeployed from Afghanistan.

STATUS Referred to Foreign Affairs Committee on 2/10/2011.

H.R. 735

Government Neutrality in Contracting Act, Sullivan (R-OK)

SUMMARY

Would preserve open competition and federal government neutrality toward the labor relations of federal government contractors on federal and federally funded construction projects.

STATUS Referred to Oversight and Government Reform Committee on 2/18/2011. Related Bill: S. 119.

H.R. 829

Contracting and Tax Accountability Act of 2011, Chaffetz (R-UT)

SUMMARY

Would prohibit the award of contracts in excess of the simplified acquisition threshold unless the prospective contractor certifies in writing to the awarding agency that the contractor has no seriously delinquent tax debt.

STATUS Reported by Oversight and Government Reform Committee on 4/13/2011.

H.R. 936

Stop Taxing American Assistance to Afghanistan Act, Welch (D-VT)

SUMMARY

Prohibits U.S. assistance for Afghanistan unless the United States and Afghanistan enter into a bilateral agreement which provides that work performed in Afghanistan by U.S. contractors is exempt from taxation by the government of Afghanistan.

STATUS Referred to Foreign Affairs Committee on 3/29/2011.

H.R. 1163

Patriot Corporations of America Act of 2011, Schakowsky (D-IL)

SUMMAR'

Would grant a preference to "patriot" corporations in the evaluation of bids or proposals for federal contracts. Provides a definition of "patriot corporation."

STATUS Referred to Oversight and Government Reform and Ways and Means Committees on 3/17/2011.

H.R. 1354

American Jobs Matter Act of 2011, Murphy (D-CT)

SUMMARY

Would amend titles 10 and 41, United States Code, to allow contracting officers to consider information regarding domestic employment before awarding a federal contract.

STATUS Referred to Oversight and Government Reform Committee on 4/8/2011. Related Bill: S. 1363.

H.R. 1474 Freedom From Government Competition Act of 2011, Duncan (R-TN)

> **SUMMARY** Would require the government to purchase goods and services from the private sector. Provides

> > exemptions, such as inherently governmental functions. Would require the use of competitive procedures as well as public-private competitive sourcing analysis in accordance with OMB procedures.

STATUS Referred to Oversight and Government Reform Committee on 4/27/2011. Related Bill: S. 785.

H.R. 1906 Fairness in Federal Contracting Act of 2011, Cole (R-OK)

> Would prohibit executive agencies from requiring the disclosure of political contributions by **SUMMARY**

> > an entity submitting an offer for a federal contract.

Referred to Oversight and Government Reform Committee on 6/20/2011. Related Bills: H.R. 2008, S. 1100. STATUS

H.R. 1949 **CLEAN-UP Act, Sarbanes (D-MD)**

> Would significantly broaden the definition of functions that the government must perform under SUMMARY

law and prohibit the government from undertaking A-76 competitions.

Referred to Oversight and Government Reform Committee on 6/20/11. Related Bill: S. 991. **STATUS**

H.R. 2008 Keep Politics Out of Federal Contracting Act of 2011, Issa (R-CA)

> **SUMMARY** Would prohibit inserting politics into the federal acquisition process by prohibiting the submission

of political contribution information as a condition of receiving a federal contract.

Approved by Oversight and Government Reform Committee on 6/15/2012. Related Bills: H.R. 1906, S. 1100. STATUS

H.R. 2146 **DATA Act, Issa (R-CA)**

STATUS

Would require broad contractor reporting of federal spending similar to requirements under the **SUMMARY**

American Recovery and Reinvestment Act.

Passed House on 4/25/2012 by voice vote. Related Bill: S. 1222. **STATUS**

H.R. 2340 Transparency in Government Act of 2011, Quigley (D-IL)

> Would change the Federal Funding Accountability and Transparency Act to require a "look back" SUMMARY

period of 10 years in lieu of the current 5 year period. Referred to Judiciary Committee on 8/25/2011.

H.R. 2665 Stop Outsourcing Security Act, Schakowsky (D-IL)

Would phase out the use of private military contractors in the federal government.

Referred to Armed Services, Foreign Affairs and Intelligence Committees on 7/27/2011. Related Bill: S. 1428. STATUS

H.R. 2880 Contingency Operation and Emergency Oversight Act of 2011, Tierney (D-MA)

> Would create an Office of the Special Inspector General for Overseas Contingency Operations, headed by **SUMMARY** a Special Inspector General to conduct, supervise, and coordinate audits and investigations of the

treatment, handling, and expenditure of amounts appropriated for overseas contingency operations.

Referred to Oversight and Government Reform Committee on 10/3/2011. STATUS

H.R. 2923 Josh Birchfield Security Contract Oversight Improvement Act, Donnelly (D-IN)

> Would require DoD to establish a Quality Assurance Surveillance Plan setting standards to **SUMMARY** be incorporated in DoD oversight plans governing all security contractors operating in

> > Afghanistan, and other future contingency operations.

Referred to Armed Services Committee on 9/14/2011. Related Bill: H.R. 1540. STATUS

H.R. 2980

Stop Excessive Taxpayer Payments to Government Contractors Act of 2011, Tonko (D-NY)

SUMMARY

Would limit the reimbursement amount for compensation paid to employees of government contractors at \$200,000, the rate payable for Level I of the Executive Schedule.

STATUS

Referred to Oversight and Government Reform Committee on 10/3/2011. Related Bill: S. 2198.

H.R. 3116

Department of Homeland Security Authorization Act of 2012, King (R-NY)

SUMMARY

Includes several provisions designed to help DHS improve its acquisition planning, management and oversight.

STATUS

Approved by Homeland Security Committee on 10/13/2011. Related Bill: S. 1546.

H.R. 3779

Small Business Growth and Federal Accountability Act of 2012, Owens (D-NY)

SUMMARY

Would cut an agency's procurement budget by 10 percent following a year in which it missed its small-business contracting goal and would offer agencies more authority to give "preference" to small companies when awarding contracts. The term "preference" is not defined in the bill.

STATUS

Referred to Oversight and Government Reform and Small Business Comittees on 1/18/2012.

H.R. 3850

Government Efficiency through Small Business Contracting Act, Graves (R-MO)

SUMMARY

Would boost the annual governmentwide small business contracting goal from 23 percent—a goal rarely reached—to 25 percent. It would also increase the goal of awarding subcontracted dollars to small businesses from 35.9 percent to 40 percent. To hold top agencies accountable to meeting these goals, the bill would withhold bonuses from senior agency officials when small business goals aren't met.

TATUS

Approved by House Small Business Committee on 3/7/2012. Related Bill: H.R. 4310

H.R. 3851

Small Business Advocate Act, Graves (R-MO)

SUMMARY

Would assign greater authority to the Offices of Small and Disadvantaged Business Utilization (OSDBU) by making the office director a senior executive position that reports "directly and exclusively" to the agency head.

STATUS

Approved by House Small Business Committee on 3/7/2012.

H.R. 3893

Subcontracting Transparency and Reliability Act of 2012, Mulvaney (R-SC)

SUMMARY

Seeks to ensure that federal contracting opportunities help legitimate small businesses and gives small contractors a voice when their work is being unfairly insourced.

STATUS

Approved by House Small Business Committee on 3/7/2012.

H.R. 3980

Small Business Opportunity Act of 2012, Herrera Beutler (R-WA)

SUMMARY

Requires small business advocates (OSDBUs) to be part of the federal procurement and acquisition planning processes and would give OSDBUs access to acquisition plans before RFPs are released.

STATUS

Approved by House Small Business Committee on 3/7/2012.

H.R. 3985

Building Better Business Partnerships Act of 2012, Schilling (R-IL)

SUMMARY

Would allow SBA to oversee all civilian agency mentor-protégé programs to ensure they properly benefit small businesses by improving the small business' ability to win and perform on contracts and subcontracts. It also would authorize SBA to have mentor-protégé programs for all small businesses and not limit the program to only small businesses in the 8(a) program, those that are owned by a woman or a service-disabled veteran, or that are located in a HUBZone.

STATUS

Approved by House Small Business Committee on 3/21/2012.

H.R. 3987

Small Business Protection Act of 2012, Walsh (R-IL)

SUMMARY

In response to recent efforts by SBA to create new size standards for deciding what businesses qualify as "small," this legislation would only allow for the use of "common size standards" where each NAICS code included in the common size standard would have an independently justified size standard equal to the common size standard.

Approved by House Small Business Committee on 3/21/2012. Related Bill: H.R. 4310.

H.R. 4081

Contractor Opportunity Protection Act of 2012, Graves (R-MO)

SUMMARY

Would redefine various terms related to contract bundling and provide SBA and the private sector with greater ability to protest contract bundling decisions by federal agencies. Also requires significant new steps agencies must undertake and justifications that must be provided prior to issuing a solicitation for bundled contract requirements.

Approved by House Small Business Committee on 3/21/2012. Related Bill: H.R. 4310.

H.R. 4117

To prohibit the use of private security contractors and members of the Afghan Public Protection Force to provide security for members of the Armed Forces and military installations and facilities in Afghanistan, and for other purposes, McKeon (R-CA)

SUMMARY

Would prohibit DoD from entering into a contract for the performance of security guard functions at a military installation or facility in Afghanistan at which members deployed to Afghanistan are garrisoned or housed, or employing the Afghan Public Protection Force to provide such security or to perform security quard functions at such a military installation or facility.

STATUS

Referred to Armed Services Committee on 3/1/2012. Related Bill: H.R. 4310.

H.R. 4118

Small Business Procurement Improvement Act of 2012, Critz (D-PA)

Seeks to encourage greater small business participation in multiple award contracts by requiring agencies to include small businesses in such contracts to the maximum extent practicable. Would also increase the small business reserve to \$200,000 and would broaden its applicability to cover multiple award contracts and the federal supply schedule program.

Approved by House Small Business Committee on 3/7/2012.

H.R. 4121

Early Stage Small Business Contracting Act of 2012, Schrader (D-OR)

SUMMARY

Would provide authority for agencies to set-aside contracting opportunities for "micro" businesses. Defines such business as those with less than 15 employees and under \$1 million in annual revenue.

Approved by House Small Business Committee on 3/7/2012. Related Bill: H.R. 4310.

H.R. 4257

Federal Information Security Amendments Act of 2012, Issa (R-CA)

SUMMARY

Would update the Federal Information Security Management Act to focus information security controls based on automated and continuous monitoring. Such controls would be applicable to certain contractors.

STATUS

Passed House on 4/26/2012 by voice vote. Related Bill: S. 413.

H.R. 4259

End Trafficking in Government Contracting Act of 2012, Lankford (R-OK)

SUMMARY

Would require federal contractors to take a number of steps to ensure that they or any of their subcontractors do not engage in any trafficking in persons activities. Also would require contractor certification that none of their employees or subcontractors have engaged in any such activities.

STATUS

Referred to the Foreign Affairs and Judiciary Committees on 3/26/2012. Related Bill: S. 2234.

H.R. 4310

National Defense Authorization Act of 2013, McKeon (R-CA)

SUMMARY

Contains a number of provisions affecting the contracting community including provisions regarding total workforce management, small business contracting, private security contracting, and other areas.

STATUS Passed House (299-120) on 5/18/2012. Related Bill: S. 3254.

H.R. 5743

Intelligence Authorization Act for Fiscal Year 2013

SUMMAR

Would authorize appropriations for fiscal year 2013 for elements of the intelligence community; would require the development of a strategy and timeline for achieving reciprocity regarding security clearances; and would require DNI to inform the intelligence committees about how contractors are notified of classified contracting opportunities. It would also direct DNI to provide recommendations for how the process of informing contractors about contracting opportunities may be improved.

STATUS Passed House (386-28) on 5/31/2012. Related Bill: S. 3454.

H.R. 6078

Small Business Contracting Opportunities Expansion Act of 2012, Peters (D-MI)

SUMMARY

Would raise the small business goals to 26 percent for prime awards and 40 percent for subcontracts. Would further raise the goals to 27 percent in FY2018.

TATUS Referred to House Committee on Small Business on 6/29/2012. Related Bill: H.R. 3850.

H.R. 6278

To optimize federal data center usage and efficiency, Connolly (D-VA)

SUMMARY

Would encourage greater planning and transparency regarding the federal government's data center consolidation initiative and would require greater detail on cost savings as a result of data center consolidation.

STATUS Referred to Oversight and Government Reform Committee on 8/2/2012.

S. 21

Cyber Security and American Cyber Competitiveness Act of 2011, Reid (D-NV)

SUMMARY

Would secure the United States against cyber attack, enhance American competitiveness and create jobs in the information technology industry, and protect the identities and sensitive information of American citizens and businesses.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 1/25/2011.

S. 119

Government Neutrality in Contracting Act, Vitter (R-LA)

SUMMARY

Would preserve open competition and federal government neutrality towards the labor relations of federal government contractors on federal and federally funded construction projects.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 1/25/2011. Related Bill: H.R. 735.

S. 235

Lieutenant Colonel Dominic 'Rocky' Baragona Justice for American Heroes Harmed by Contractors Act, McCaskill (D-MO)

SUMMARY

Would provide personal jurisdiction in causes of action against contractors of the United States performing contracts abroad with respect to members of the armed forces, civilian employees of the United States, and United States citizen employees of companies performing work for the United States in connection with contractor activities.

ATUS Referred to Homeland Security and Governmental Affairs Committee on 1/31/2011.

S. 236

Alaska Native Corporations Contracting Reforms, McCaskill (D-MO)

SUMMARY

Would eliminate the preferences and special rules for Alaska Native Corporations under the program under section 8(a) of the Small Business Act.

STATUS Referred to Small Business and Entrepreneurship Committee on 1/31/2011. Related Bill: H.R. 598.

S. 372 Cybersecurity and Internet Safety Standards Act, Cardin (D-MD)

SUMMARY

Would reduce the ability of terrorists, spies, criminals, and other malicious actors to compromise, disrupt, damage, and destroy computer networks, critical infrastructure, and key resources.

STATUS Referred to Commerce, Science, and Transportation Committee on 2/16/2011.

S. 633

SUMMARY

Small Business Contracting Fraud Prevention Act of 2011, Snowe (R-ME)

Would prevent fraud in small business contracting by making improvements to HUBZone and Section 8(a) programs and issuing an annual report in Congress outlining suspension, prosecution and debarment.

STATUS Passed Senate on 9/21/2011 by unanimous consent. Related Bill: H.R. 2131.

S. 761

Acquisition Workforce Improvement Act of 2011, Collins (R-ME)

SUMMARY Would establish a government-wide Acquisition Management Fellows Program and related funding and reporting requirements to improve the federal acquisition workforce.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 4/7/2011.

S. 785

Freedom from Government Competition Act, Thune (R-SD)

SUMMARY

Would require the government to purchase goods and services from the private sector. Provides exemptions, such as inherently governmental functions. Would require the use of competitive procedures as well as public-private competitive sourcing analysis in accordance with OMB procedures.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 4/12/2011. Related Bill: H.R. 1474.

S. 801

Information Technology Investment Management Act of 2011, Carper (D-DE)

Would require executive agency participation in real-time transparency of investment projects as well as performance and governance reviews of all cost overruns on federal information technology investment project.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 4/12/2011.

S. 991

CLEAN UP Act, Mikulski (D-MD)

SUMMARY

Would require executive agency participation in real-time transparency of investment projects as well as performance and governance reviews of all cost overruns on federal information technology investment project.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 5/12/2011. Related Bill: H.R. 1949.

S. 1100

Keeping Politics Out of Federal Contracting Act of 2011, Collins (R-ME)

SUMMARY

Would prohibit inserting politics into the federal acquisition process by prohibiting the submission of political contribution information as a condition of receiving a federal contract.

STATUS Approved by Homeland Security and Governmental Affairs Committee on 5/16/2012. Related Bills: H.R. 1906, H.R. 2008.

S. 1145

Civilian Extraterritorial Jurisdiction Act of 2011, Leahy (D-VT)

SUMMARY Would clarify and expand federal criminal jurisdiction over federal contractors and employees outside the United States.

STATUS Approved by the Judiciary Committee on 6/23/2011. Related Bill: H.R. 2136.

S. 1222

Data Accountability and Transparency Act of 2011, Warner (D-VA)

SUMMARY Would require accountability and transparency in federal spending.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 6/16/2011. Related Bill: H.R. 2146.

Bill Tracker: 112th Congress-Second Session (2012)

S. 1363 American Jobs Matter Act of 2011, Rockefeller (D-WV)

Would amend titles 10 and 41, United States Code, to allow contracting officers to consider **SUMMARY**

information regarding domestic employment before awarding a federal contract.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 7/13/2011. Related Bill: H.R. 1354.

S. 1428 Stop Outsourcing Security Act, Sanders (I-VT)

SUMMARY Would phase out the use of private military contractors in the federal government.

Referred to Armed Services Committee on 7/27/2011. Related Bill: H.R. 2665. **STATUS**

S. 1546 Department of Homeland Security Authorization Act of 2012, Lieberman (I-CT)

Includes several provisions designed to help DHS improve its acquisition planning, management **SUMMARY** and oversight.

Approved by the Homeland Security and Governmental Affairs Committee on 9/21/2011. STATUS Related Bill: H.R. 3116.

S. 1694 Defense Cost-Type Contracting Reform Act of 2011, McCain (R-AZ)

Would restrict DoD's ability to enter into cost-type contracts for the production of major defense **SUMMARY** acquisition programs (MDAPs).

Referred to Armed Services Committee on 10/12/2011. STATUS

S. 1736 Acquisition Savings Reform Act of 2011, Brown (R-MA)

Seeks to improve agency strategic sourcing, contract close-outs, and increase productivity **SUMMARY** improvements and cost efficiencies in services contracts.

Referred to Homeland Security and Governmental Affairs Committee on 10/19/2011. **STATUS**

S. 1747 **Computer Professionals Update Act, Hagan (D-NC)**

Would clarify that certain computer or information technology occupations meet the **SUMMARY** "professional" exemption under the Fair Labor Standards Act.

Referred to Health, Education, Labor and Pensions Committee on 10/20/2011. STATUS

Stop Trading on Congressional Knowledge Act of 2012, Lieberman (I-CT) S. 2038

SUMMARY Seeks to limit insider trading by executive and legislative branch officials based on information they obtain through their public service. The Senate-passed version contains loosely defined terms that would require extensive private sector reporting of regular and legitimate day-to-day communications with government officials.

Became P.L. 112-105 on 4/4/2012. STATUS

Comprehensive Contingency Contracting Reform Act of 2012, McCaskill (D-MO) S. 2139

SUMMARY Seeks to address the recommendations of the Commission on Wartime Contracting. Includes contracting provisions regarding suspension and debarment, trafficking in persons, and limitations on contract length and subcontracting

Referred to Homeland Security and Governmental Affairs Committee on 2/29/2012. STATUS

S. 2151 Strengthening and Enhancing Cybersecurity by Using Research Education, Information and **Technology Act of 2012, McCain (R-AZ)**

Serves as a comprehensive cybersecurity improvement bill that includes provisions on cyber **SUMMARY** threat information sharing (including contractor requirements), FISMA reforms, and more.

Referred to Commerce, Science and Transportation Committee on 3/1/2012.

Bill Tracker: 112th Congress-Second Session (2012)

S. 2198 Commonsense Contractor Compensation Act of 2012, Boxer (D-CA)

SUMMARY

Would limit, governmentwide, the amount of reimbursable compensation to employees of government contractors for a fiscal year to the annual amount paid to the president of the United States.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 3/15/2012. Related Bills: H.R. 2980, S. 3254.

S. 2234

End Trafficking in Government Contracting Act of 2012, Blumenthal (D-CT)

SUMMARY

Would require federal contractors to take a number of steps to ensure that they or any of their subcontractors do not engage in any trafficking in persons activities. Also would require contractor certification that none of their employees or subcontractors have engaged in any such activities.

STATUS Referred to Homeland Security and Governmental Affairs Committee on 3/26/2012. Related Bills: H.R. 4259, H.R. 4310.

S. 3254

National Defense Authorization Act for Fiscal Year 2013, Levin (D-MI)

SUMMARY

Contains a number of provisions affecting the contracting community including provisions regarding contractor compensation, contingency contracting, services contracting cuts, and access to internal audits.

STATUS Approved by Armed Services Committee on 5/24/2012. Related Bill: H.R. 4310.

S. 3297

Forewarn Act, Brown (D-OH)

SUMMARY

Would redefine terms under the WARN Act and would lower the employee threshold (to 75 employees) under which employers are subect to the WARN Act. It would also increase the written layoff notice requirements under the WARN Act to 90 days.

STATUS Referred to Health, Education, Labor and Pensions Committee on 6/14/2012.

S. 3414

Cybersecurity Act of 2012, Lieberman (I-CT)

SUMMARY

Would establish a National Cybersecurity Council to conduct cyber risk assessments, coordinate and encourage voluntary cybersecurity practices, and would seek to proliferate cyber threat information sharing between the government and industry.

TUS Referred to Homeland Security and Governmental Affairs Committee on 7/31/2012.

S. 3442

SUCCESS Act of 2012, Landrieu (D-LA)

SUMMARY

Would expand penalties for businesses that falsely certify their small business status and seeks to eliminate instances of fraud within the small business contracting programs.

STATUS Referred to Finance Committee on 7/25/2012.

S. 3454

Intelligence Authorization Act for Fiscal Year 2013, Feinstein (D-CA)

SUMMARY

Would authorize appropriations for fiscal year 2013 for elements of the intelligence community and would implement reforms to reduce the potential of intelligence information being leaked to the public.

STATUS Reported by the Intelligence Committee on 7/30/2012. Related Bill: H.R.5743.

Stay up-to-date on the state of our industry with a **Market & Policy Briefing** or

subscribe to PSC's quarterly industry updates on our YouTube channel. http://www.youtube.com/user/ThePSCouncil

Policy Spotlight



by Elise CastelliManager, Media Relations
Professional Services Council

What to expect when you're expecting **sequestration**

s the deadline for an agreement on sequestration approaches, the government is finally starting to issue some guidance on what contractors and agencies should do if sequestration happens.

WARN-ing the Workforce

On July 30, the Labor Department tried to put contractors at ease about one issue causing much consternation: the requirements of the federal Worker Adjustment and Retraining Notification (WARN) Act. For a few months, contractors publicly expressed concern that they would have to provide WARN Act notices to all employees just days before the election if Congress and the White House didn't come to an agreement on sequestration before it goes into effect on January 2. The WARN Act requires companies provide 60-days notice to affected employees before they close a plant or implement mass layoffs. According to some reports, nearly 2 million jobs could be lost if sequestration happens. However, the Labor Department explained in a July 30 memo¹ that the WARN Act will not apply in advance of sequestration because of an exception in the law that makes it inapplicable to unforeseen business circumstances.

Although it is known sequestration starts on January 2, its effects on specific contractors are unknown until after agencies begin their implementation. At an August 1 House Armed Services Committee hearing² about sequestration, acting OMB director Jeff Zients said determining the effects of the sequestration on any given program or account is impossible because Congress hasn't determined the 2013 funding levels. The recent agreement to take up a six-month continuing resolution in September almost guarantees fiscal year 2013 funding levels won't be finalized until the new calendar year.

Labor's WARN Act guidance is consistent with the information and interpretations that PSC provided during its July 10 sequestration program. Many federal agencies have sent the Labor Department's guidance to their contractors. Even if absolved of notification responsibilities under federal law, there may be additional notification requirements imposed on companies by state laws or under collective bargaining agreements. The Labor notice does not address those provisions.



Sequestering Activities From Sequestration

During the August 1 hearing, Zients and DoD Deputy Secretary Ash Carter told lawmakers that sequestration would make the country "less safe and secure" as civilian personnel—including FBI, border patrol and other law enforcement officers—would be cut, military preparedness would be hurt, air traffic control operations curtailed, food safety inspection reduced and more. While Zients signed a memo on July 31 notifying Congress of the president's decision to exempt military pay from sequestration, the Budget Control Act does not provide any such an exemption for civilian employee pay at DoD or elsewhere, which could lead to the detrimental cutbacks and service declines that Zients and Carter outlined.

Furthermore, fully exempting military pay from sequestration imposes an additional challenge because the balance of the DoD accounts will be subjected to a greater percentage reduction to achieve the mandatory reductions. On the civilian side, the Veterans Affairs Department's programs are exempt from sequestration, preserving work at that department but increasing the effects on others who aren't so lucky.

Making Uncertainty Transparent

Despite OMB's claim that it cannot provide more information without a budget, Congress passed the "Sequestration

continued on page 40

¹ http://wdr.doleta.gov/directives/attach/TEGL/TEGL_3a_12_acc.pdf

² http://armedservices.house.gov/index.cfm/hearings-display?ContentRecord_id=a77f3142-d21f-4899-af2d-

 $⁸²b119705ac0\&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed\&Group_id=13e47ffa-0753-47a7-ad5e-1ba7592015c9$

from page 39

Transparency Act of 2012," H.R. 5872,³ on July 25, to spur more openness about sequestration's impacts on non-exempt accounts. Under the act, the president must give Congress a detailed report on the effects of the automatic sequestration process within 30 days. The report should include specific information on the accounts to be reduced and should identify all exempt accounts. That report will provide critical information on the president's definition of the "budgetary resources" that will be available in fiscal year 2013 (and thus subject to the automatic sequestration unless exempt) and on each "program, project and activity" that will be covered. The president signed the law on August 7 and a report was expected in September, after *Service Contractor* went to print.

What's a Contractor to Do?

While we await more sequestration information, there are plenty of steps contractors can take now to prepare.

- 1. Know your existing contracts—this includes contract types, periods of performance and whether they're for severable or non-severable services.
- 2. Know your contract or program lifecycle and what are the available option periods and funding ceilings.

- 3. Strengthen on-going performance by ensuring past performance databases are accurate and ensuring you meet or exceed all of your contractual requirements.
- 4. Know how sequestration may affect subcontractors and vendors and prepare them accordingly.
- 5. Engage your federal customers—both contracting officers and end-users.

After October 1, companies can take additional steps to protect themselves in the sequestration environment.

- 1. Maximize "run rates" for existing contracts because funds spent are exempt from sequestration.
- Evaluate agency funding for current and prior years, as well as their priorities for existing and new work and determine what must be saved and what can be re-priced, deleted or deferred.
- 3. Determine whether current contracts can add new work or new funding.
- Evaluate the status of active solicitations and expected solicitations.

Finally, you can check the PSC website for the latest news on sequestration.⁴ ■

³ http://www.gpo.gov/fdsys/pkg/BILLS-112hr5872enr/pdf/BILLS-112hr5872enr.pdf ⁴ http://www.pscouncil.org/c/e/EventList/Sequestration/OMG_-_What_if_ Sequestration_Happens_.aspx



Enabling Superior Outcomes Across Your Entire Mission.

Our companies bring today's widest array of services and solutions to solve your most critical challenges. From IT through construction and facility management to global aviation support, look to Akima for the quality that enables superior mission outcomes.



www.akima.com

MARKETVIEW 2013: The PSC Spring Conference



Sunday April 7th-Tuesday April 9th, 2013 Saddlebrook • Tampa Bay, Florida

You spoke up and we listened!

That is why we are moving to sunny Florida for Marketview 2013.

The members-only spring conference focuses on the broad technical services market, including trends and business opportunities in logistics, installations, range support, and more. Speakers include top DoD, military department and civilian agency officials in each area.

Keep an eye on www.pscouncil.org for an agenda and frequent updates.



Mark Danisewicz continued from pg. 7

the efficiency and visibility within the payment process, particularly around the submittal, review, and processing of invoices for both contractors and government customers. These efficiencies should in turn expedite the receipt of payments and reduce the contractor's average days sales outstanding (DSO). In a 2011 Department of Treasury news release, it was noted that the DoD's WAWF system has saved the agency approximately \$250 million a year in invoice processing. As a government contractor, we have experienced a decrease in overall accounts receivable processing costs and DSO over the same period.

Although we have started to realize some of the efficiencies of the new IPP systems, this was not initially the case. With the implementation of IPP systems, there was a significant amount of training costs incurred by both contractors and the government customers. Initially, as individuals were learning how to use the new systems, many invoices were rejected causing delays throughout the review and disbursement process. These issues were also overshadowed by contracts not being setup properly in the system to comply with the specific billing requirements and contract line item structure, which resulted in serious delays. During this time, billing specialists spent hours trying to communicate and resolve the issues encountered with customer service representatives or payment offices. Recently, the quantity of issues encountered has decreased but issues are still periodically encountered and there are still some kinks in the systems that need to be worked out.



After having used the various electronic invoice and payment sites, we have made the following our best practices with regards to invoicing:

Read the invoicing requirements carefully. Knowing how the customer wants the invoice submitted is half the battle. Take the extra time to communicate any questions to your contracting officer prior to submitting your invoices to help reduce the risk of invoices being rejected. If you can save time on the front-end by submitting the invoice correctly the first time, you will be rewarded on the back-end with a more prompt payment and positive cash flow.

Monitor all of your invoice submittals closely. When invoicing a new contract you will need to keep track of the average time it takes for your invoices to get paid. We have found the time varies between payment offices on approving and processing an invoice. It is important to establish an "aging" metric with the first couple of invoices on a new project. This will help determine if a particular invoice on a project has taken longer than usual to pay so appropriate action can be taken sooner rather than later.

Don't be afraid to call the customer service department. Unfortunately, contractors will not always be able to have all of their questions answered by visiting the payment websites or be able to determine when an invoice is going to be paid. It has been our experience that on average, 20 percent of our invoices will require us to contact the customer service department to resolve an issue. This is not normally a quick process and in some cases could take several calls or several weeks to have a payment issue resolved. And just when you think the problem is resolved and you receive an estimated payment date, the payment date could come and go with no payment being received. This may result in having to start the process all over again.

Although the implementation of these systems has been generally effective, to date it has not had a significant impact on our business practices. With such uncertainty in the marketplace regarding government regulations and the economy, most businesses have reduced or postponed capital expenditures and growth in exchange for holding on to cash reserves. As a result, the decrease in the cash conversion cycle has not generated as significant of a reinvestment effort into the business. However, looking to the future and the expected budget cuts and looming sequestration, the decrease in days sales outstanding is going to be significantly more important. In 2011, Jack Lew, then-director of the Office of Management and Budget, announced a new QuickPay plan requiring agencies to pay small business prime contractors within 15 days of being invoiced. This is expected to help small businesses and reduce their possible need to factor receivables to speed up cash collection.

Looking toward the future, we expect to see a continued move toward the implementation of more IPP systems by government agencies. The Treasury Department and DoD are said to be working on a consolidated, governmentwide solution which would serve as a single-entry point for all contractors. Hopefully, the move toward a governmentwide solution will be effective in reducing or eliminating the variability between agency invoicing requirements, which has become a significant burden on the invoicing and cash flow management process of many government contractors.



Committee Corner: Sharing Intelligence: PSC Creates New Task Force

by Roger Jordan, Vice President of Government Relations, PSC

ecognizing the increasing intersection between intelligence community (IC) and federal acquisition policies, and the unique set of challenges posed by doing business within the IC, PSC recently hosted a meeting with industry stakeholders to pose the question of whether conditions merit the creation of a dedicated PSC forum focused on IC issues. The overwhelming consensus among the many attendees was "yes!"

On the heels of that initial meeting, PSC has created the Intelligence Community Task Force (ICTF) as a platform to discuss key business and acquisition policy matters on an unclassified basis within the IC, and to afford IC officials a competitively neutral forum for dialogue with industry on key issues. The committee will meet regularly and is open to all PSC member companies.

In tandem with the creation of the ICTF, PSC has ramped up its activity on the IC front. On August 1, PSC hosted a dialogue series luncheon with Gen. Keith Alexander, Director of the National Security Agency and the Commander of U.S. Cyber Command. Alexander outlined the cyber threats posed to both the public sector and government networks, particularly those within the defense and IC sectors. He also described the critical role that contractors must continue to fill if the nation is to effectively deter and combat cyber intrusions and attacks.

PSC has also been engaging with the congressional intelligence committees as they are increasingly examining the role of contractors and acquisition policies within the IC. For example, the fiscal year 2012 Intelligence Authorization Act, P.L. 112-87, contained provisions that would streamline the ability for the IC to insource functions performed by contractors. In addition, the law provides intelligence agencies with enhanced procurement authority to manage supply chain risk by authorizing the head of a covered intelligence agency, in consultation with the Director of National Intelligence, to limit the participation of or deny an award to any offeror if the IC element determines that a contractor or its subcontractors have not met certain supply chain standards or pose a supply chain risk. PSC was involved with the congressional committees on both of these issues.

PSC has also engaged with senior acquisition personnel, particularly with ODNI, to discuss the implementation of the issues discussed above, as well as on IC reliance on federal funded research and development centers (FFRDCs), the approach within IC elements to address organizational conflicts of interest (OCI), and issues related to caps on contractor compensation.

PSC will continue to identify and take action on emerging IC issues. However, given the nascent state of the task force, we encourage feedback from PSC members about where and how else PSC should focus its engagement.



Growth. Strength. Stability.

FCE Benefit Administrators, Inc., the industry leader in fringe-benefit design, compliance, and administration, enables employers to fulfill their fringe obligation by funding a trust for employee benefits. FCE is a full-service third-party administrator (TPA) with more than 25 years experience in this regulatory niche. Whether the preferred approach is selffunding or fully insuring, FCE's in-house actuarial expertise helps hundreds of government contractors achieve fringe compliance, reduce payroll taxes, and promote employee welfare, all without funding beyond the fringe obligation.

Questions? Contact Gary Beckman, President/CEO, at (800) 899-0306 or beckman@fcebenefit.com

www.fcebenefits.com



FCE Benefits
887 Mitten Road
Burlingame, California 94010-1303
800.899.0306 • 650.341.7432 fax

corpoffice@fcebenefit.com

MEMBER NEWS

Are You on Board with the Pro Bono Challenge?

by Stan Soloway, PSC President and CEO

In February, Senator Mark Warner, the honorary chairman of the national "A Billion + Change" initiative, sent a letter to the CEO of every PSC member company. In that letter, he urged PSC's



members to become active participants in the national movement to build skillsbased, pro-bono volunteering across the nation. If you haven't done so already, we urge you to contact the

campaign's Executive Director Jennifer Lawson at Points of Light (jlawson@pointsoflight.org), for more information on how to enroll and be counted.

Meanwhile, our thanks and congratulations to the many PSC member companies that are already on board:

Bank of America **Booz Allen Hamilton Censeo Consulting Group** Citi **CSC** Dell Deloitte **DLA Piper Ernst & Young**

Morgan Stanley

Powered by:

Deloitte.

Federal Market Group **Grant Thornton** HP **IBM** Marsh & McLennan Companies McKenna Long & Aldridge Microsoft Spriggs Law Group Wells Fargo





Secretary Robert Summers. The awards recognize a strong commitment to sustainable practices, measurable results, and continual improvement. The Maryland Green Registry is a voluntary program launched by Governor Martin O'Malley as part of the state's Smart, Green, and Growing initiative that promotes and recognizes sustainable greening efforts by organizations throughout Maryland.

Sabre Systems, Inc., Recognized with The Patuxent Partnership (TPP) Member of the Year Award for 2011 at the **Leading Edge Awards**

Sabre Systems, Inc., a professional Information Technology (IT) and engineering services, joined Southern Maryland's leading businesses and executives at the 12th Annual Leading Edge Awards, where Sabre was honored as The Patuxent Partnership (TPP) Member of the Year for 2011. The event, which was held on June 13, 2012, showcased individuals and companies that spur economic growth within the region. Sabre was deemed worthy of consideration for the prestigious award by the TPP Board of Directors based upon the company's performance, support of the TPP mission, internal and employee culture, and involvement in community affairs and volunteer activities.

TSI Wins National Jefferson Award for Public Service

TSI was selected as a national recipient of the Jefferson Award for Public Service and accepted honors at the two day award celebration in Washington, D.C. TSI CEO Dr. Marta Wilson was presented with the award by Sam Beard, who co-founded the program 40 years ago with former first lady Jacqueline Kennedy Onassis. TSI, an Arlington, Va. based management systems engineering firm, received the award in recognition of the company's corporate social responsibility program, Feed to Lead. Dr. Wilson launched the program to nourish the body, mind and spirit by supporting leadership potential in those who need a helping hand. To this end, TSI supports strategically aligned organizations to fight hunger, assist veterans, promote

JBS Receives Four Awards from the Alliance for Workplace **Excellence**

McKenna Long & Aldridge.

JBS International, Inc. received four awards from the Alliance for Workplace Excellence. The Workplace Excellence and Health & Wellness Trailblazer Awards honor businesses that promote professional fulfillment and personal wellness at work, at home, and in the community. The EcoLeadership Award recognizes visionary employers who are paving the way for environmentally sustainable workplaces. The Diversity and Inclusion Award recognizes leading practitioners in six areas. JBS was selected as a leading practitioner in the Products and Services category for its approach to global outreach and for the diversity initiatives it developed for its clients.

JBS Receives Maryland Green Registry Leadership Award

On June 5, JBS was one of five organizations to receive the Maryland Green Registry Leadership Award from Lt. Governor Anthony Brown and Maryland Department of the Environment



TSI CEO Dr. Marta Wilson receives the Jefferson Award for Public Service.

MEMBER NEWS

literacy, and advance STEM education. Under Dr. Wilson's lead, TSI makes community investments with the selected charities of choice through funding and volunteer hours.

Pragmatics Appoints Dusty Rhoads Vice President of Cybersecurity

Pragmatics, a leading provider of services and solutions for federal government customers, today announced the appointment of Dusty Rhoads to the company's senior management team. Rhoads reports to Pragmatics Chief Operating Officer Max Hall. Prior to joining Pragmatics, Rhoads spent eight years at SRA International, Inc., as vice president for the company's Cybersecurity and Privacy Division. Rhoads was a major contributor to the expansion of the company's cyber practice capabilities, personnel, and revenues.

Serco Announces 2012 Scholarship Program Winners

Serco Inc., a leading provider of professional, technology, and management services to the federal government, announced the awardees of its third-annual Serco Scholars Program. Serco employees with college-age children were invited to submit applications for one of 10, \$5,000 scholarships to contribute to tuition

costs of the college of choice. Applications were awarded based on three criteria: academic excellence, leadership achievements, and service to the community. Serco has selected the following 10 awardees of the 2012 Serco Scholarships: Nathan A. Cardenas, John T. Chavis III, Grace M. Johnson, Madeline R. Johnson, Shannon M. Kitchen, Emily S. Kugel, Elizabeth K. O'Hara, Olivia M. Pfeifer, Lauren Rasch, and Kelly B. Zafman.

L-3 STRATIS Opens Its Virtual Solutions Center

L-3 STRATIS opened of its new virtual Solutions Center, a rapid and agile development environment for cutting-edge solutions, in May. The Solutions Center is the latest of several recent innovation initiatives from L-3 STRATIS, including its research and development agreements with the Massachusetts Institute of Technology and the University of Maryland, as well as its cybersecurity research and development partnership with Virginia Tech. The Solutions Center is a secure multi-site, integrated research and development environment that enables the testing and demonstration of new software and information technology (IT) solutions.

Have a story for Service Contractor's Member News section?

E-mail Bryan Bowman at bowman@pscouncil.org.



CONSULTING TRAINING WITH FMG YOU WIN!

www.fmg-ltd.com

Enabling Effective Government & Industry Management Solutions Since 1984

Representation in Washington DC, Denver, Los Angeles, Seattle, Brussels & Tel Aviv

Providing Transformational Management Support in:

- Leadership
- Strategic Planning
- Capture Planning
- Business Development & Marketing
- Project Management
- Contract Management & Administration
- Subcontract Management
- Supply Chain Management
- Privatization

800-242-9655

Inquire About Our Subcontract Management Certification Program

Helped win more than \$23 billion for our Clients in the past 10 years!











PSC: SCENE & HEARD

OFPP Administrator Joe Jordan (left) chats with PSC President and CEO Stan Soloway (right) before the start of a June 28 PSC Dialogue Series breakfast event where Jordan gave his first speech to industry as administrator.

20FPP Administrator Joe Jordan gives his first speech to industry as administrator at a PSC Dialogue Series breakfast on June 28.

SBA Administrator Karen Mills (center) talks with a PSC member and PSC President and CEO Stan Soloway (right) before addressing the crowd at a PSC Dialogue Series luncheon on July 19.

SBA Administrator Karen Mills talks about the latest small business issues with PSC members during a PSC Dialogue Series luncheon on July 19.

5 Stan Soloway (left) moderates a 2012 MAGIC Conference panel on "Creating a Business Case for Future Contract Vehicles" with former OFPP officials Rob Burton of Venable, Deidre Lee of Fluor and Allan Burman of Jefferson Consulting, on July 26.

Rafael Borras, undersecretary for management at the Department of Homeland Security, addressed the PSC Board of Directors meeting on June 15.

Gen. Keith Alexander, director of NSA and commander of U.S. Cyber Command, speaks with PSC members prior to his August 1 PSC Dialogue Series speech.

Gen. Keith Alexander, director of NSA and commander of U.S. Cyber Command, discusses the nation's cyber readiness with PSC members during an August 1 Dialogue Series lunch.

Stan Soloway addressed a group of Japanese business leaders during a conference in Tokyo in June.

10 NCMA Executive Director Michael Fischetti (left) and NCMA President Elliot Branch (right) present PSC President & CEO Stan Soloway (center) with a plaque naming him to the National Contract Management Association's Council of Fellows. Soloway was inducted as a fellow at the NCMA World Congress in August.

1 PSC Executive Vice President and Counsel Alan Chvotkin explains what happens if sequestration occurs at a July 10 PSC program attended by more than 200 people.

11



GOVERNMENT SERVICES PROVIDER WITH 40 YEARS OF EXPERIENCE.



Engility is our new name, but this is not a new company. Our heritage is built on more than 40 years of proven performance. Engility is a dedicated government services prime contractor employing thousands of professionals in the United States and around the world who are the best at what they do.

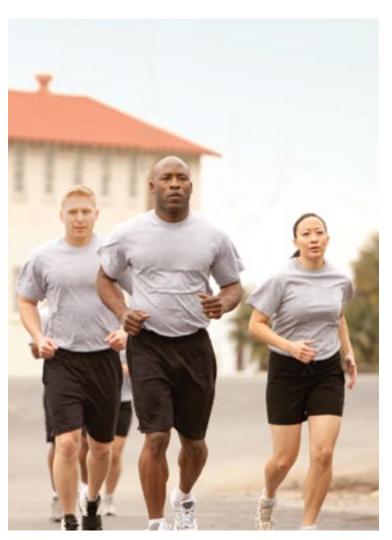
Relentlessly focused on achieving your mission, Engility operates in a cost-effective manner, with absolute integrity. Our streamlined structure delivers maximum value and gives us the agility to respond rapidly to any challenge.

With a legacy of success, Engility is your first and best partner to achieve your mission. Visit **engilitycorp.com**.



Capital Finance





With you when America is counting on you

Like most government contractors, you want a financial services provider that can help you solve the complex challenges of our country's work. That's exactly what the Government Services team at Wells Fargo Capital Finance does every day. We can help you use your accounts receivable to generate the working capital you need to meet the terms of your contracts.

For more information on how we can provide financing when our country is counting on you, contact us today.

Wells Fargo Capital Finance wellsfargocapitalfinance.com/govt 703-462-2308 • wfcfgsginfo@wellsfargo.com

Together we'll go far

