GAUGE
2020 REPORT

Leveraging Technology to
Optimize Your Business

4TH EDITION

Industry Roadmap of Benchmarks and Trends for Government Contractors

Unanet

CohnReznick
ADVISORY • ASSURANCE • TAX

Please Read

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Meet the Presenters

GAUGE

G Government Contract Compliance

A Accounting

U Utilization

G Growth

E Efficiencies

Kim Koster
VP of GovCon Strategy
Unanet

Christine Williamson
Partner
CohnReznick

INTRODUCTION 2020 GAUGE REPORT

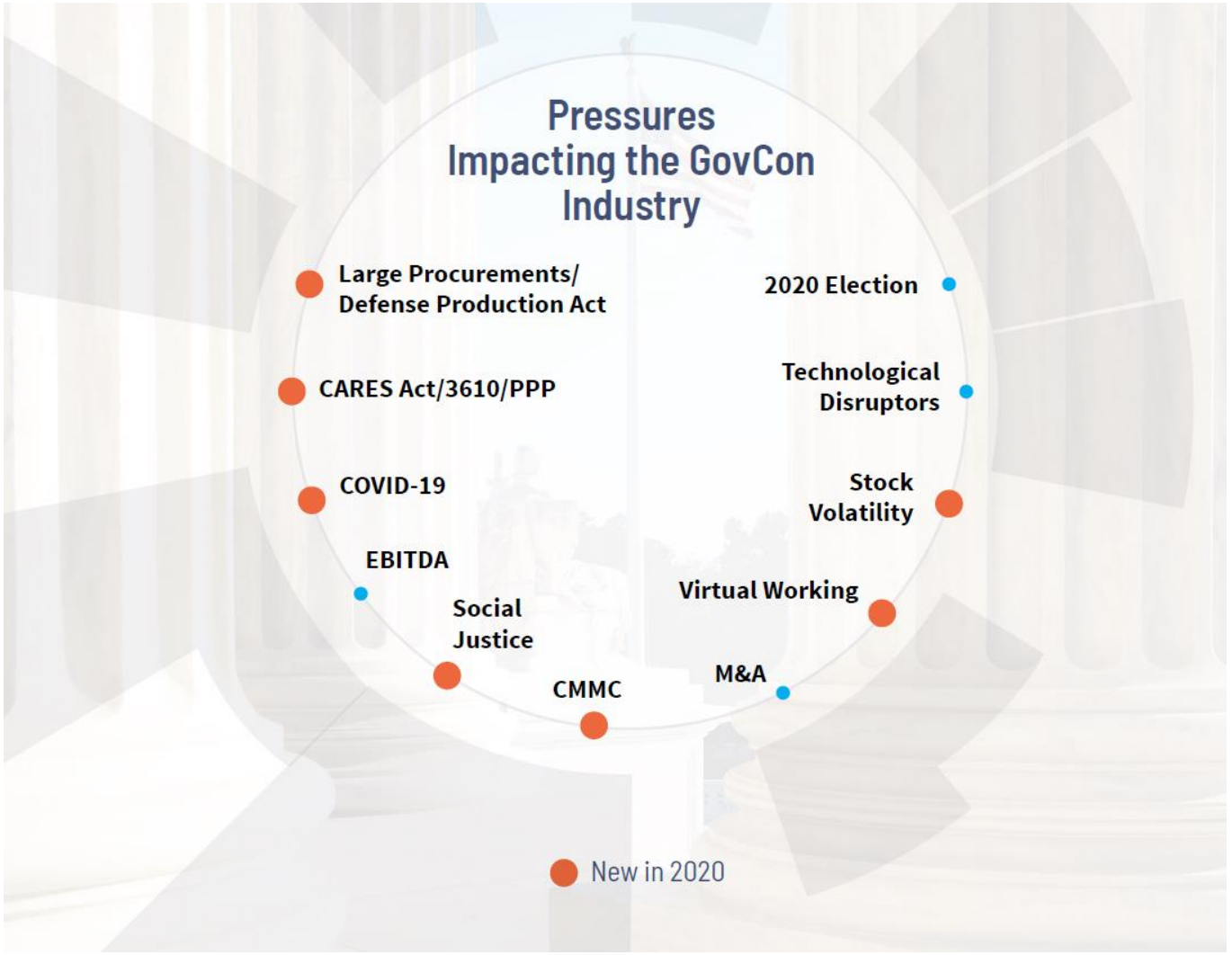
GAUGE

VOICE of the EXPERTS

Leading companies have stopped asking, "Do I need this technology?" Instead, they are inspecting every challenge and obstacle throughout their operations and asking, "How can technology help me address this?" Technology adoption and optimization will be a defining factor for leaders and laggards in the coming age.

2020, it has been quite a year so far

Pandemic, Elections, Social Justice
What's Next?



Extended survival plan for continued COVID-19 impacts

Mission critical items to check on or do immediately

- □ Evaluate your cash position
- □ Assess any delays on your contracts
- □ Establish COVID-19 charge codes on your contracts and indirect costs
- □ Document reduced productivity due to COVID-19 for employees and subcontractors (subs)
- □ Understand rights to teleworking (OMB); issue essential letters to employees

Steady the ship after you have solved for your immediate needs

- □ Assess remote collaboration capability and tools
- □ Engage with your contracting officers—ALL of them. Assess 3610 applicability
- □ Reach out to your banker
- □ Monitor Accounts Receivable and get invoices out ASAP
- □ Document if you did receive PPP

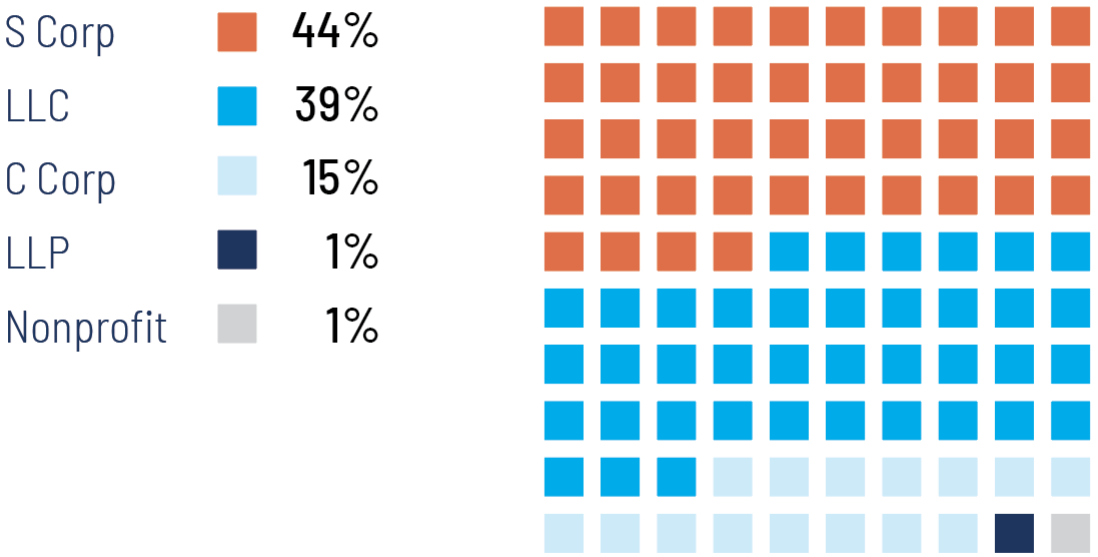
Enhance your competitive position or respond to future concerns

- □ Evaluate supply chain agility; check in with subs often
- □ Keep up/gear up your BD machine
- □ Stay on top of stimulus funding. What agencies can you work with?
- □ Monitor guidance, class deviations, review COVID-19 resource centers, etc.
- □ Maintain your business system compliance, and don’t forget CMMC requirements are still on the way
- □ Create a reopening or re-exiting committee to start determining options

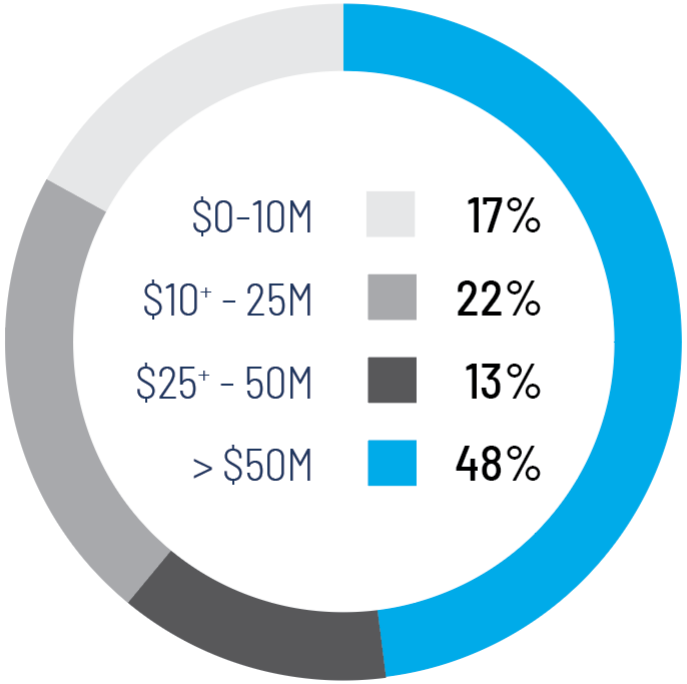
Who contributed to the report

Tightening the lower $ revenue bands

Respondents by Entity Structure

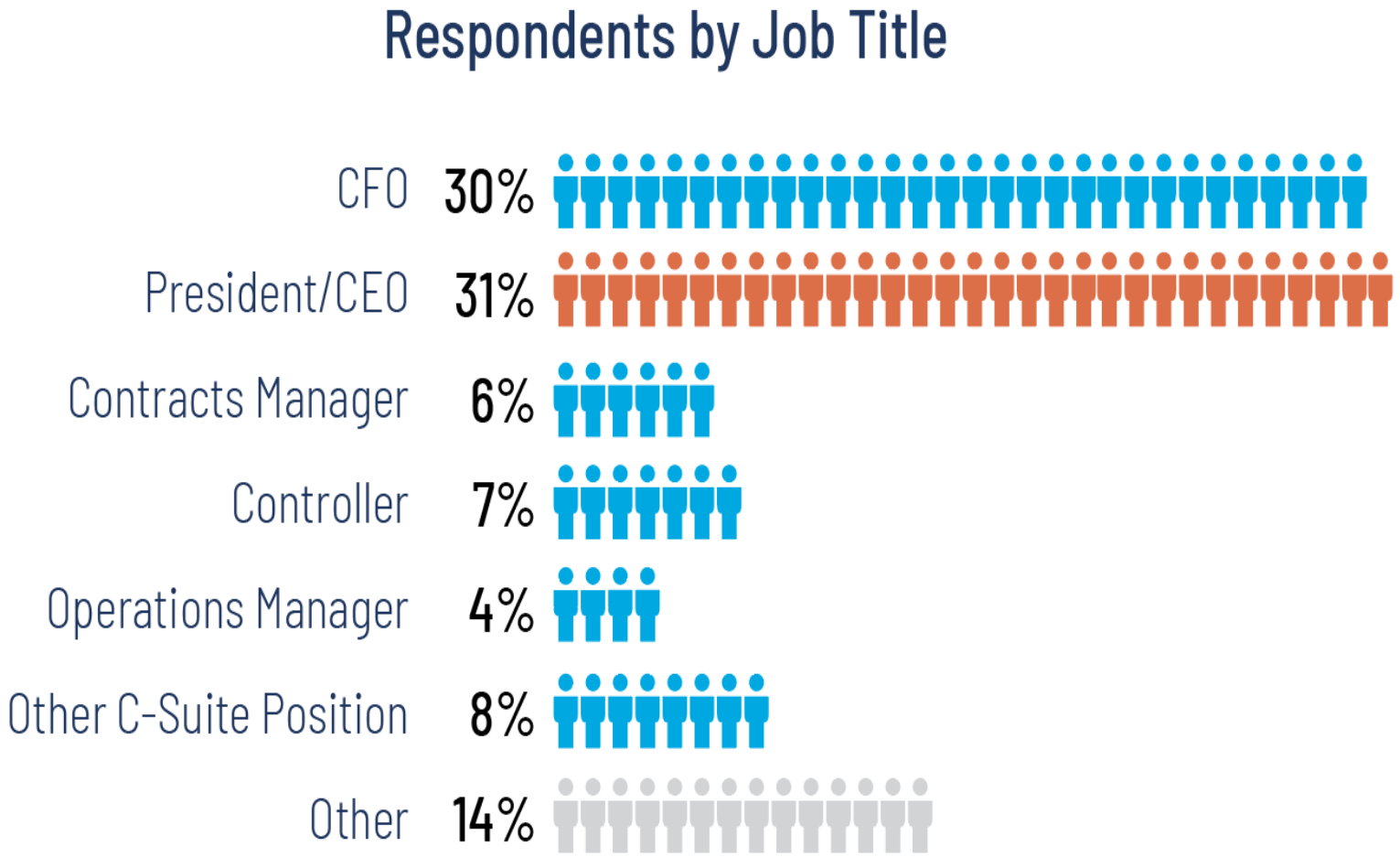


Respondents by Annual Revenue

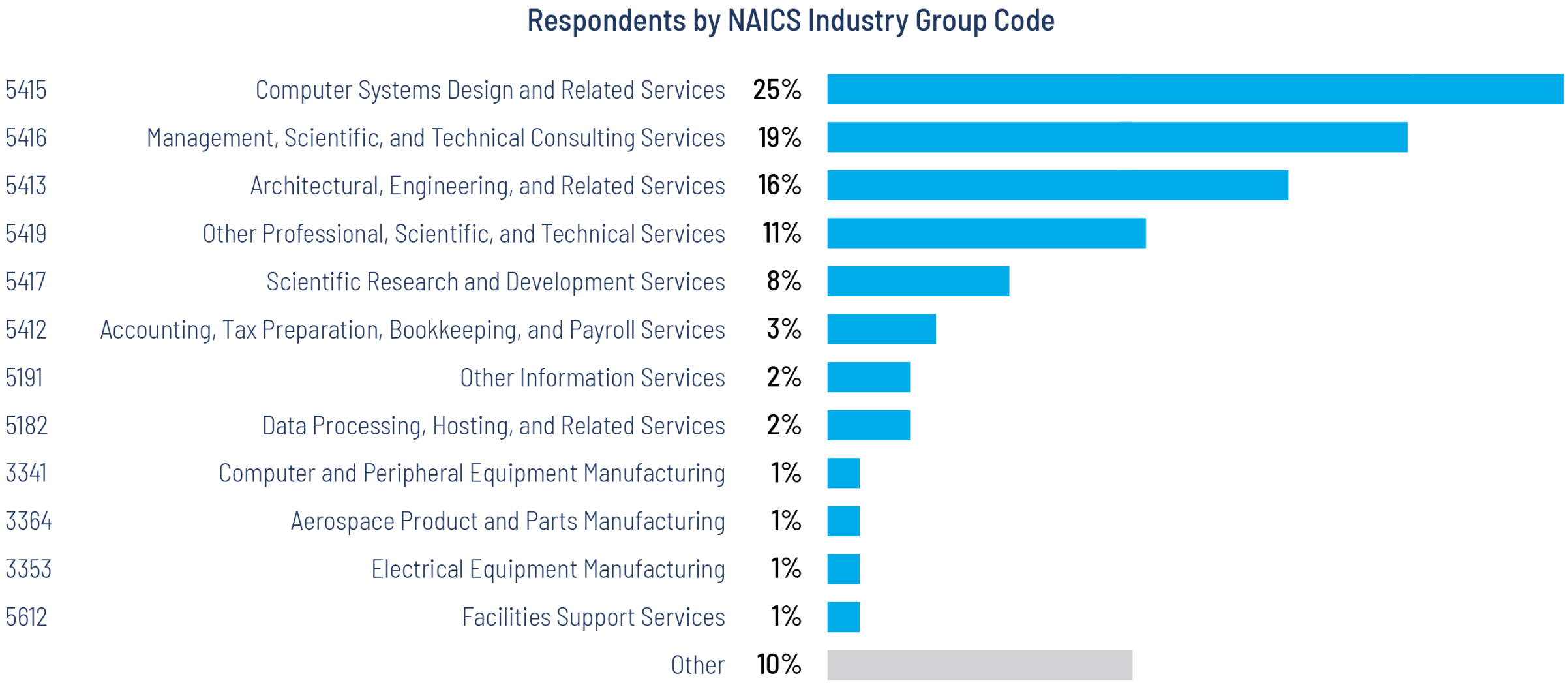


Voice of the executive

- **69% C-Suite**
- **“Other” was PMs and other finance and accounting professionals**

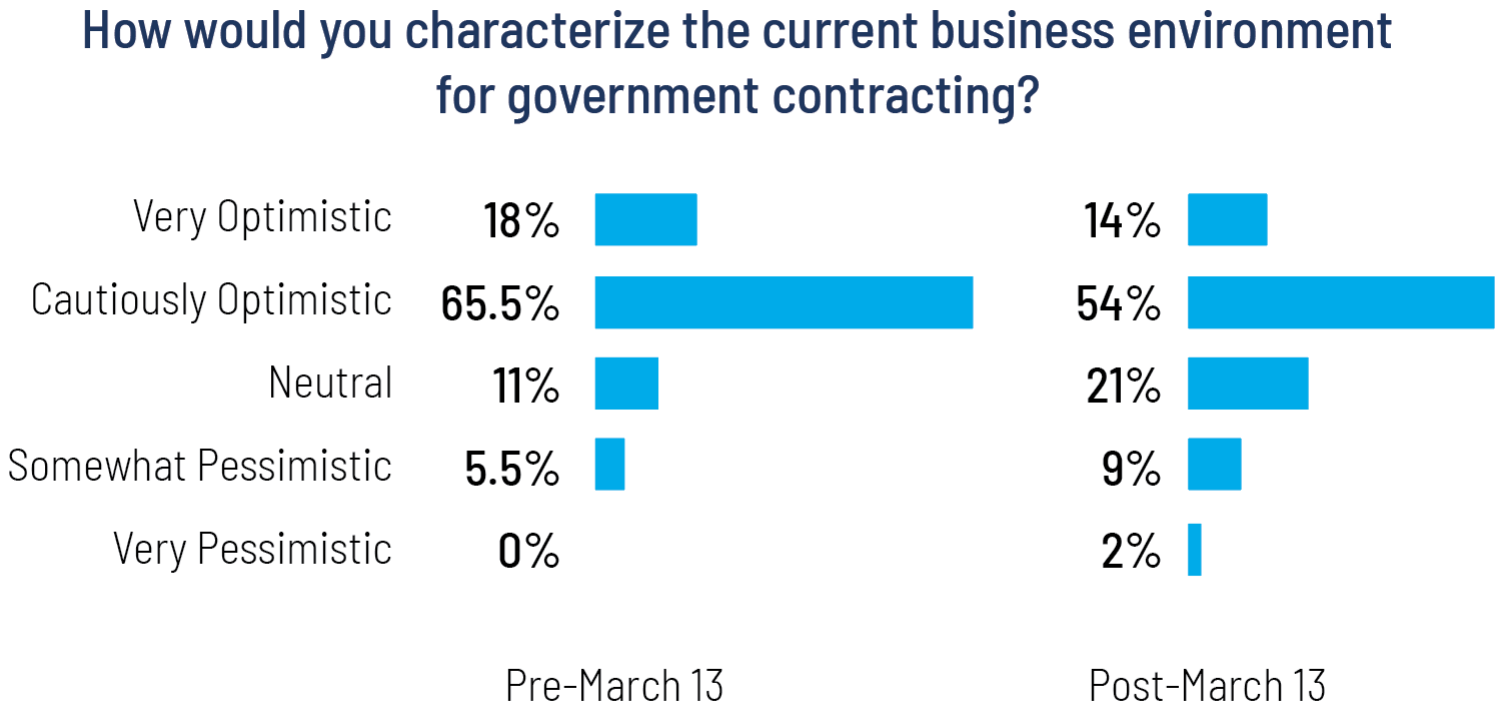


NAICS Industry Group Codes



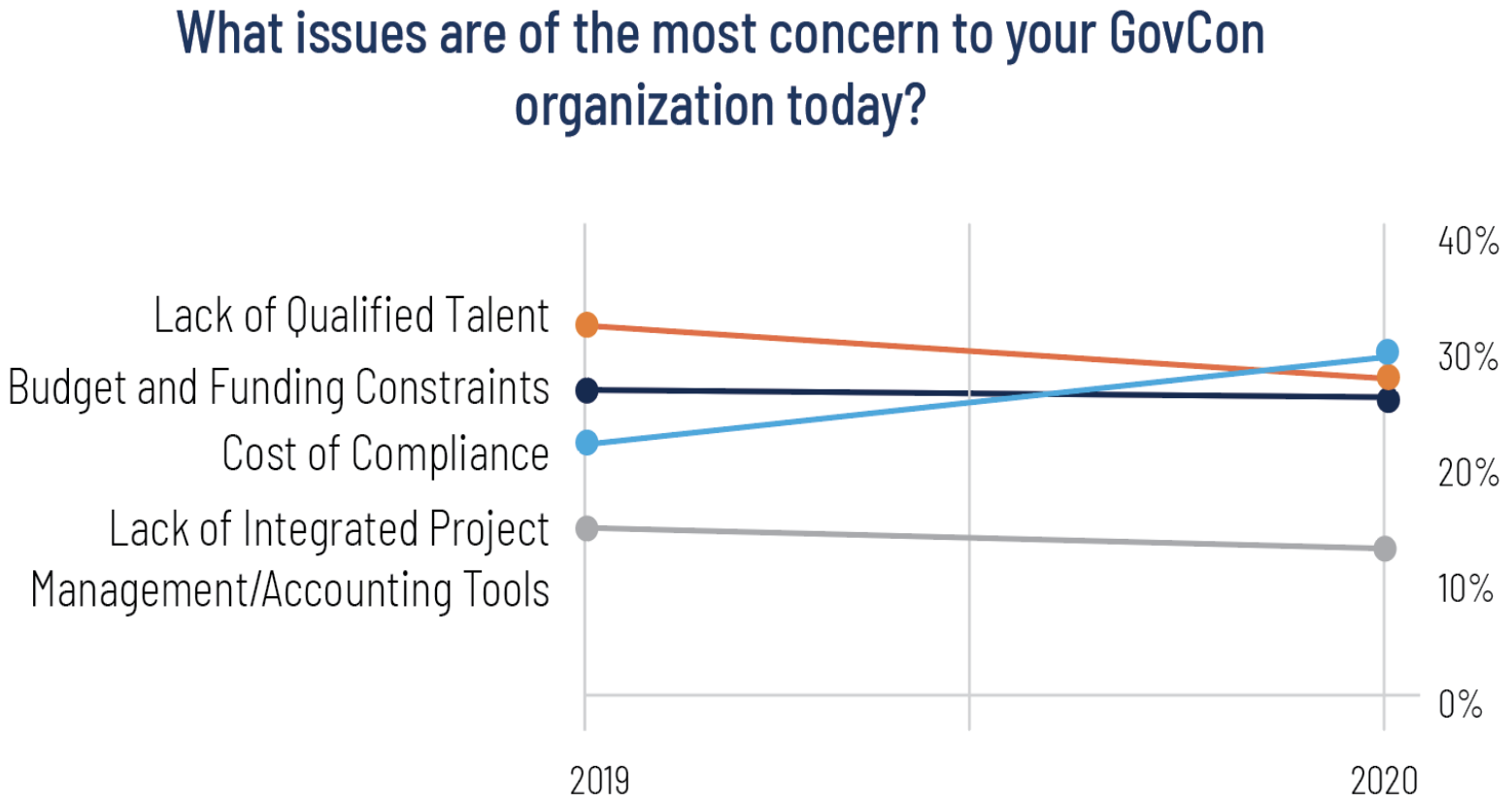
Optimism continues even in a pandemic

GovCons are resilient with a steady stream of funds



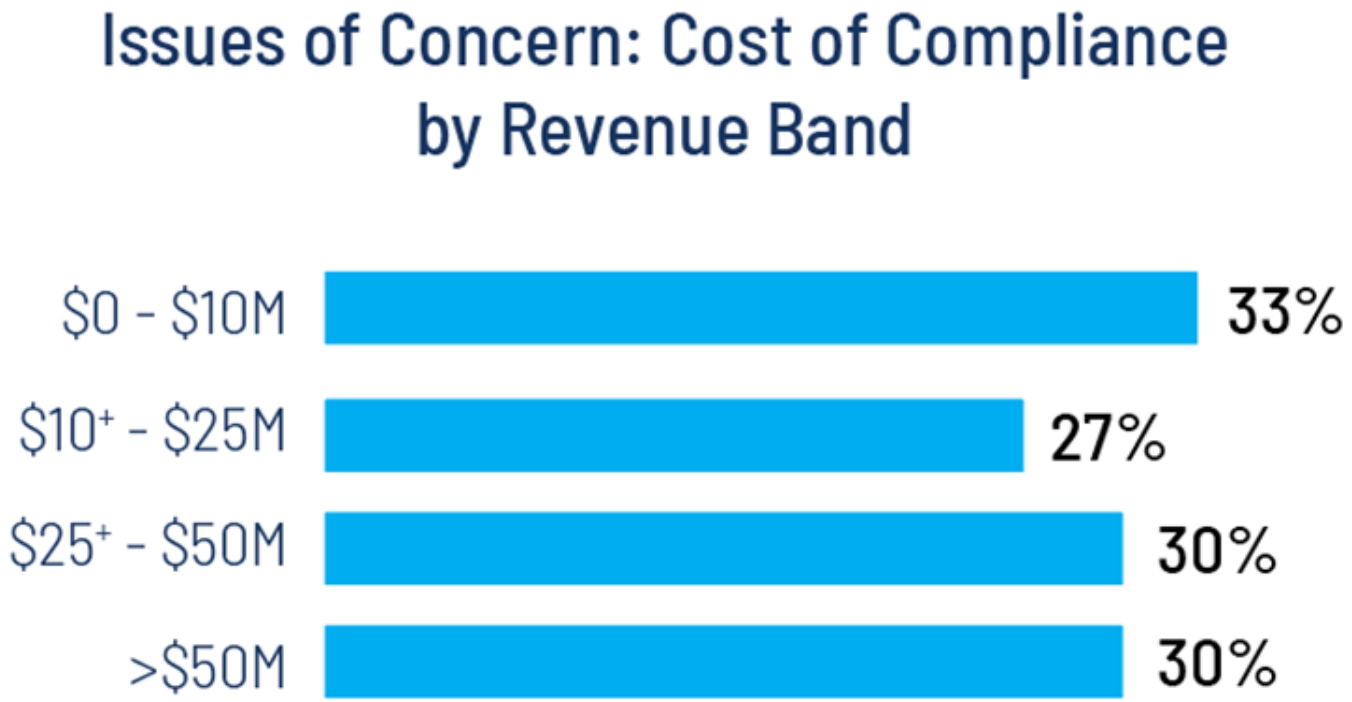
Biggest Concerns

Cost of compliance in the lead



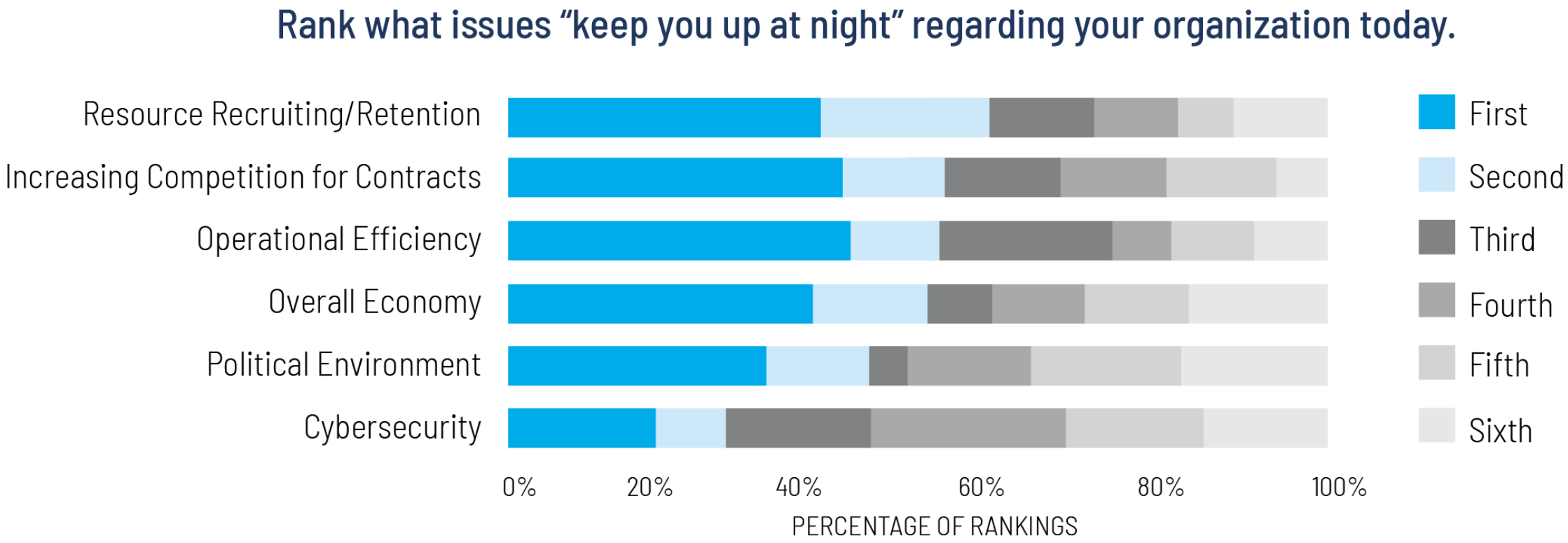
Eye on Compliance and Associated Costs

This concern is for all company sizes and shapes



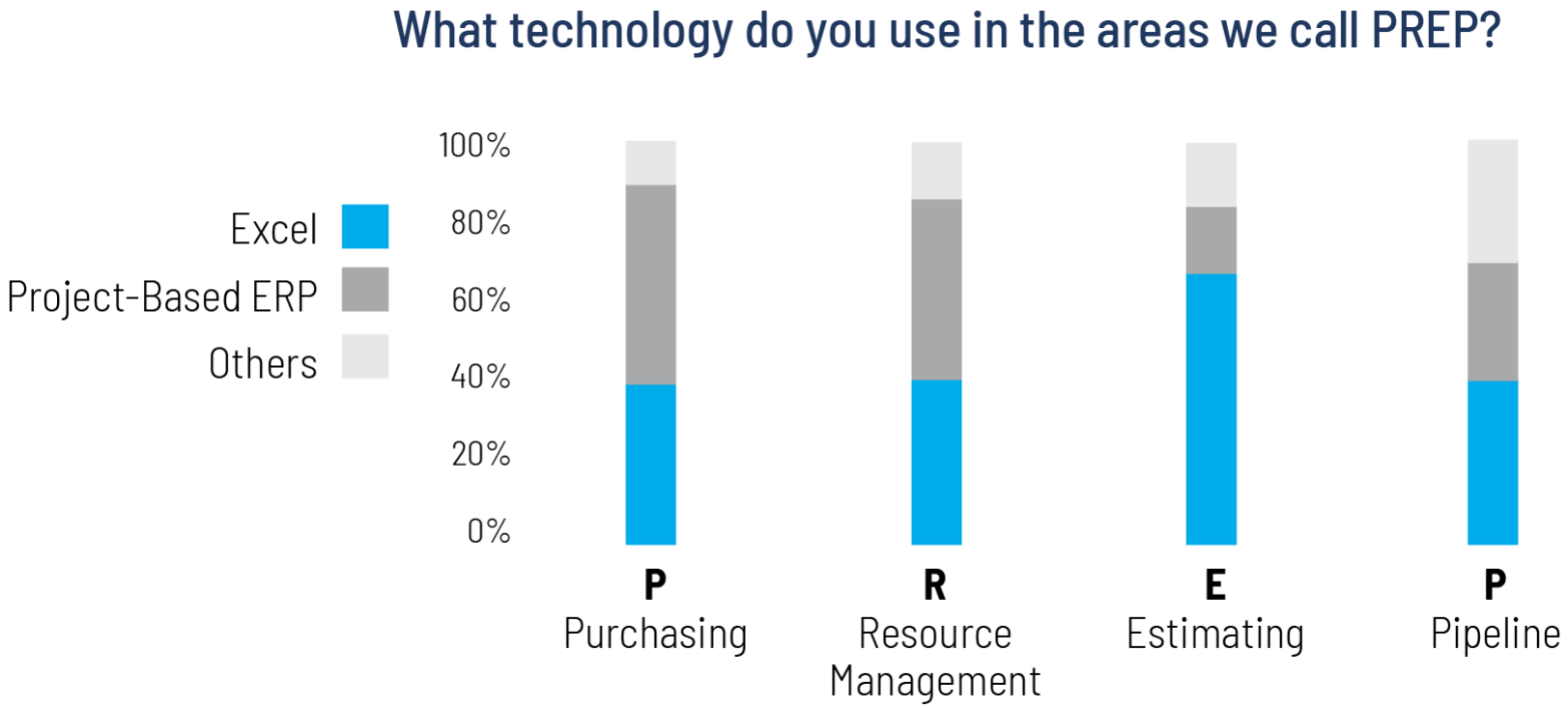
What is keeping you up at night

Talent, competition, and efficiency



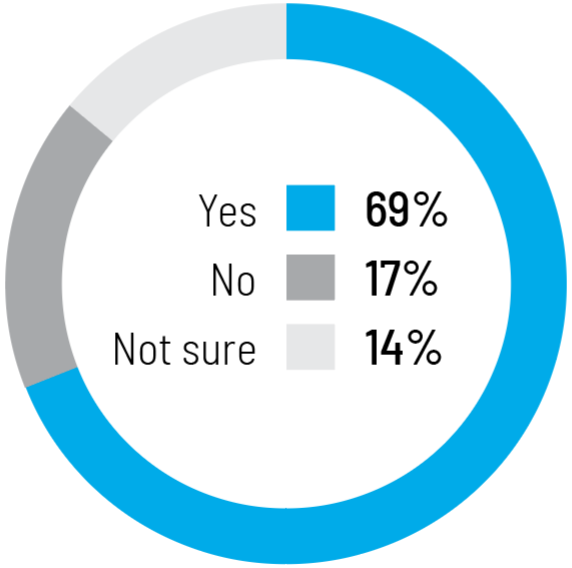
Spreadsheets run rampant

Should you trust your business to Excel?

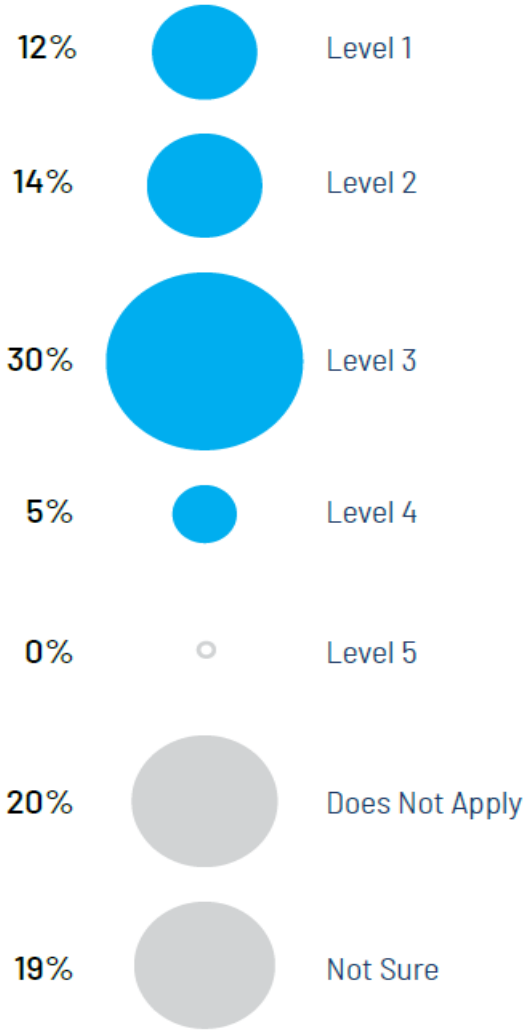


Cybersecurity

Has your organization implemented security controls using NIST 800-171/171B or NIST 800-53?



What CMMC level would *you* assign to your company?



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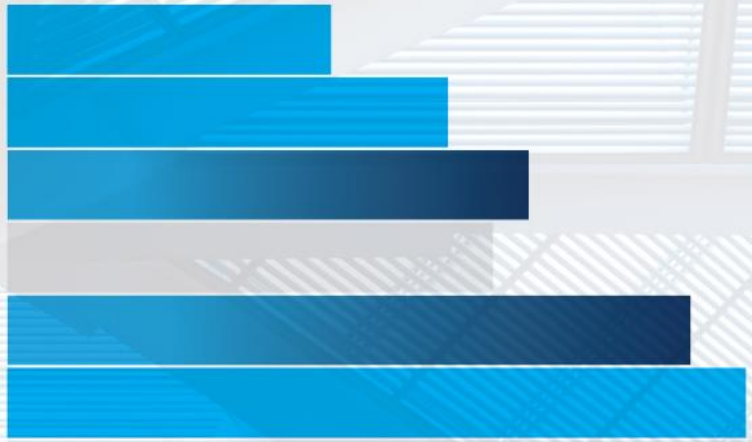
GOVERNMENT CONTRACT COMPLIANCE



What type of annual training does your company provide

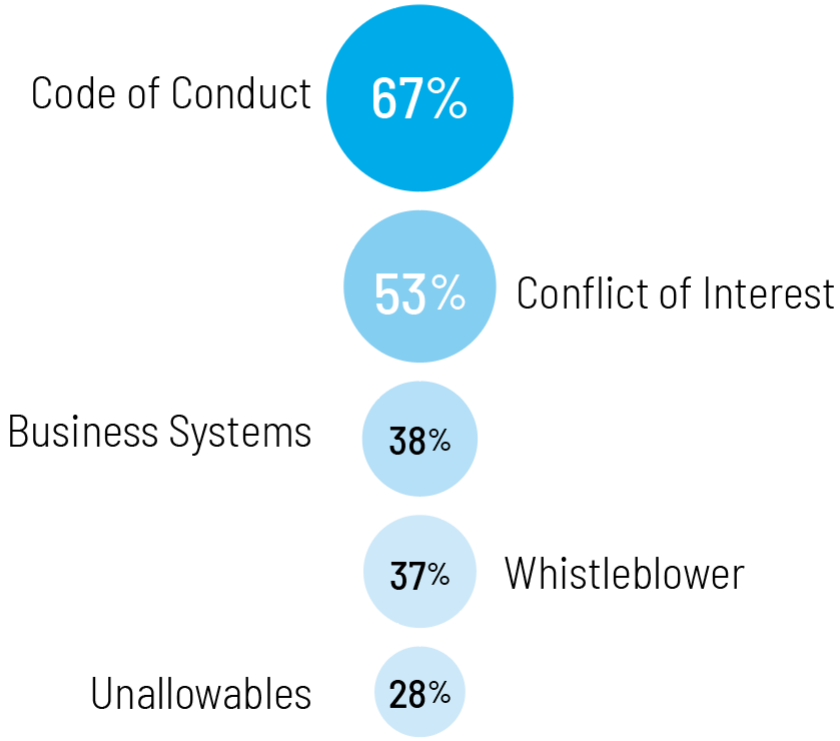
Today is the perfect day to institute a robust training program

Over 38% of contractors reported providing training to their employees on their specific various

Business Systems compliance, jumping from nearly null last year.

For which of the following does your company provide annual training?

(Multiple allowable selections mean responses will sum to > 100%)



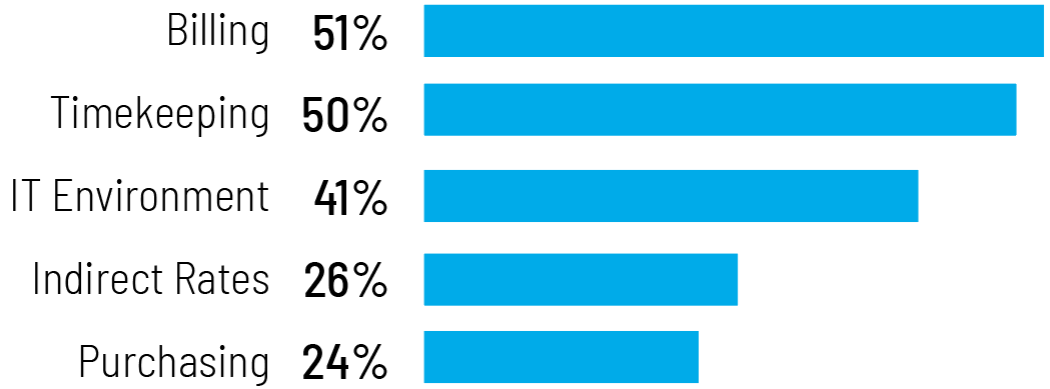
Subcontractor audits

Are you minding your subs?

The results were in-line with expectations.

Which of the following third-party audits does your organization perform on your subcontractors?

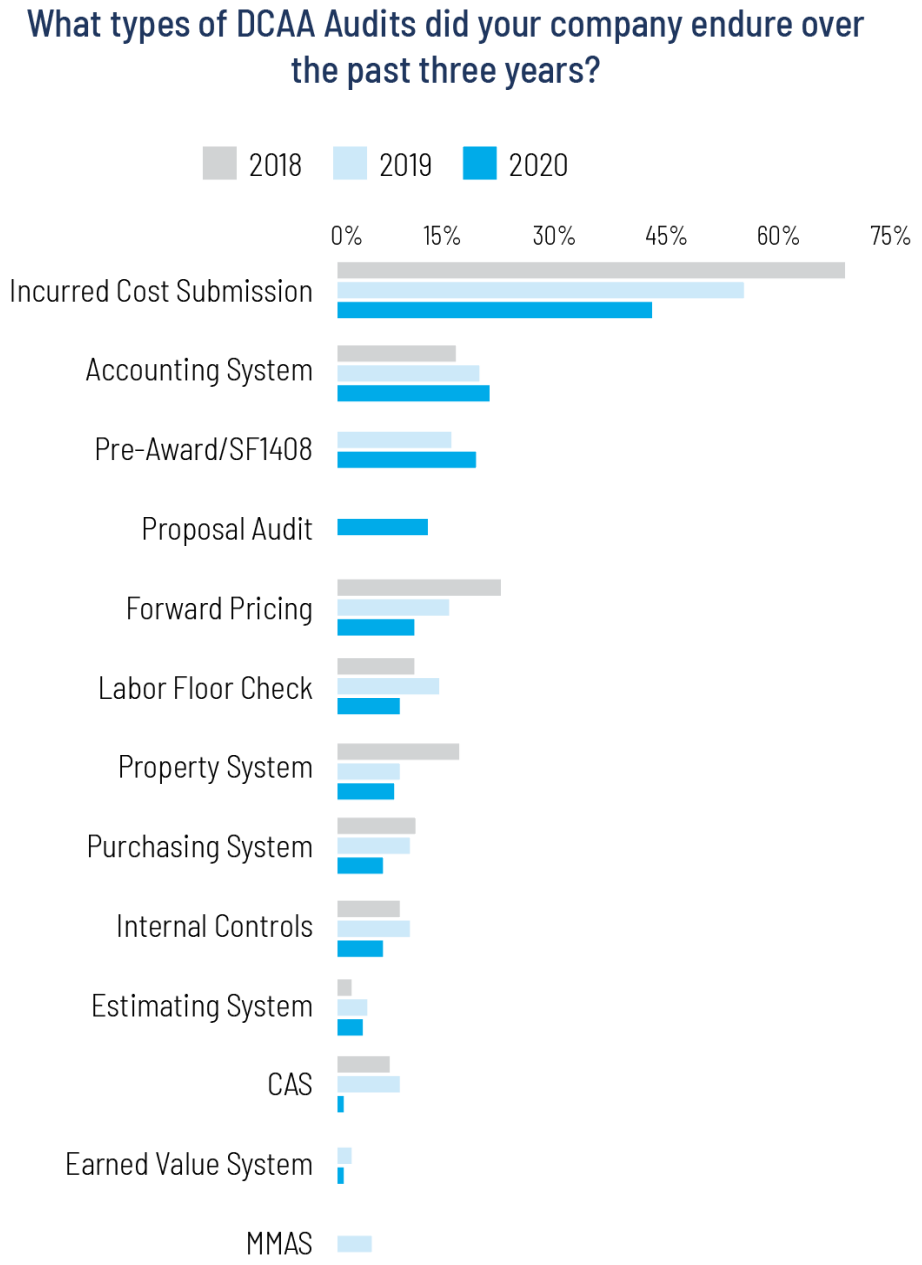
(Multiple allowable selections mean responses will sum to > 100%)



DCAA audits

ICS is still the headliner

Note the list of contract (DCAA) audits and make sure your technology tools and processes are in shape for any one of these audits. Procurements continue to require adequate business systems before award, especially the GWAC, IDIQs, etc.



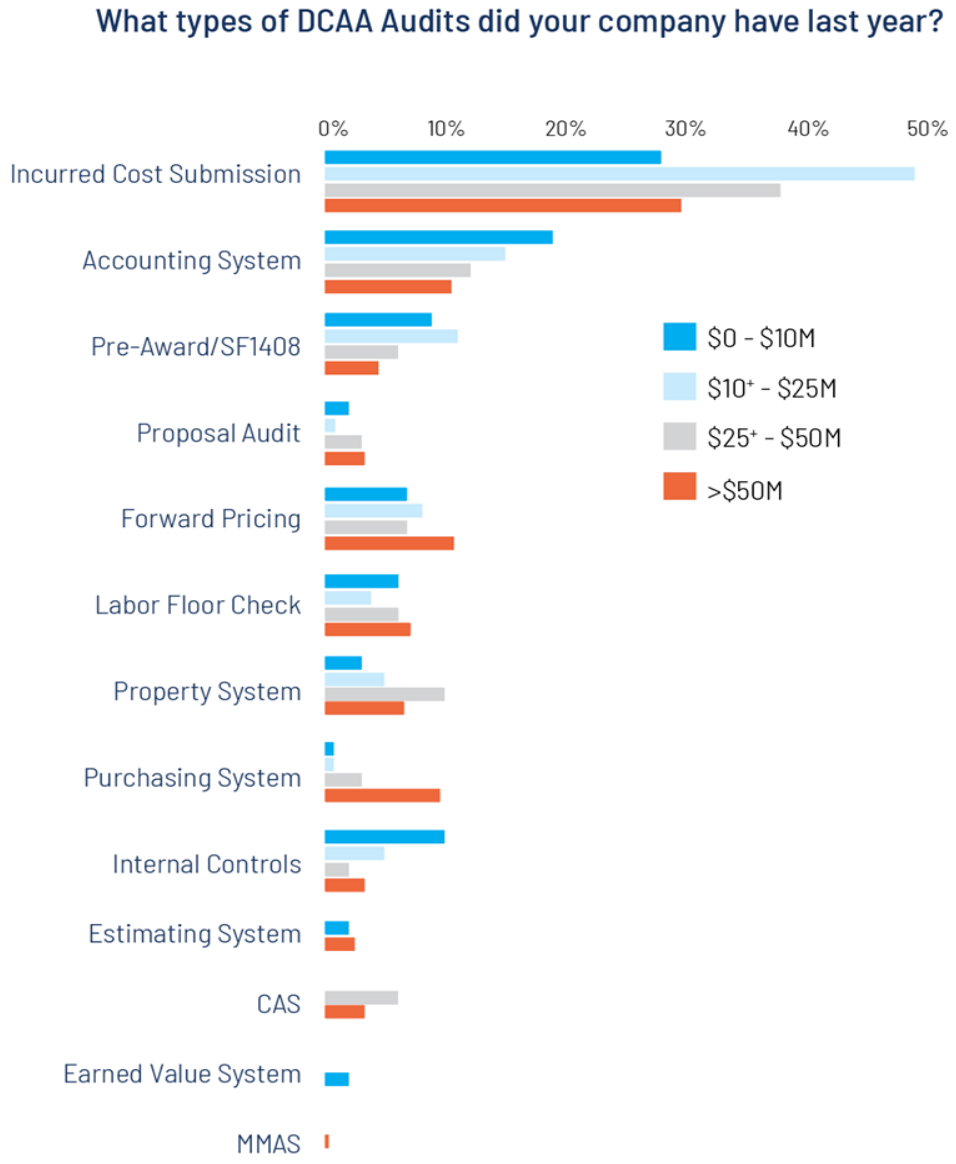
Types of Audits by Revenue Band

$0-$10M – be ready for accounting system and incurred cost

$10-$25M – be ready for incurred cost, accounting system, and forward pricing

$25M-$50M – be ready for incurred cost, CAS, property and forward pricing

$>50M – be ready for forward pricing and business systems



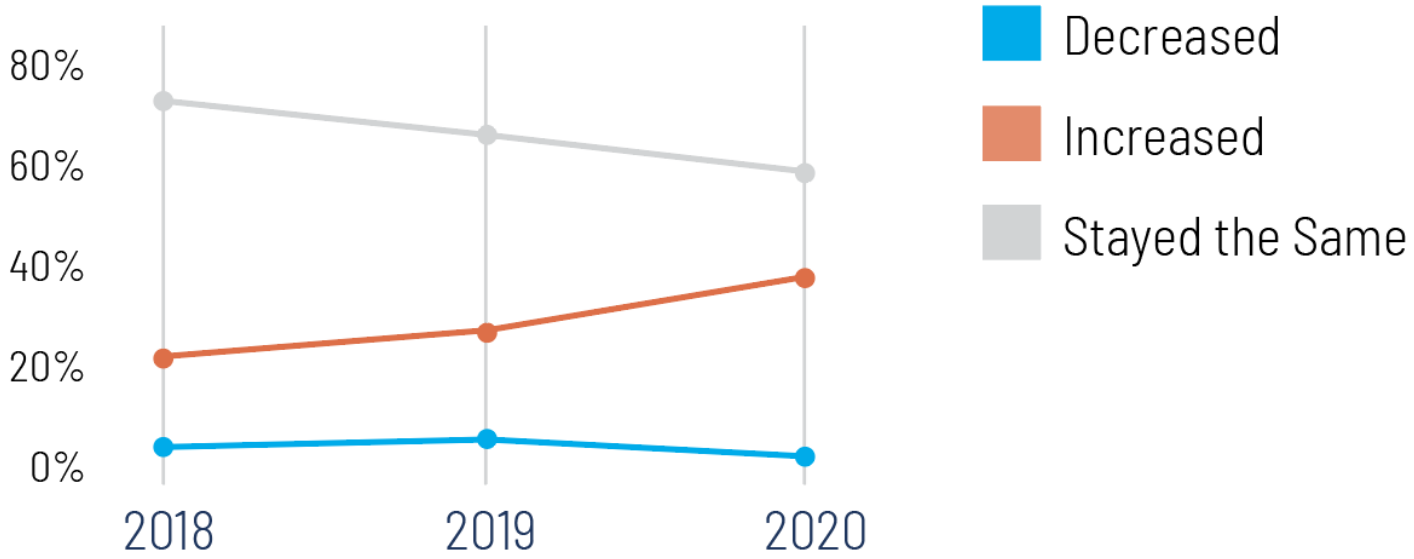
Government oversight

Increasing oversight is the trend

VOICE of the EXPERTS

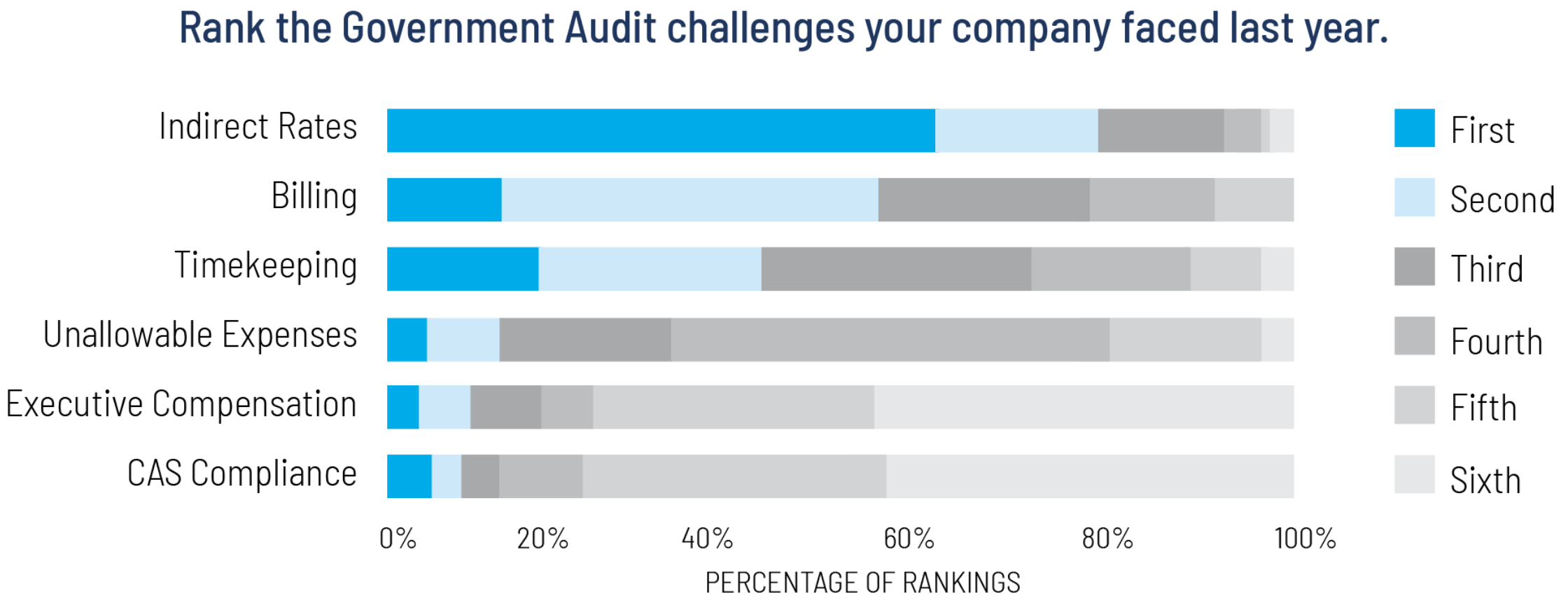
In contrast to DCAA's push to do physical audits in previous years, more audits will be conducted virtually. For companies, this is a wake-up call to have all data and recordkeeping organized and available digitally.

How would you describe the change in government oversight for your company over the past year?



Audit challenges

The “big 3” continue to dominate



Stay compliant – how many items can you check

Compliance Monitoring Checklist

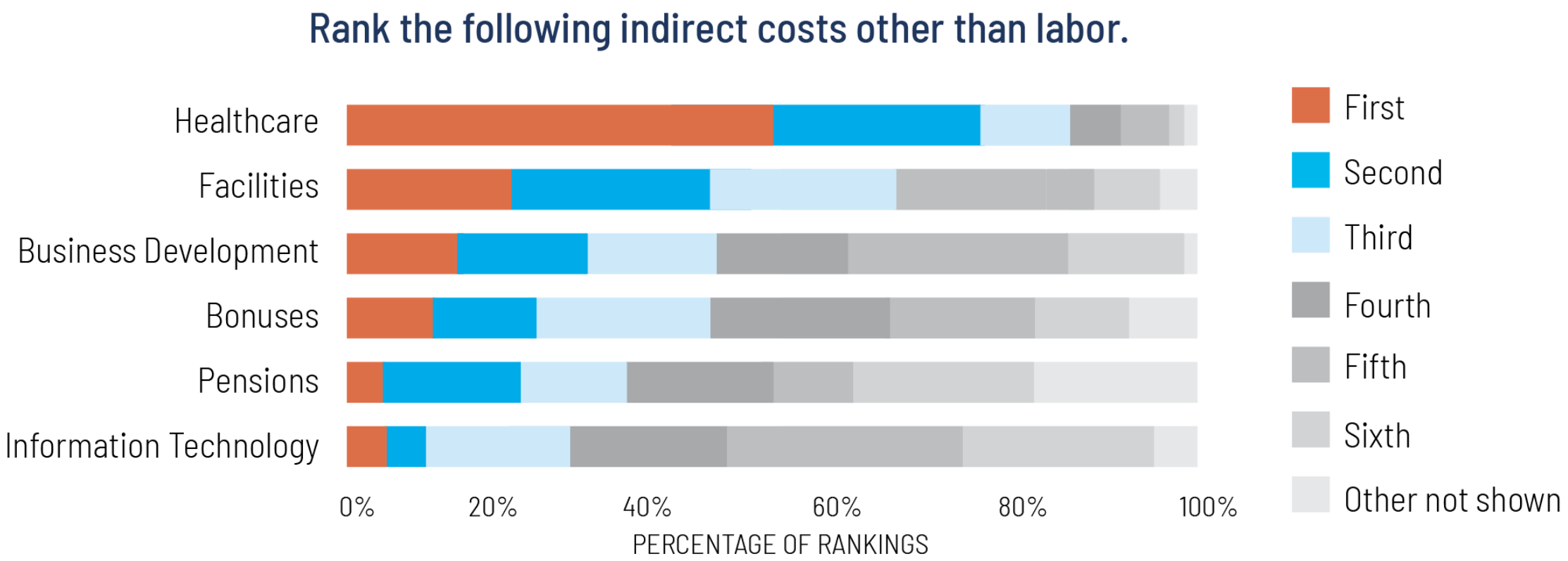
When deciding what compliance items to monitor, take a look at the list we've compiled from our experts:

- ☐ Adherence with business system applicability and criteria
- ☐ Interactive dashboard of key financial ratios
- ☐ Comparison of your financial actuals to budget and previous year at the same time
- ☐ Analysis of indirect rates and wrap rates and reasons for over/under running
- ☐ Organizational chart by function and legal entities with names
- ☐ Reporting of pipeline, backlog (funded and unfunded), and waterfall
- ☐ Types of contract audits performed, status, findings, and stakeholders
- ☐ Internal and external benchmarking by project manager or internal management
- ☐ Interactive listing of technology tools with expiration dates, abilities, usage, and cost
- ☐ Requirements of company training required by employee, such as conflict of interest, code of conduct, unallowables, IT, etc.
- ☐ Governance documents over internal controls and authority matrices for approvals

ACCOUNTING

Indirect costs

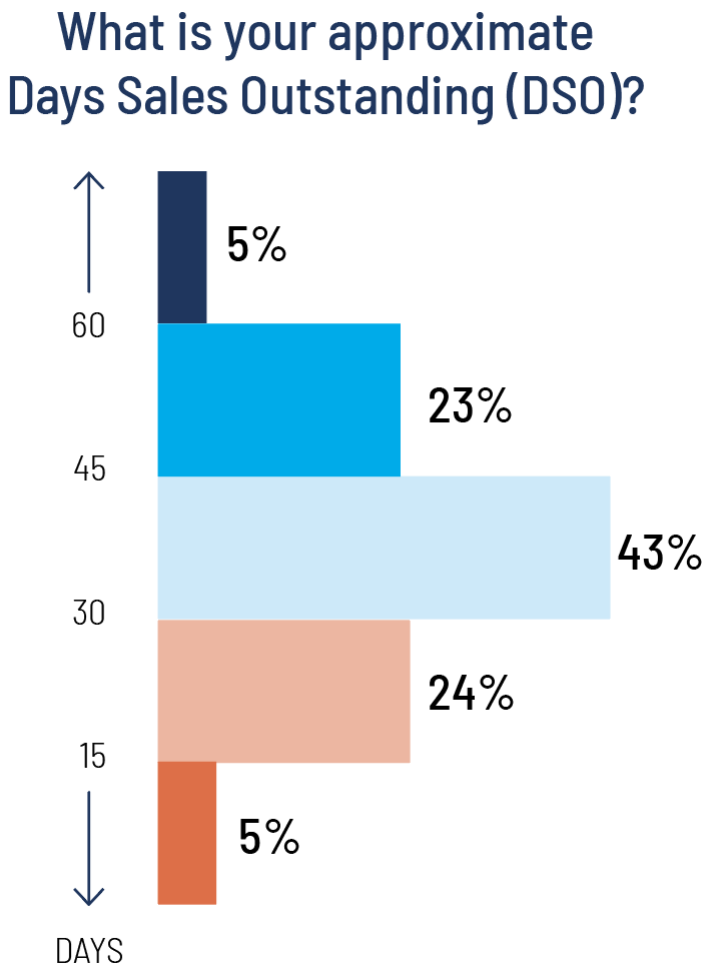
Healthcare continues to be a major cost with facilities in second place

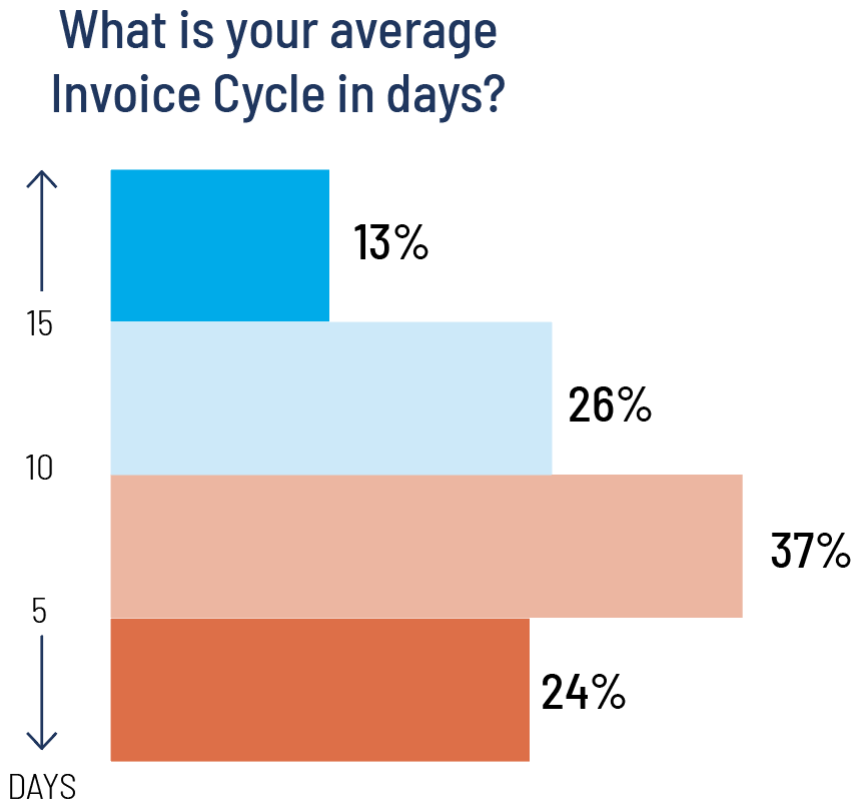


DSO and invoice cycle

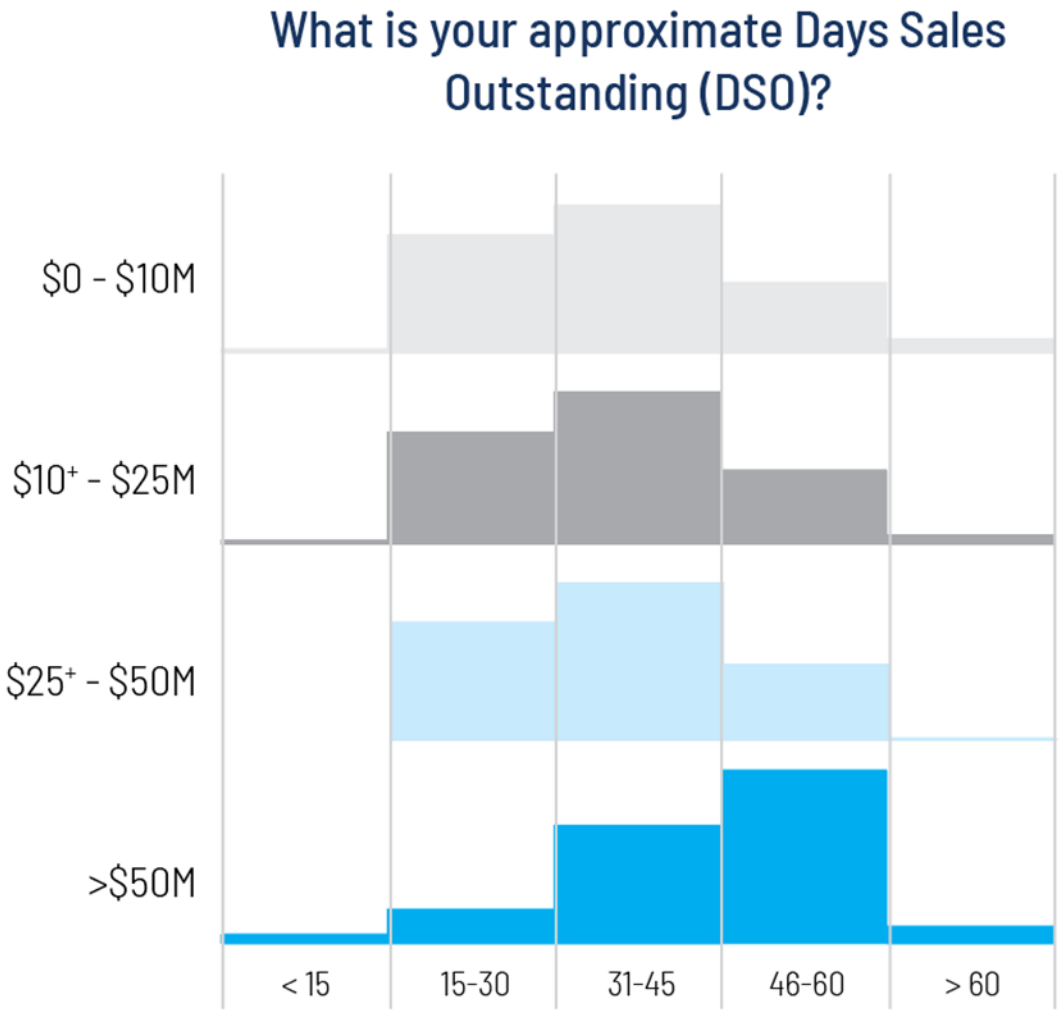
Cashflow is critical

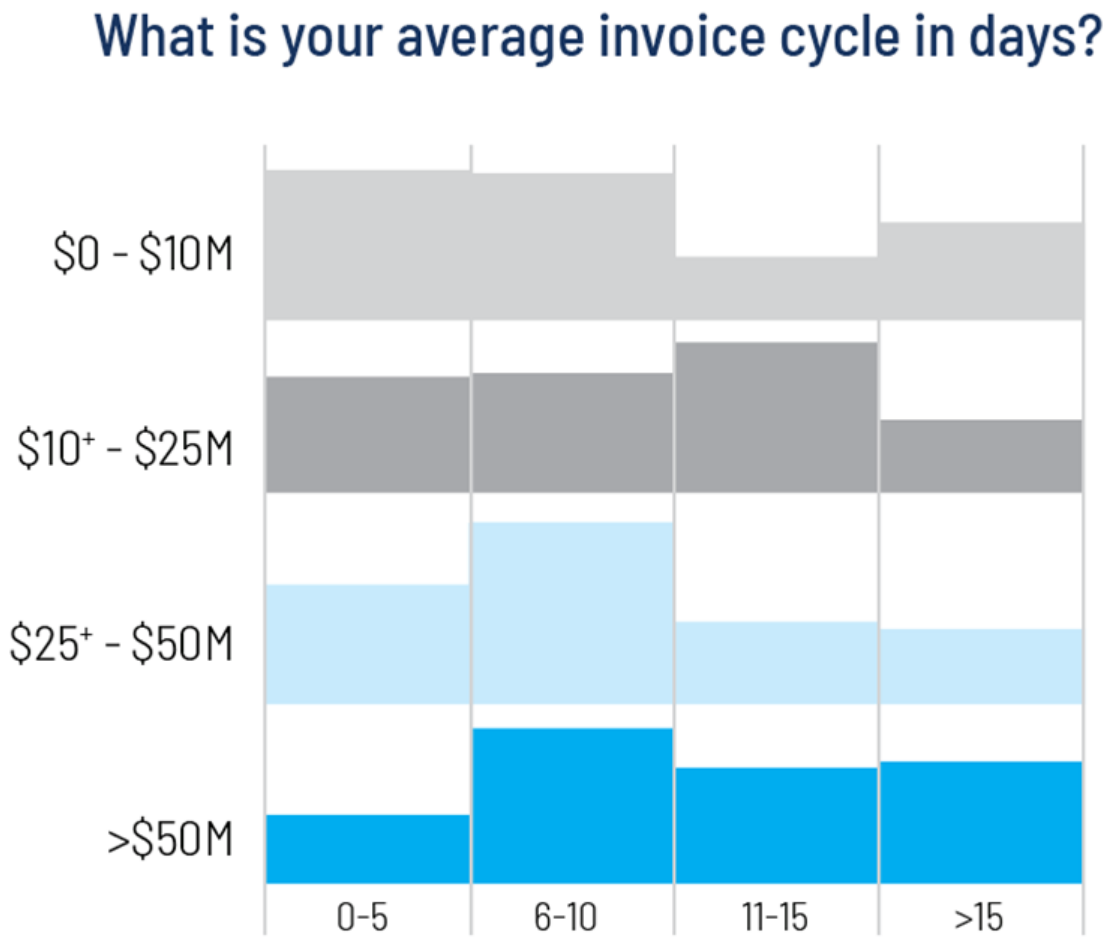
- <15 days sales outstanding (DSO) appearing for the first time in the history of the GAUGE
- >$50M revenue size companies logged the greatest <15 day responses
- 24% of our respondents are attaining a five-day or less invoice completion





Smaller Firms are More Cash Nimble

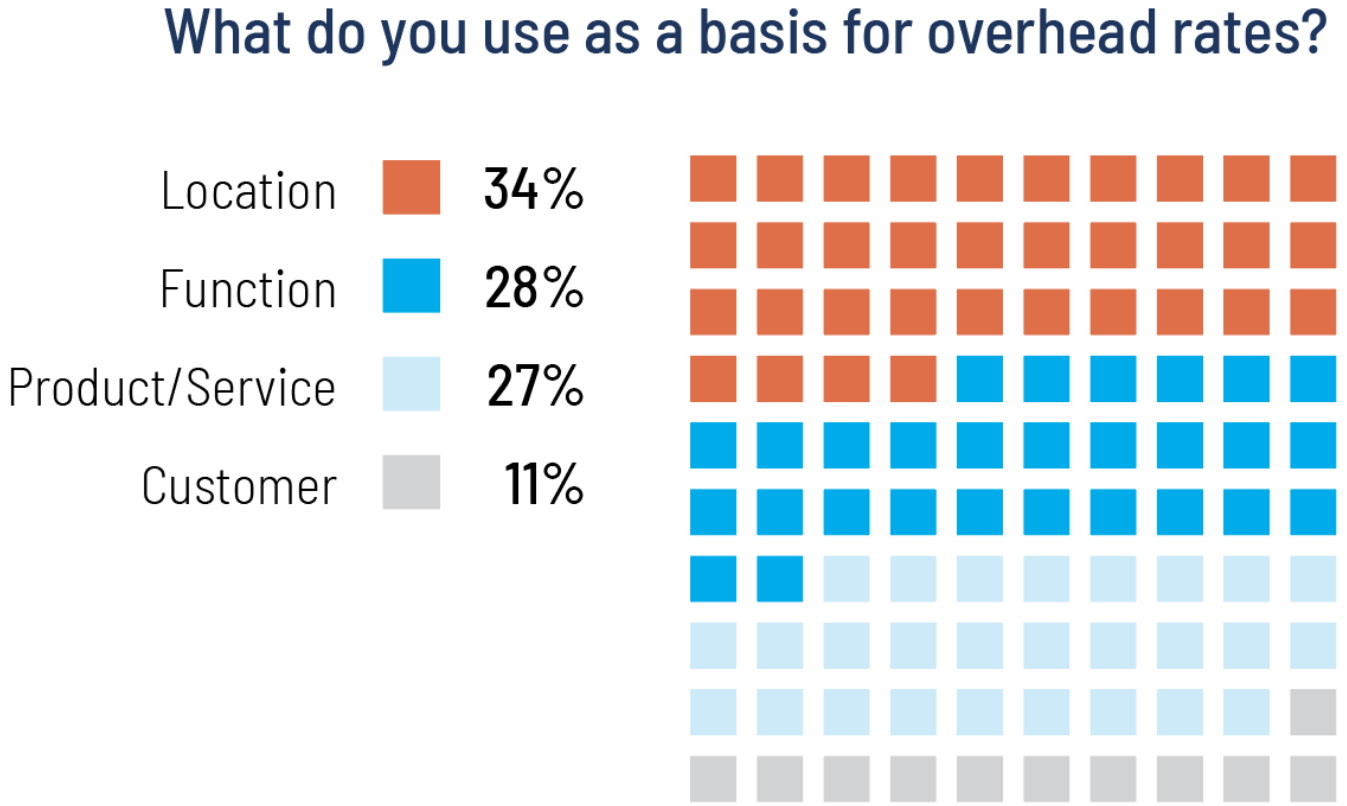




Basis for overhead rates

Overhead strategy is important

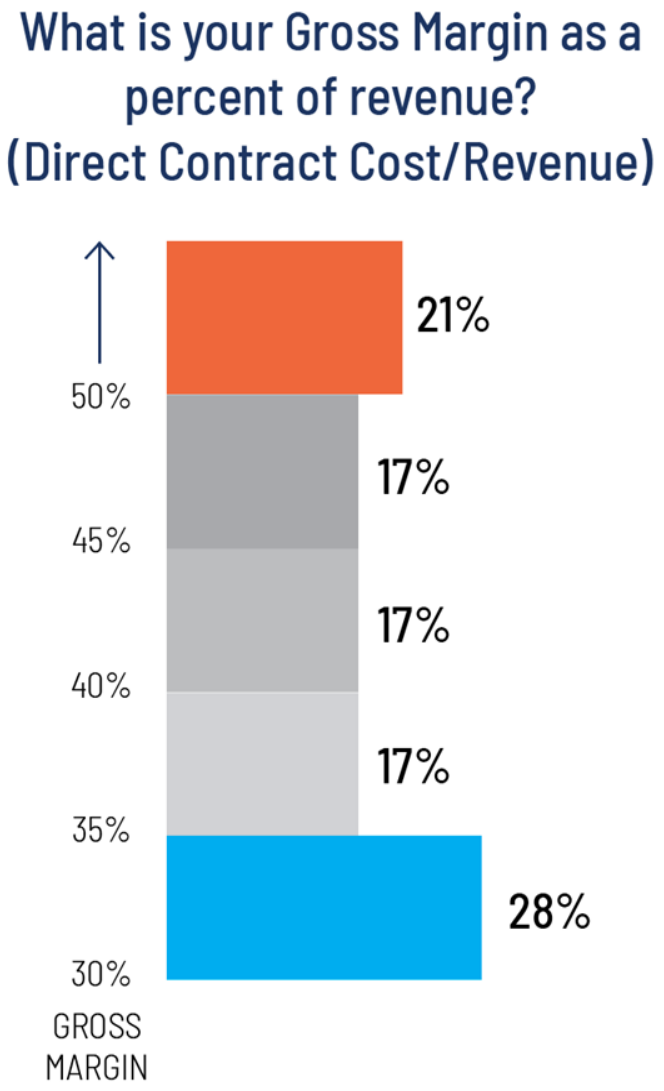
Similar to last year's results, >$50M revenue size companies use location overwhelmingly as a basis for overhead rates, with <$10M revenue size companies primarily using Product/Service



What is your gross margin

Key indicator of technology use

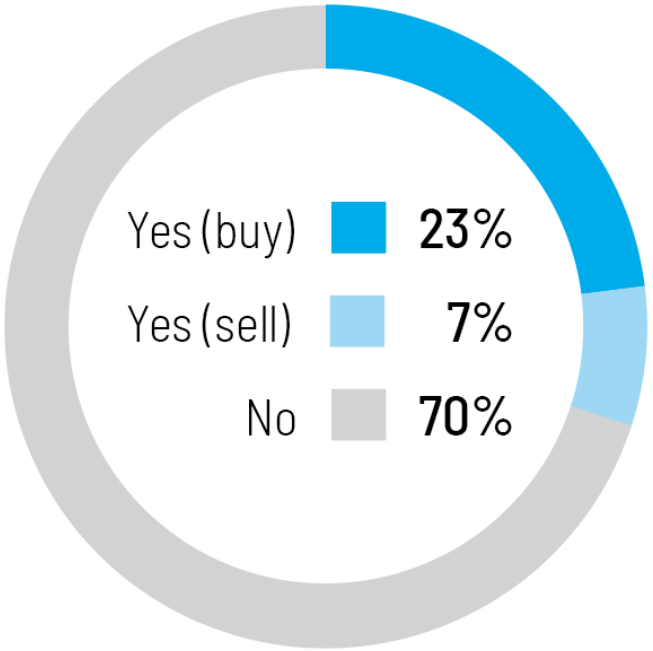
Gross margin is a key indicator of technology use. 38% of our respondents said their margins will be in excess of 45%.



Are you looking to participate in M&A

The time is never better than now for M&A

Are mergers and acquisitions (M&A) a priority for your company in the coming year?



Are your time and expense tools hitting the mark

Timesheet and Expense Tool Checklist

When picking and implementing a Timekeeping and Expense Tool, look for these features:

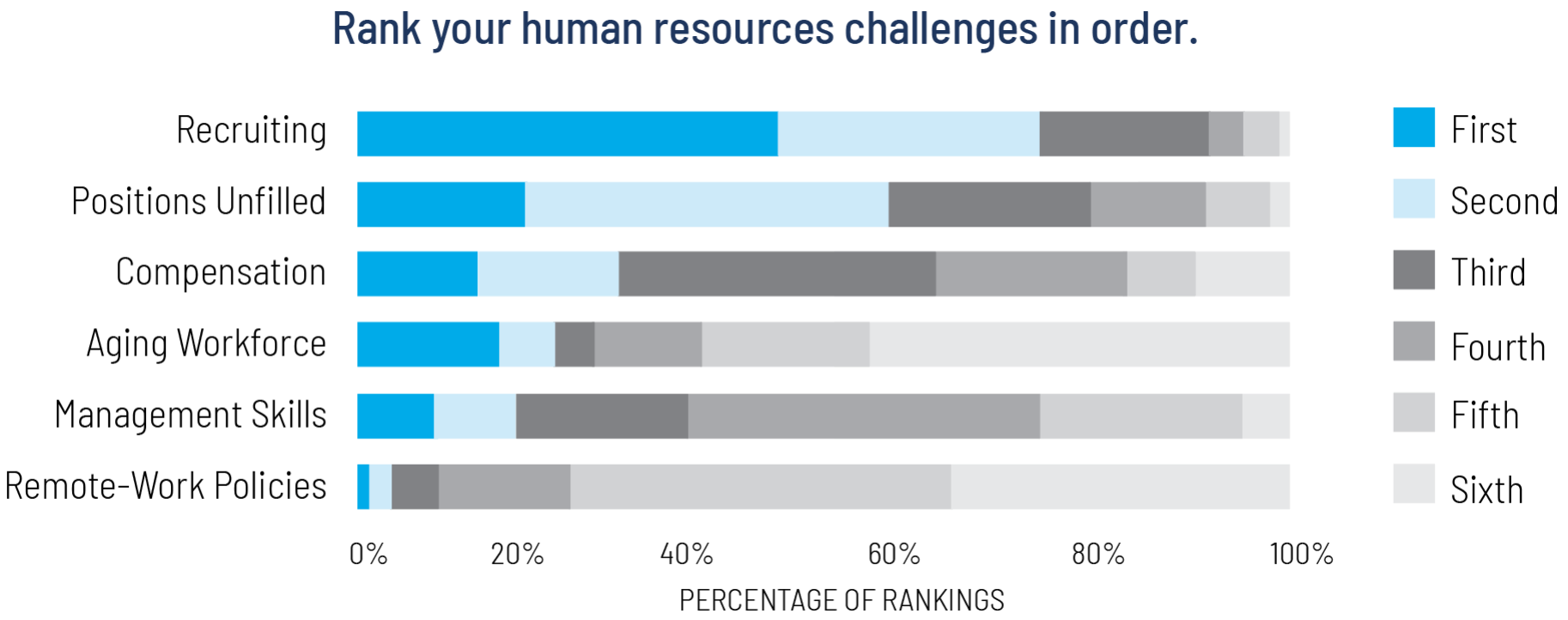
- ☐ Configurable timesheet application with information such as labor category, pay codes, and charge codes
- ☐ Effortless support of DCAA timekeeping requirements, facilitating auditability of time entered, for government contractors or other organizations
- ☐ Ability to capture comments and change reasons
- ☐ Customizable time periods that align to the accounting calendar
- ☐ Automatic population for holidays
- ☐ Labor dilution—total time accounting
- ☐ Enforcement of budgets, periods of performance, and other constraints
- ☐ Implementation of customized business rules on timesheet submittal
- ☐ Timesheet submittal and approval to confirm that time entered complies with corporate and project requirements. This is invaluable to avoid resubmitting timesheets and adjustments.
- ☐ Speed of payments for salary and expenses to improve employee satisfaction
- ☐ Produce invoices or charge-backs rapidly to increase cash flow

GAUGE

UTILIZATION

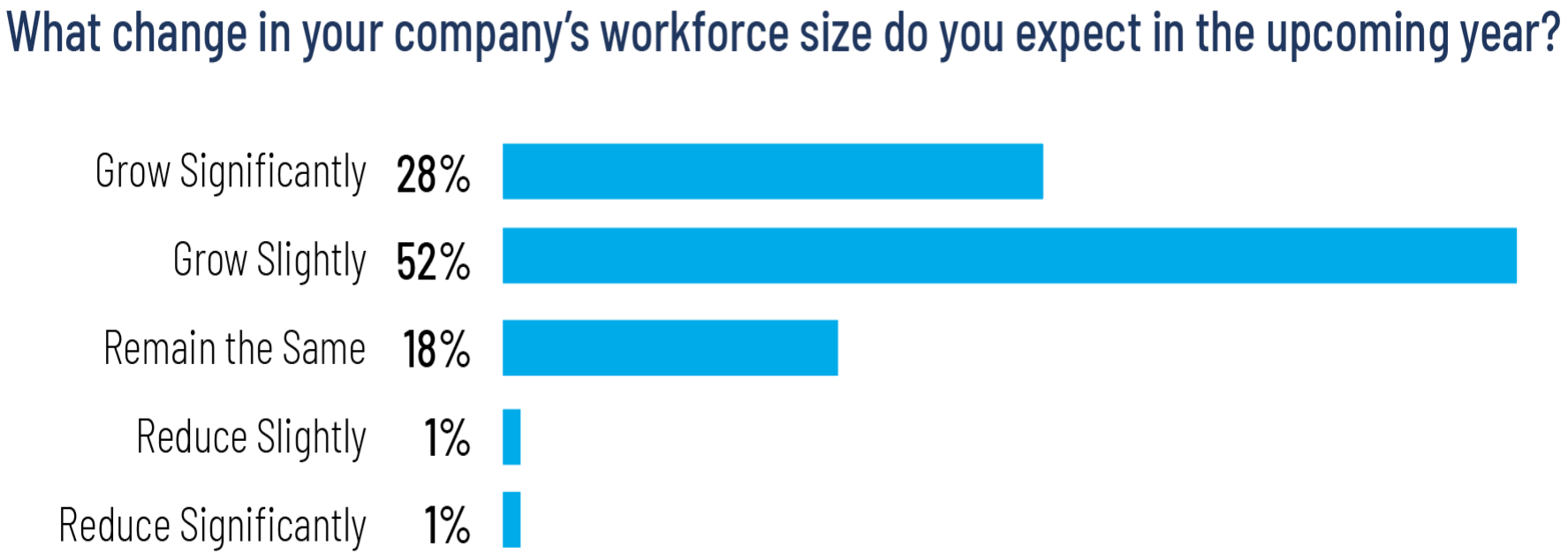
What is up with HR

Work from home is changing the landscape



See what others are doing in the future with their workforce

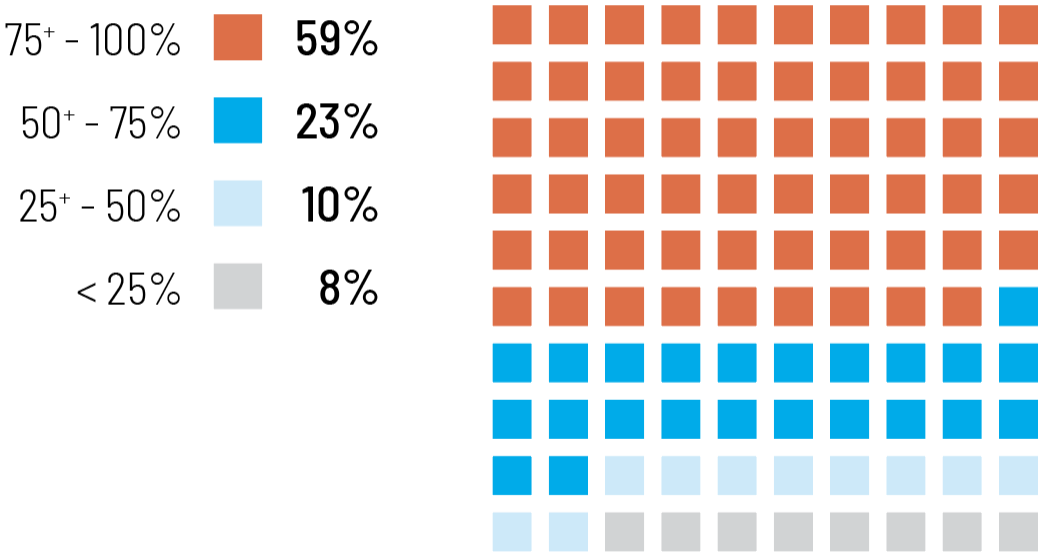
GovCon marketplace still healthy with companies continuing to grow



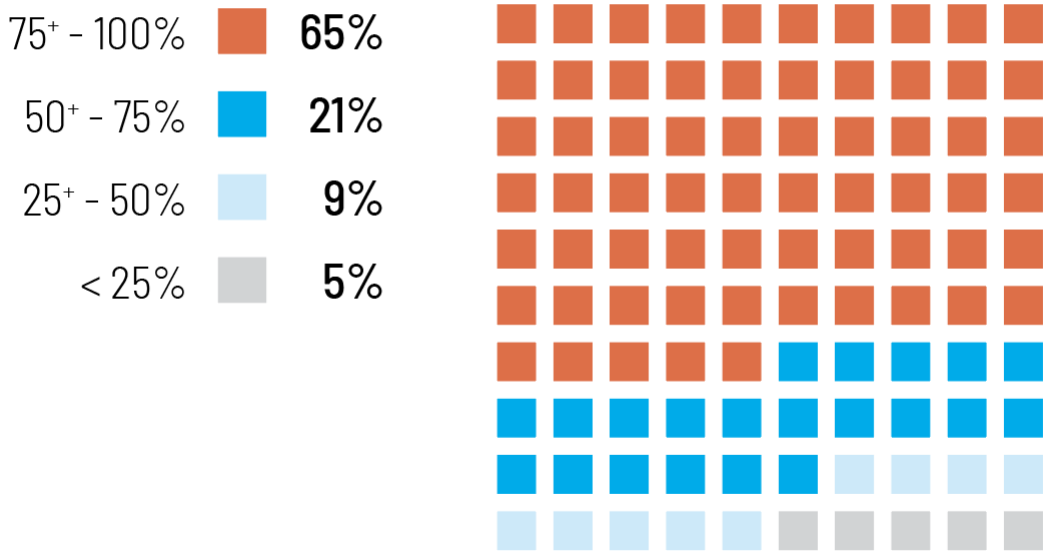
Managing your projects

Is meeting budget more important than schedule?

What percent of your firm's projects are reported as on or under budget?



What percent of your firm's projects are reported as on time or sooner?

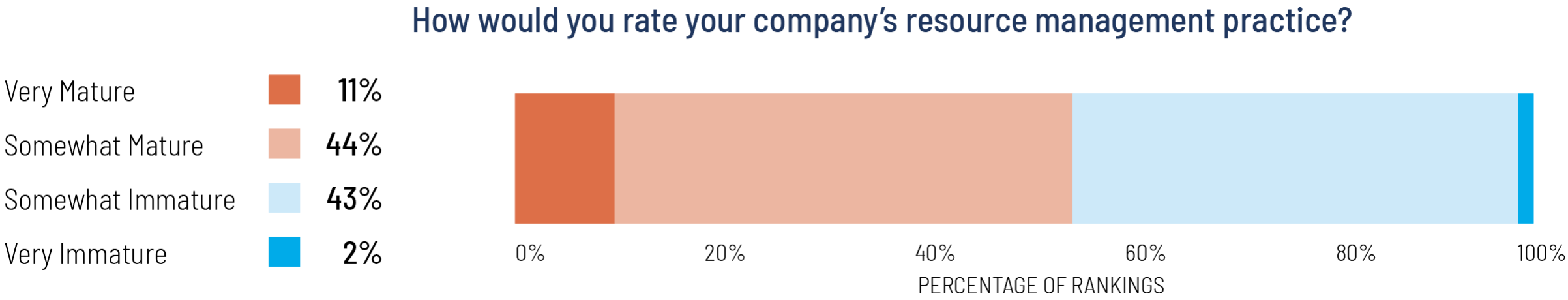


Resource management maturity

See page 22 to see the Resource Management Maturity Matrix

Ask your self? Are you as mature as you think you are?

40% of the respondents to what tool do you use for resource management said using spreadsheets



Most popular chart in the report….

For each of the following functions, list the full-time equivalent (FTE) headcount in your company.

	$0 - $10M	$10⁺ - $25M	$25⁺ - $50M	> $50M
Human Resources	1.1	1.6	2.1	4.7
Recruiting	0.9	1.3	1.5	3.3
Contracts	1.2	1.4	2.1	4.3
Business Development	1.3	2.4	3.8	8.2
Project Controls	0.7	1.9	2.3	3.6
Information Technology	0.7	0.9	4.4	7.5
Accounting/Compliance/Audit	2.9	3.6	5.5	10.3

Is your project management system part of your ERP

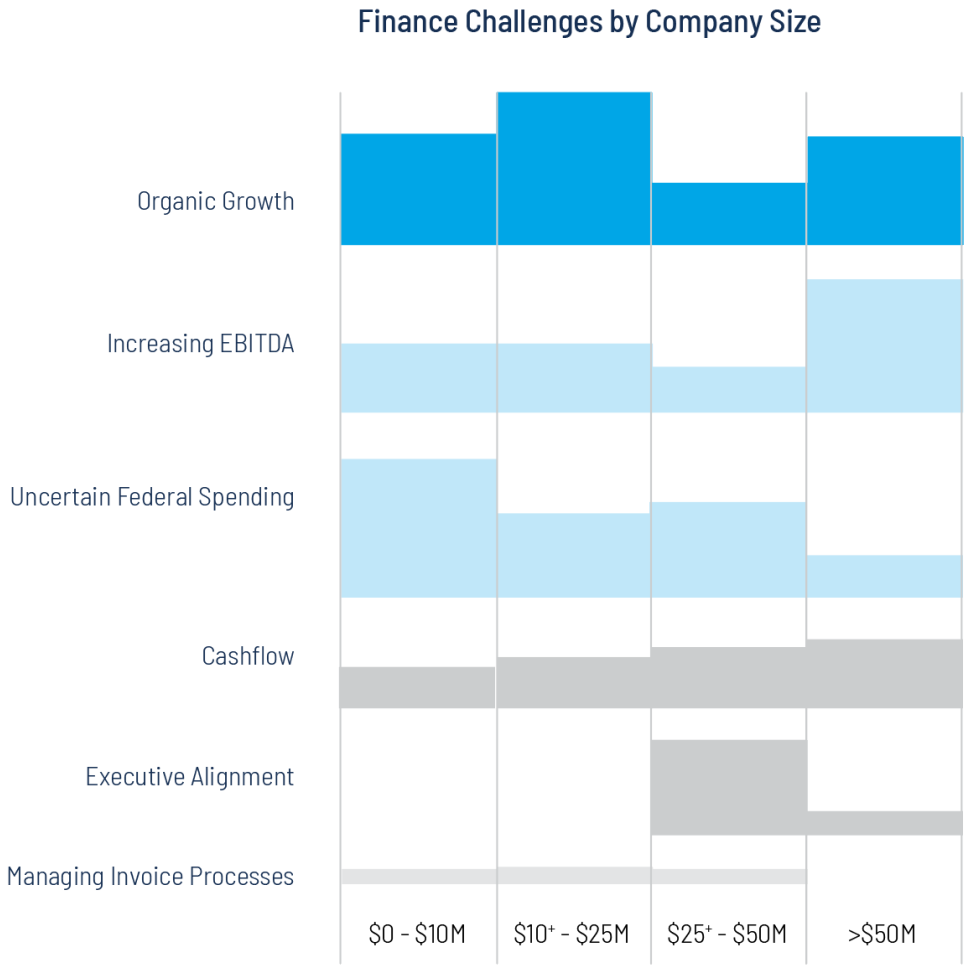
Project Management System Checklist

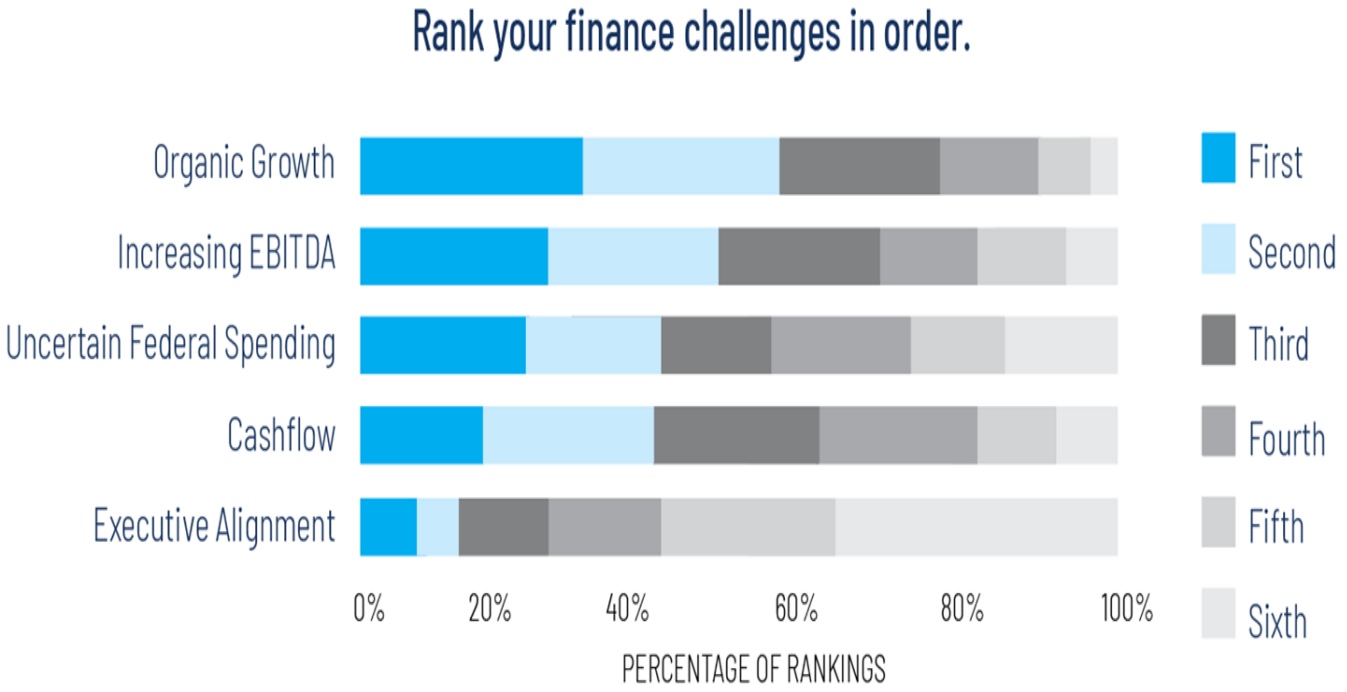
When picking and implementing an automated Project Management System, look for these features:

- ☐ Constrain budgets/dates at the project, task, and person level
- ☐ Estimate opportunity value to improve company forecasting
- ☐ Optimize critical resources while forecasting future demands, costs, and planning capacity
- ☐ Review historical project results for future project planning
- ☐ Earned value management facilitates on-budget, on-time execution
- ☐ Provide rate flexibility and date effective values—person, labor category, or any project or task level rate override
- ☐ Utilize powerful reporting capabilities including graphical dashboards, summary, detailed, and periodic reporting using custom accounting calendars
- ☐ Calculate fully burdened project costs with a suite of reports showing direct and indirect costs associated with a project

GROWTH

Finance Challenges



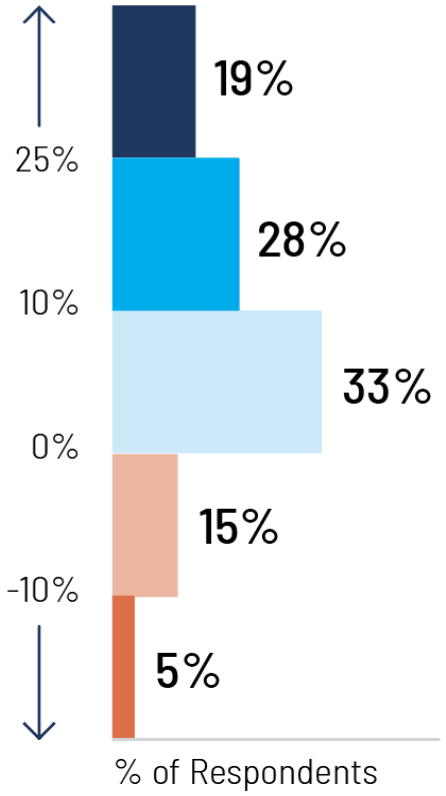


Growing

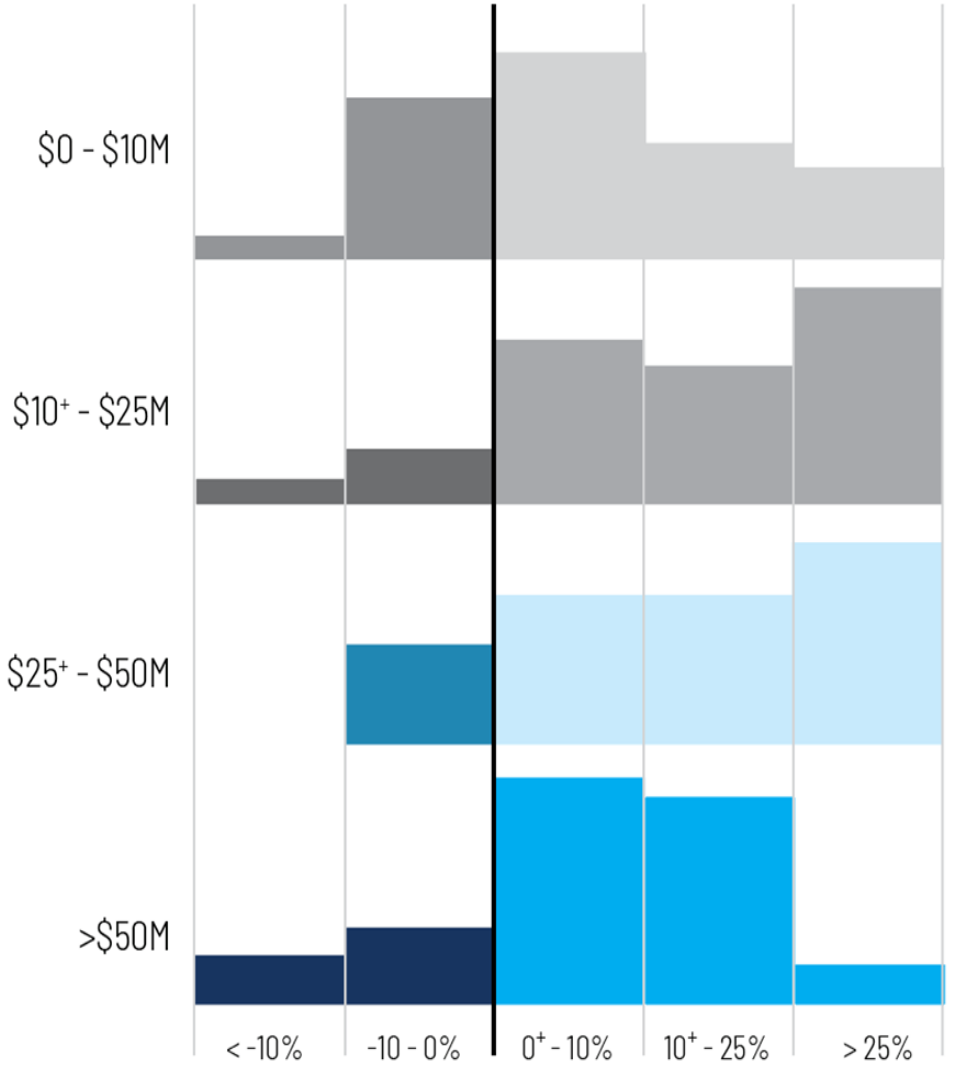
Over 20% of contractors said they had a current negative growth rate in 2020, more than triple the previous year. The irony is that nearly three quarters of respondents in 2019 predicted growth rates above 10%, therefore the bullishness from 2019 did not come to fruition.

For each of the following metrics, please indicate your company's performance for the previous year.

Current Growth Rate

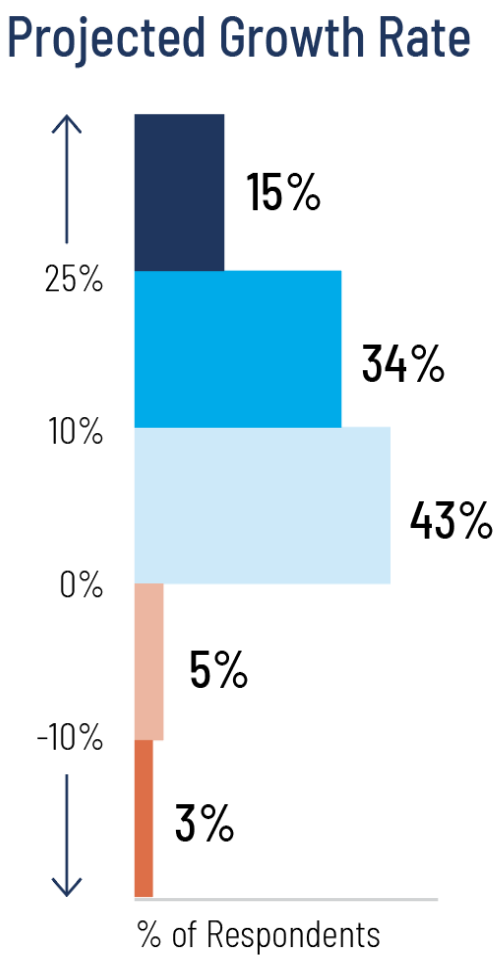


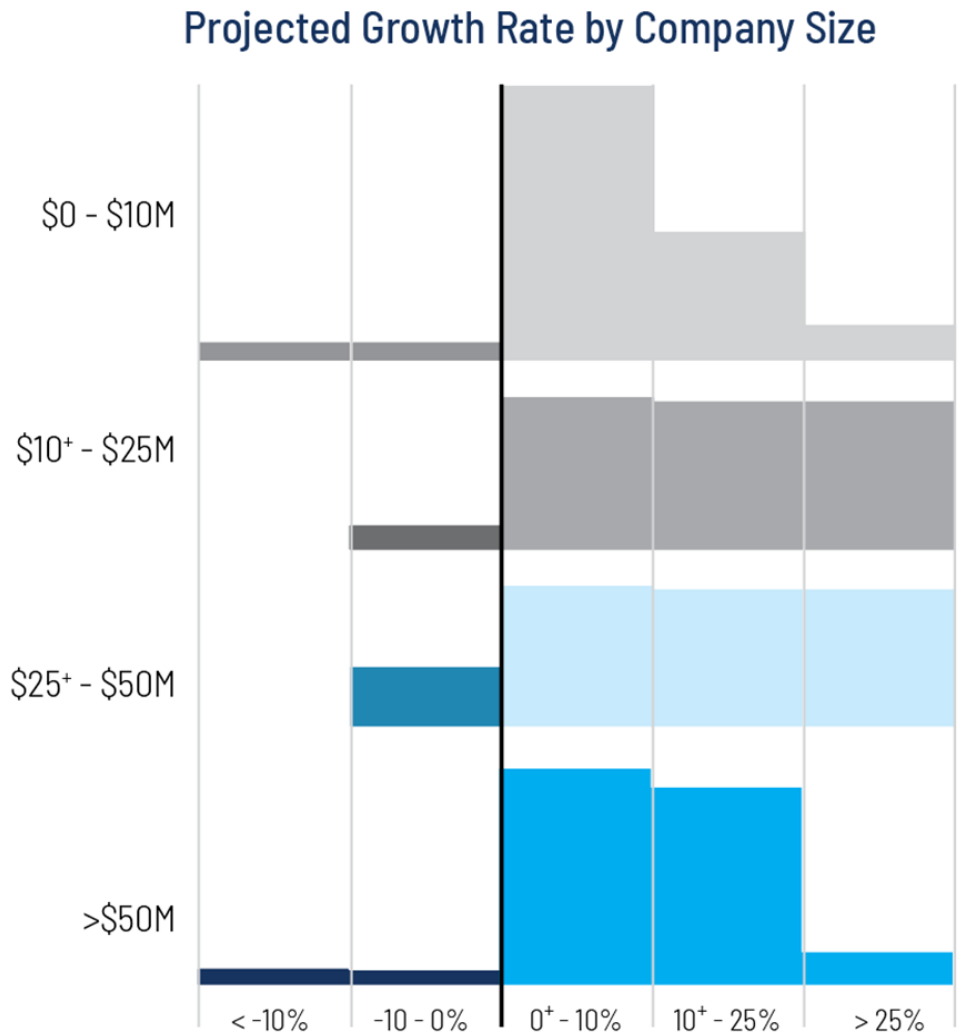
Current Growth Rate by Company Size



Projected Growth

Over 20% of contractors said they had a current negative growth rate in 2020, more than triple the previous year. The irony is that nearly three quarters of respondents in 2019 predicted growth rates above 10%, therefore the bullishness from 2019 did not come to fruition.

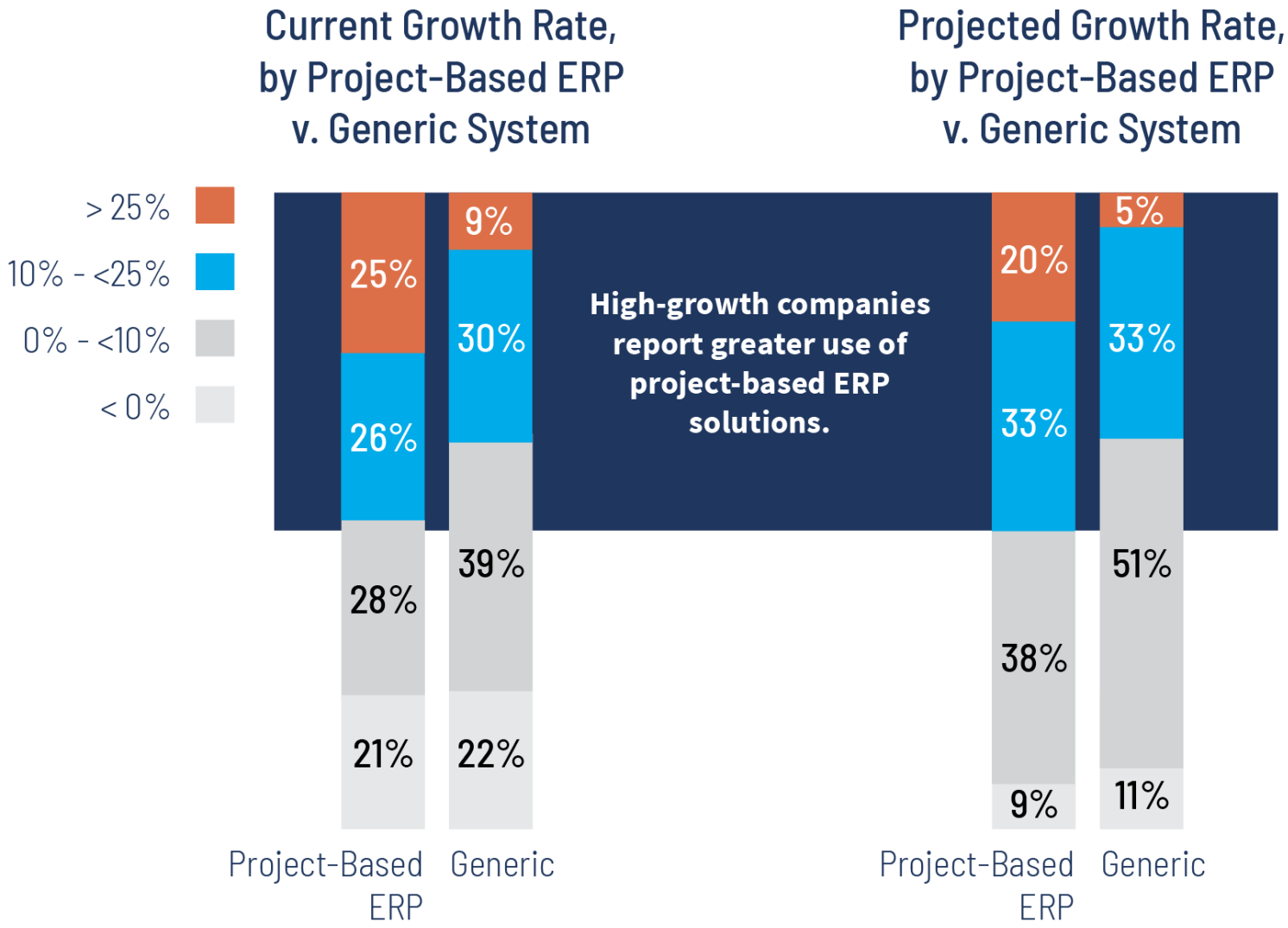




Growth and your ERP

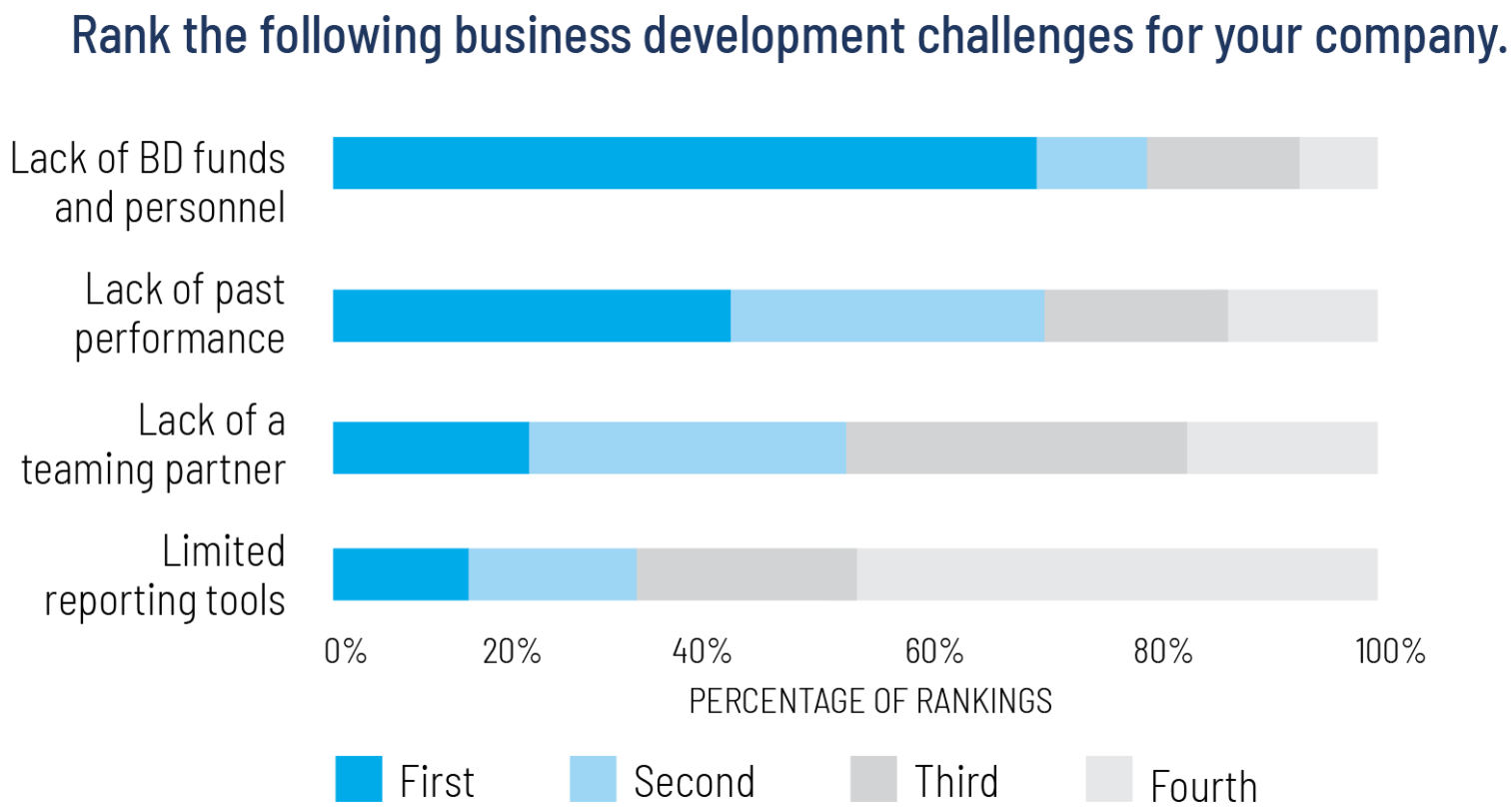
Companies that manage projects need a project-based ERP to scale

53% Project-Based ERP Systems
18% Entry-Level ERP Systems
29% Generic ERP Systems



What is keeping BD professionals up at night

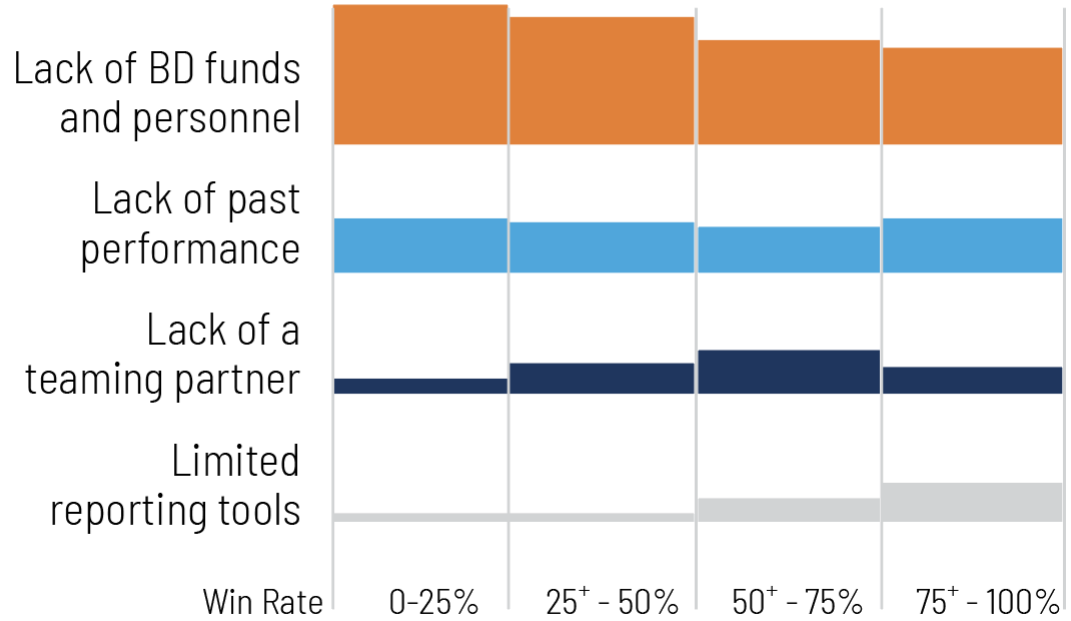
More than half of all companies identified limited n half funding for BD and personnel as their top business development challenge. The smallest and largest companies pointed to lack of past performance as a close second.



Winning

Companies with the highest win rates identified lack of reporting tools as a business development challenge at 3x the rate of their peers with lower win rates. Firms that are winning recognize the need for more sophisticated technology, further evidenced by the 66% that report using Excel to conduct their estimating.

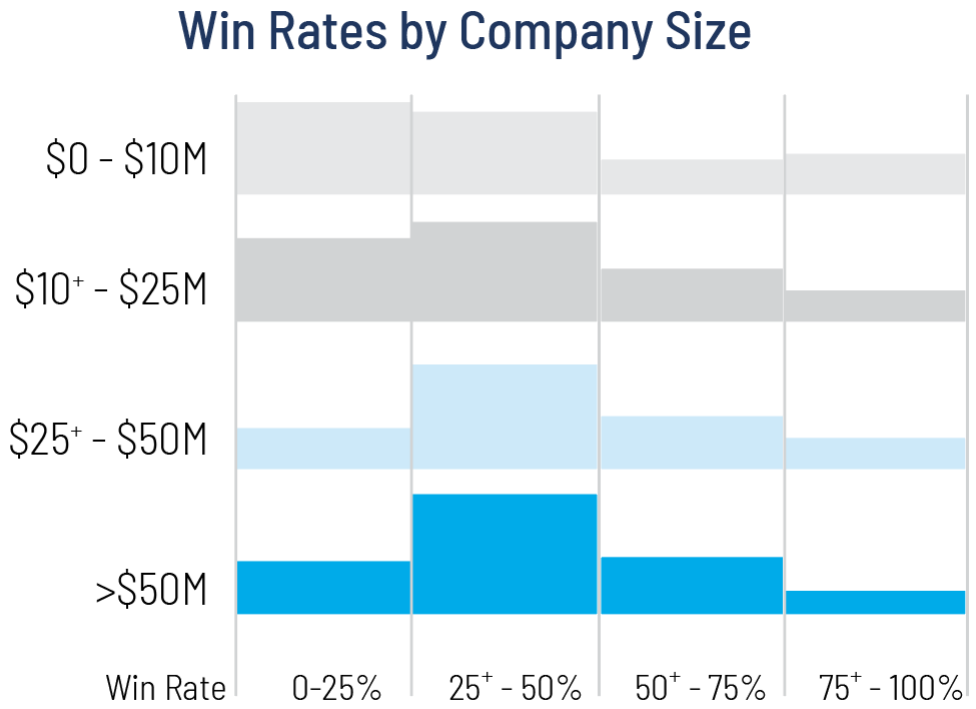
Win Rates by Business Development Challenges



Winning by company size

BD investments may be able to go up as facilities costs go down

Nearly 7 in 10 companies win less than half the contracts they bid on. 9% of firms have a win rate between 75-100%. For 62% of firms, there was no change in win rate year over year.



Pipeline/CRM Tool checklist

Pipeline and Customer Relationship Management (CRM) Tool Checklist

When picking and implementing a Pipeline and CRM Tool, look for these features:

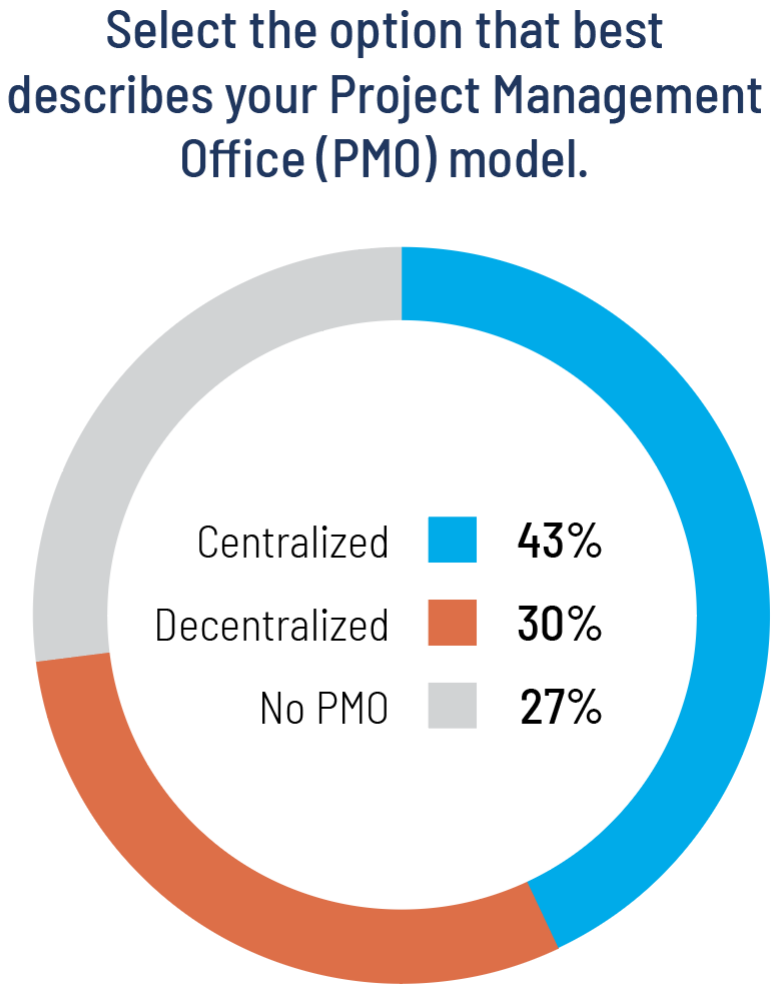
- ☐ The tool is 100% integrated with the project-based ERP system you select
- ☐ CRM—track your customer interactions
- ☐ Contact categorization for easy reference (decision-maker, geographic location, golf buddy, etc.)
- ☐ Workflow optimization, assigning tasks and providing notifications
- ☐ Opportunity tracking by phase
- ☐ Easy-to-use reporting, dashboards, and metrics to direct business decisions
- ☐ Real-time data
- ☐ Resource demand planning with both current and TBD resources
- ☐ Ability to shift forecasts to the right or left
- ☐ Ability make Pwin adjustments as opportunities move through the funnel
- ☐ One-click transformations from proposal project to an executable project
- ☐ Cloud-based system so there is 24/7/365 access to your information

EFFICIENCIES

Got PMO

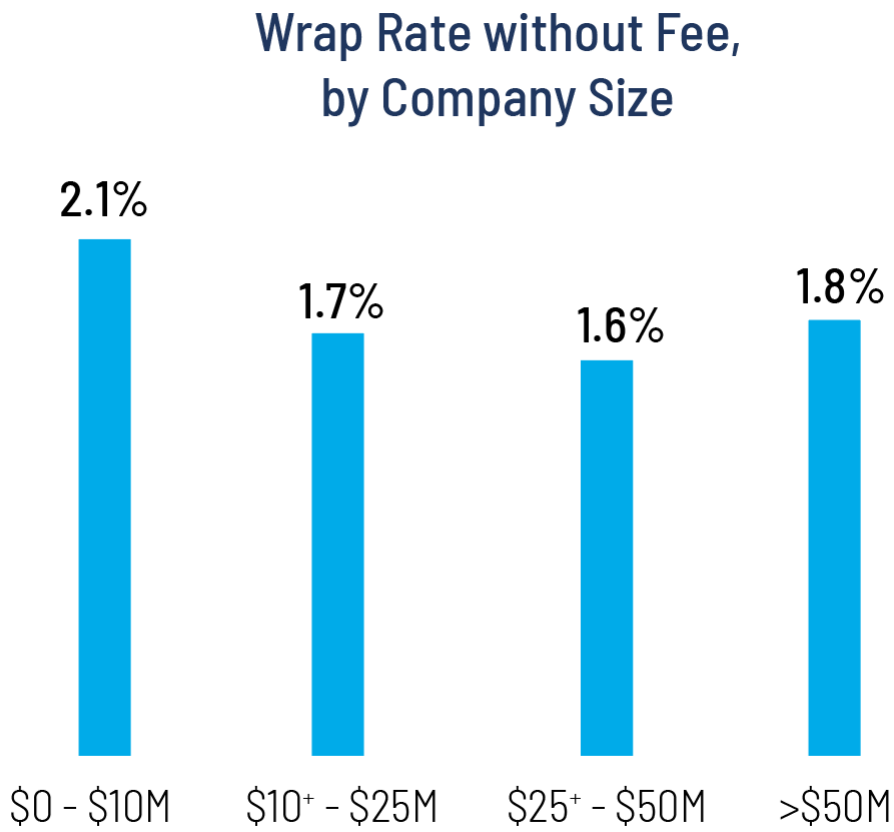
PMO is on the rise

Centralized PMO models bumped up to 43% from 41% in 2019, continuing their steady growth in popularity. 73% reported having a PMO, up from 63% last year. This is great to see the attention being paid to project management.

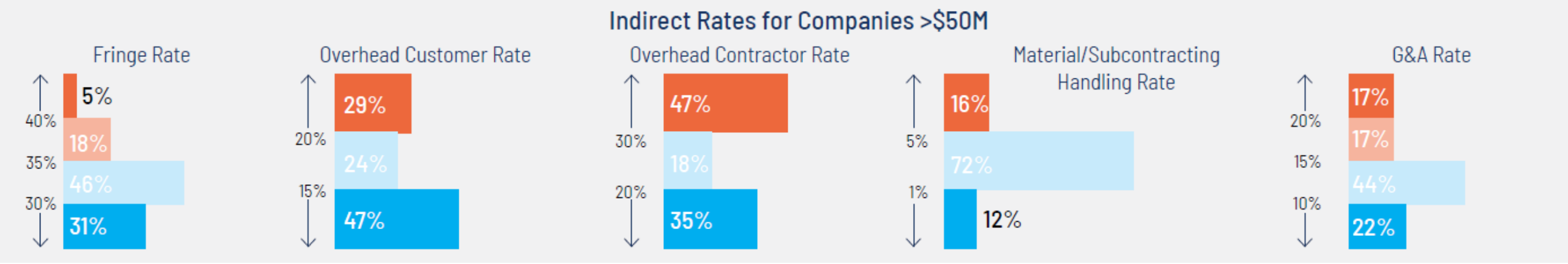


What is your wrap rate

Are you competitive?

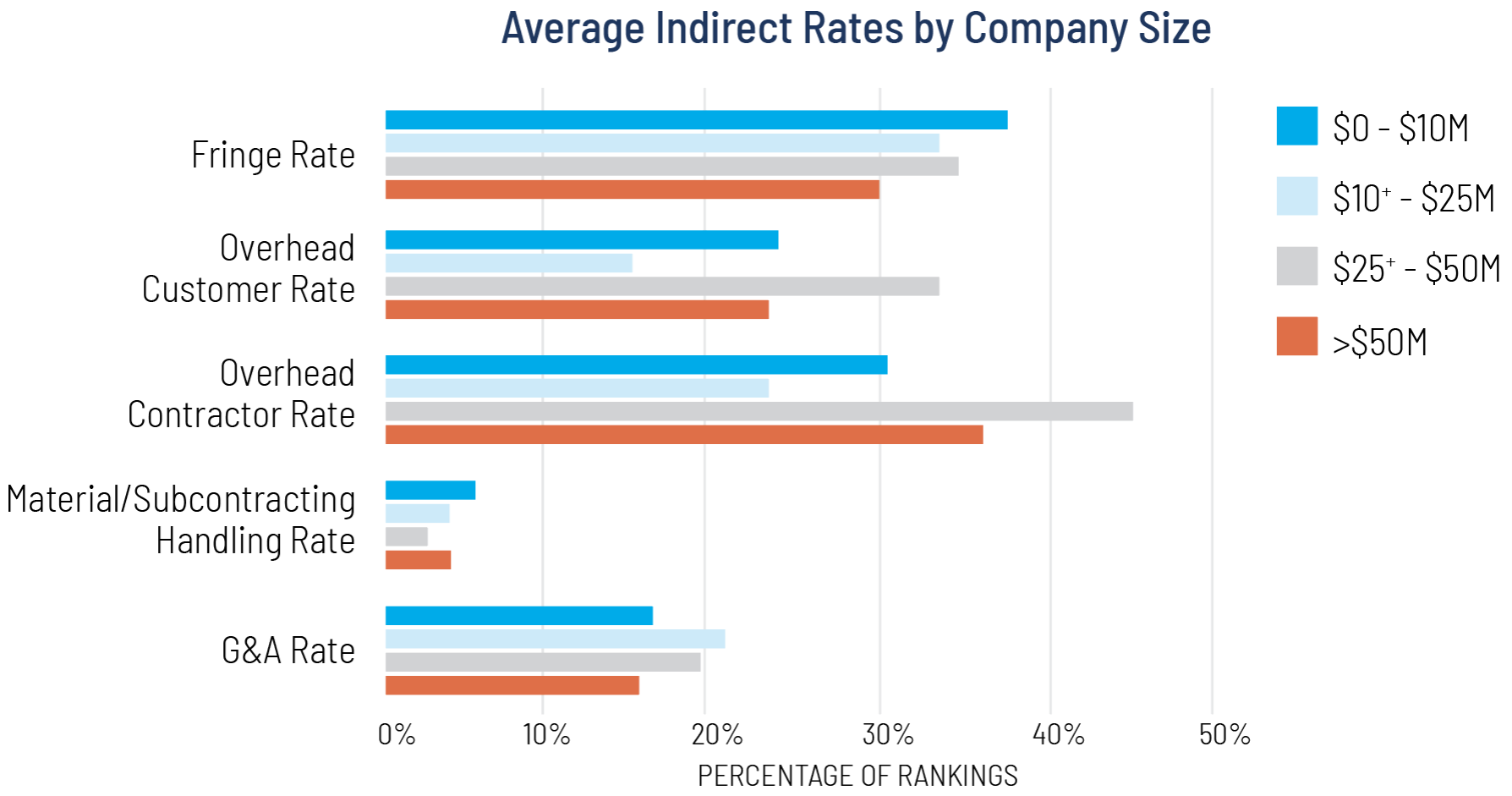


Look to see if your rates are competitive



Download the report from the console and see the rates for the other revenue bands

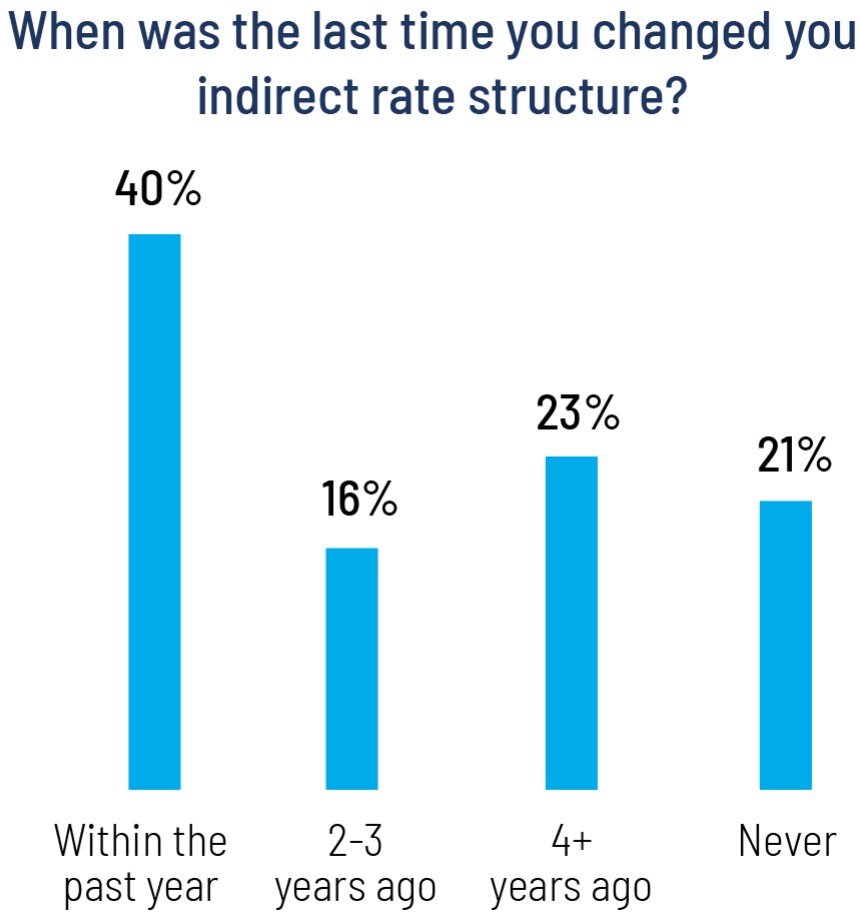
New this year….average indirect rates by company size



The world is upside down. Is your indirect structure?

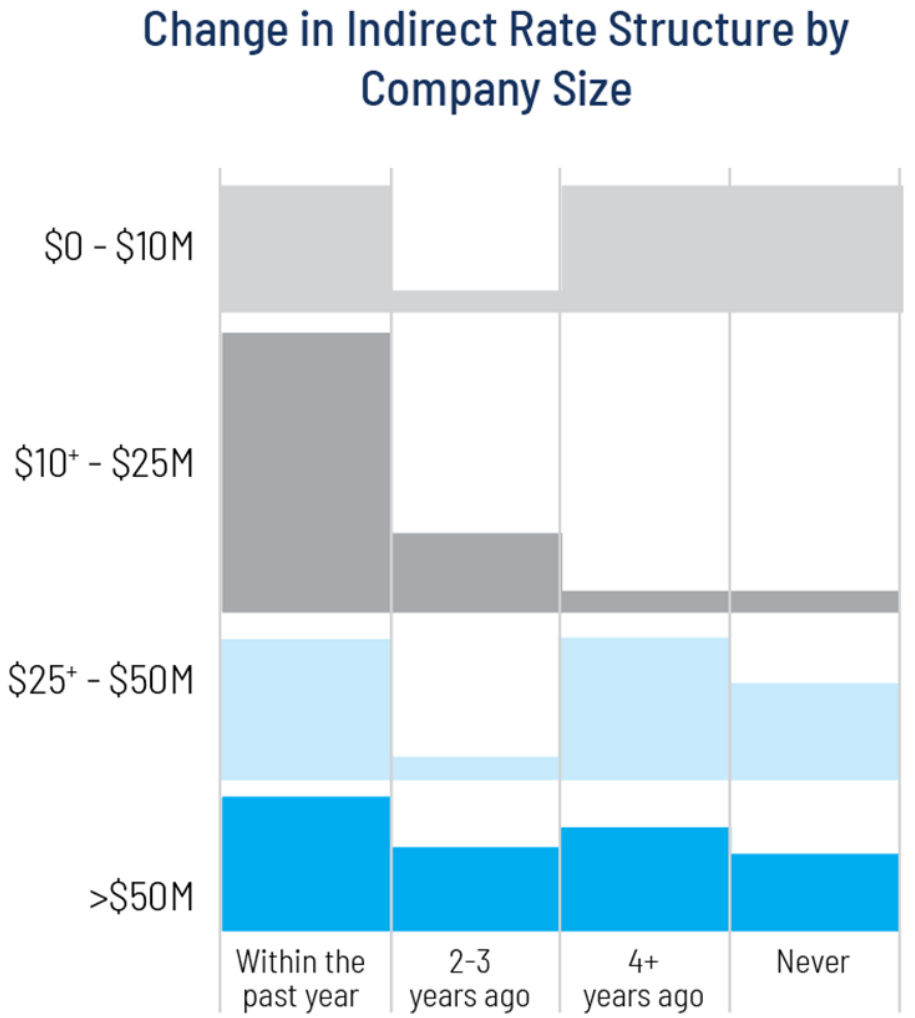
Remote work will change strategies

40% say they have changed their indirect structure in the last year. Get ready for that number to explode with the new remote workplace trends.



Change in Rate Structure by Company Size

Growing companies are looking hard at their structures, working to be more competitive



Where information means insight

Integrated Business Intelligence Tool Checklist

When picking and implementing an Integrated Business Intelligence Tool, look for these features:

- ☐ Clients gain full access to their ERP data with a seamless experience
- ☐ Data-savvy clients can quickly build needed custom reports
- ☐ Ad-hoc data discovery allows user to easily get role-appropriate information
- ☐ An optimum user experience is provided with best-of-breed report writing and formatting
- ☐ Data analysis results are consistent with other ERP reports
- ☐ Uses real-time data
- ☐ Updated data is immediately reflected in reports

BENCHMARKING TOOL

ARE YOU READY FOR THE NEXT PHASE OF THE GAUGE?

Take the GAUGE Challenge! Use the GAUGE Benchmarking tool to see how your company stacks up to your peers and industry.

COMING SOON in MID-OCTOBER: www.gaugebenchmarking.com

Today's webinar attendees will receive the live link and will be able to register to take the GAUGE Challenge.

QUESTIONS? CONTACT US

KRISTEN SOLES, CPA
Managing Partner, Advisory – Global Consulting Solutions and Government Contracting Industry Leader

kristen.soles@cohnreznick.com

CHRISTINE WILLIAMSON, CPA, PMP
Partner,
Government Contracting,
CohnReznick Global Consulting Solutions

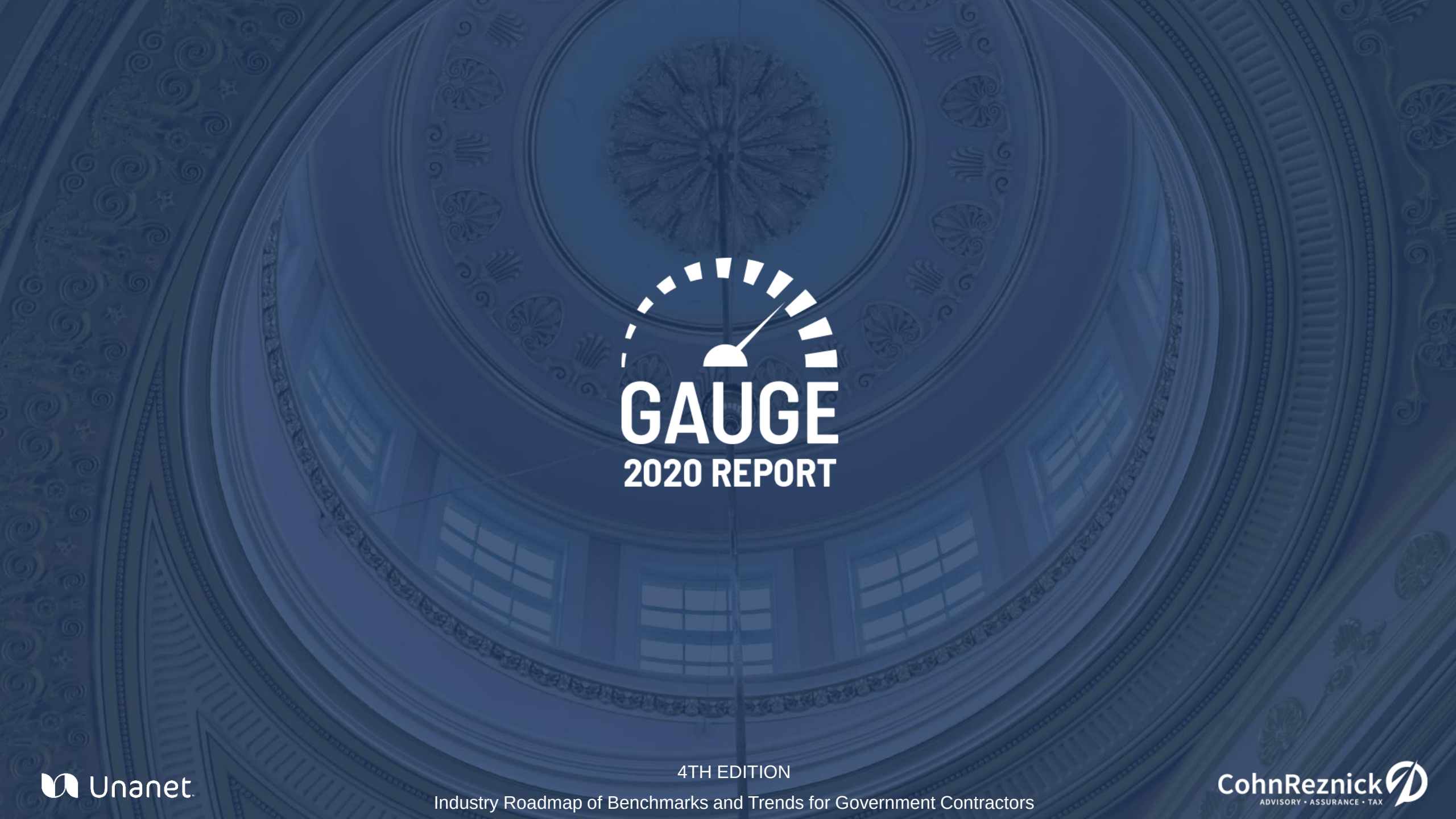
christine.williamson@cohnreznick.com

JEFF SHAPIRO, CPA
Partner,
Government Contracting,
CohnReznick Global Consulting Solutions

jeff.shapiro@cohnreznick.com

RICH MEENE
Principal,
Government Contracting,
CohnReznick Global Consulting Solutions

rich.meene@cohnreznick.com



GAUGE
2020 REPORT

4TH EDITION

Industry Roadmap of Benchmarks and Trends for Government Contractors

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