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# GAUGE REPORT PRELIMINARY FINDINGS

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Tysons, VA

July 5, 2018

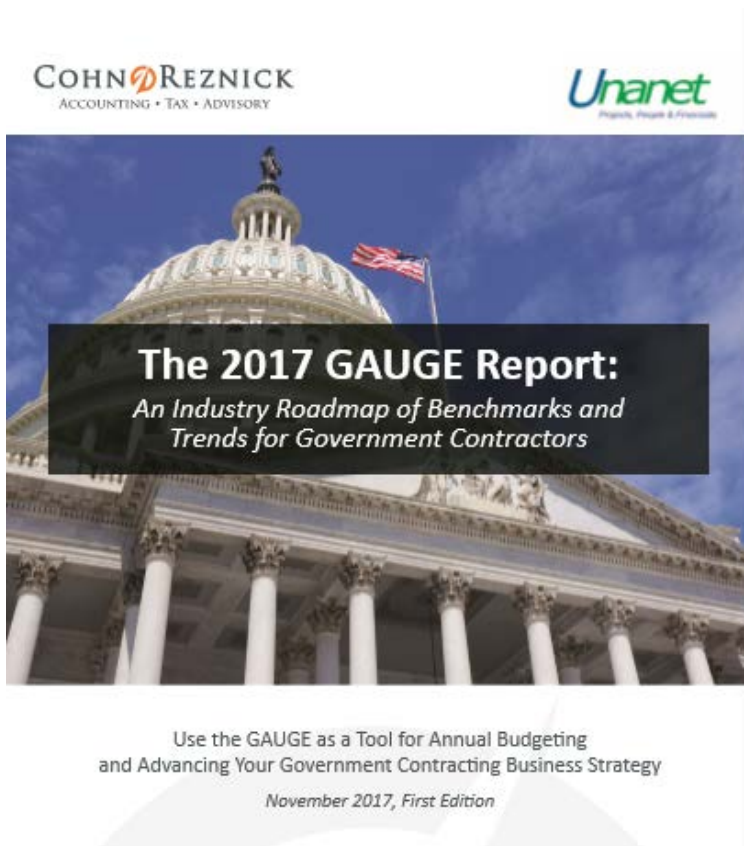
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# WHY THE GAUGE



- A fact based baseline for organizations to measure themselves against
- Crystal Ball for 2018 and 2019\*
- Report is broken down in 5 categories:

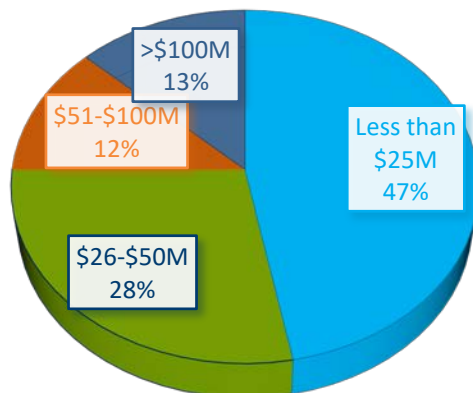
**G**overnment Contract Compliance  
**A**ccounting  
**U**tilization  
**G**rowth  
**E**fficiencies

\*2019 crystal ball anticipated in Sept 2018

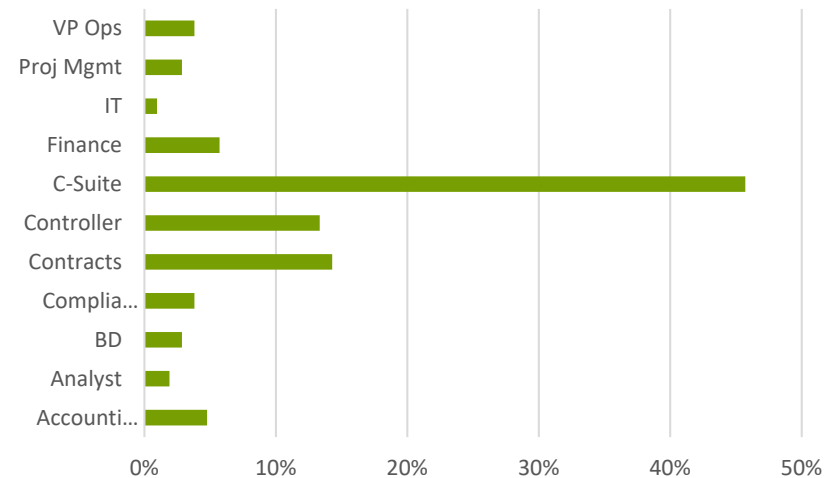
# WHO RESPONDED

Accounting Manager CEO Corporate Controller Administrator  
 Director Chief Financial Officer CFO Principal President  
 Executive Contracts Federal Operations

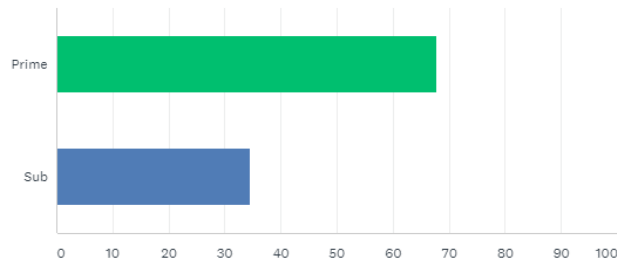
## REVENUE SIZE OF RESPONDENTS



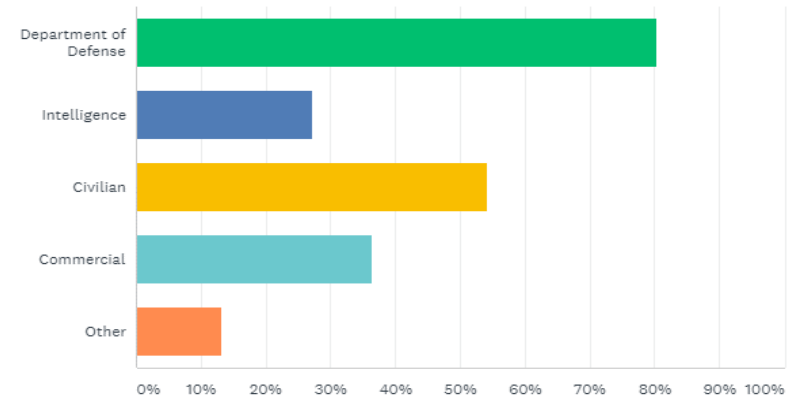
## Job Title



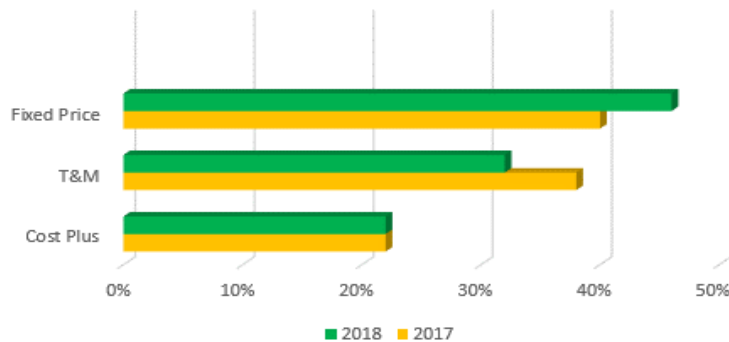
# WHO RESPONDED



67% vs. 65% last year of our respondents are prime contractors



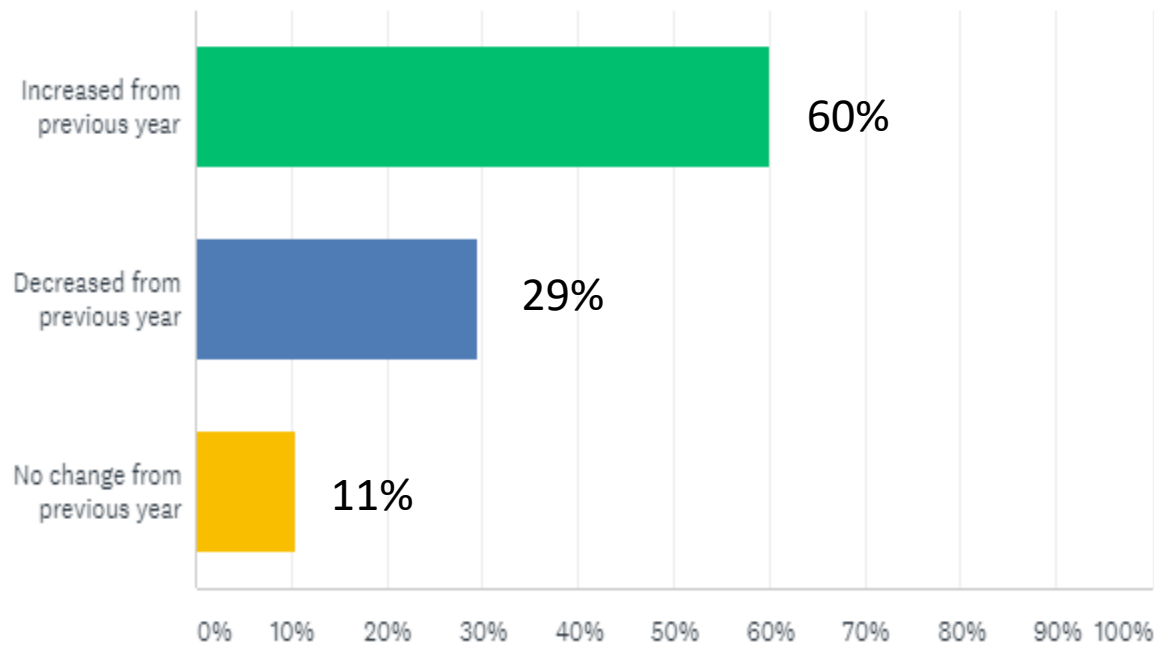
Contract Types By Year



The majority of respondents have contracts with the DOD and Civilian Agencies!

Fixed Price Contracts solidified their place in 2018. The trend is REAL.

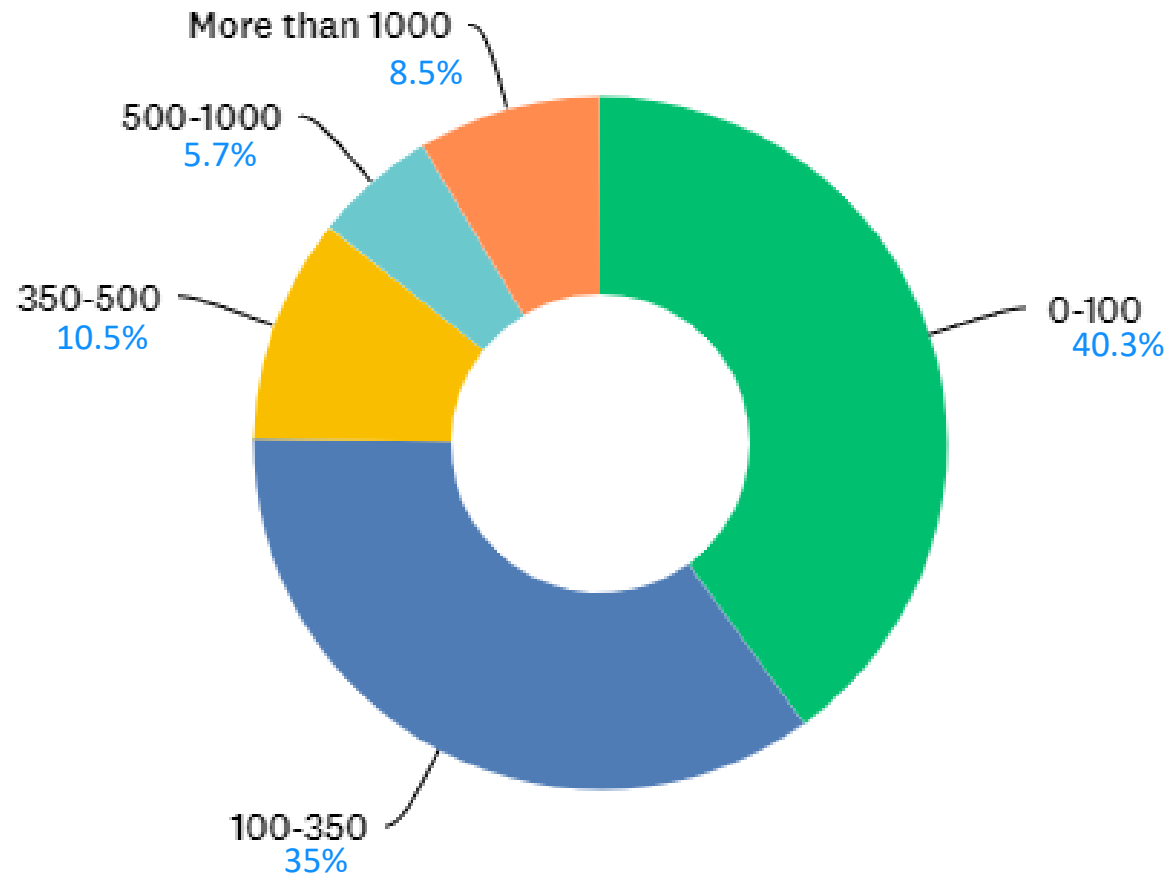
## % REVENUE CHANGE FROM PRIOR YEAR



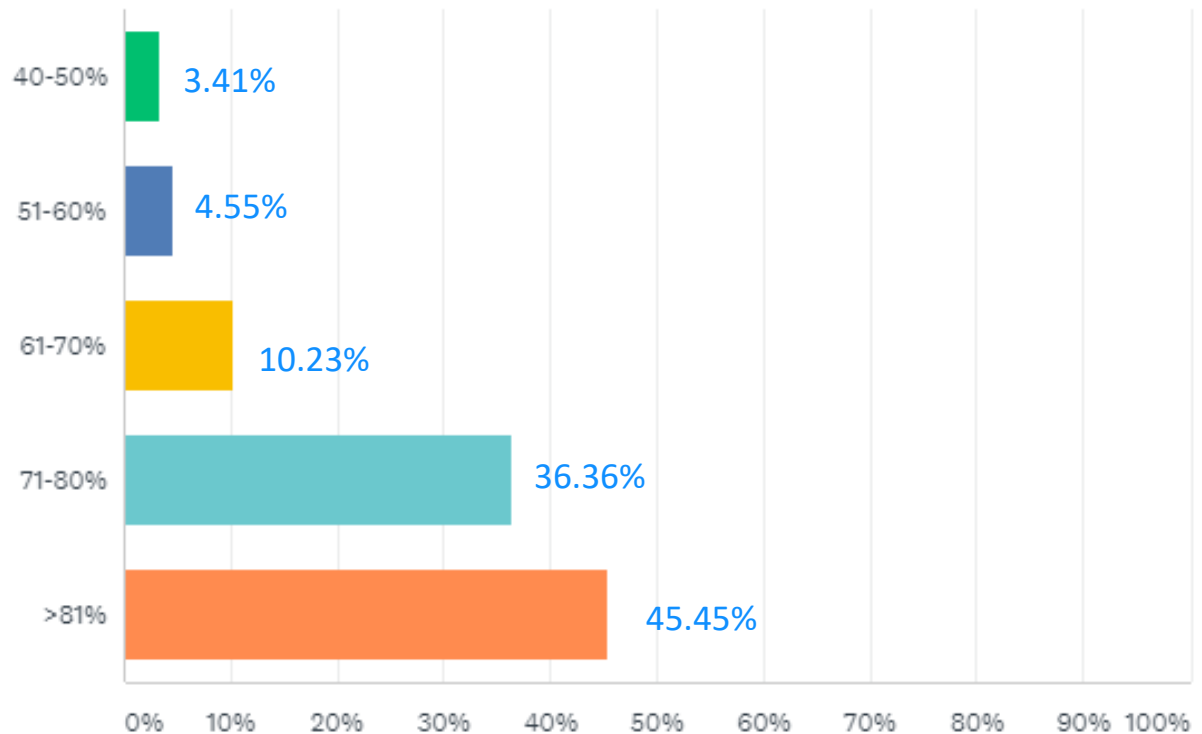
Great News for Government Contractors!

Larger opportunities are available and some are purposefully shedding to stay small

# COMPANY EMPLOYEE DATA

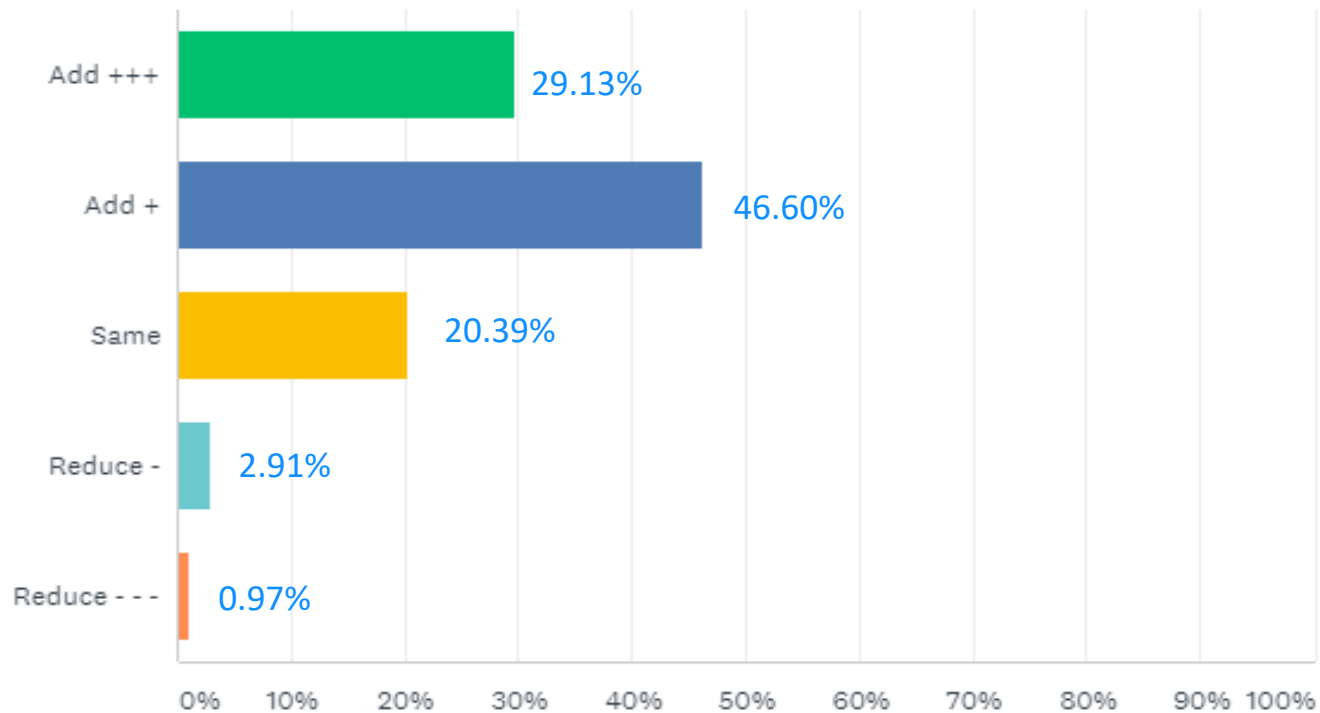


## BILLABLE LABOR UTILIZATION RATE FOR 2017



Gov Cons utilizing real-time reporting are able to dial in the utilization rate, maximizing the use of their resources

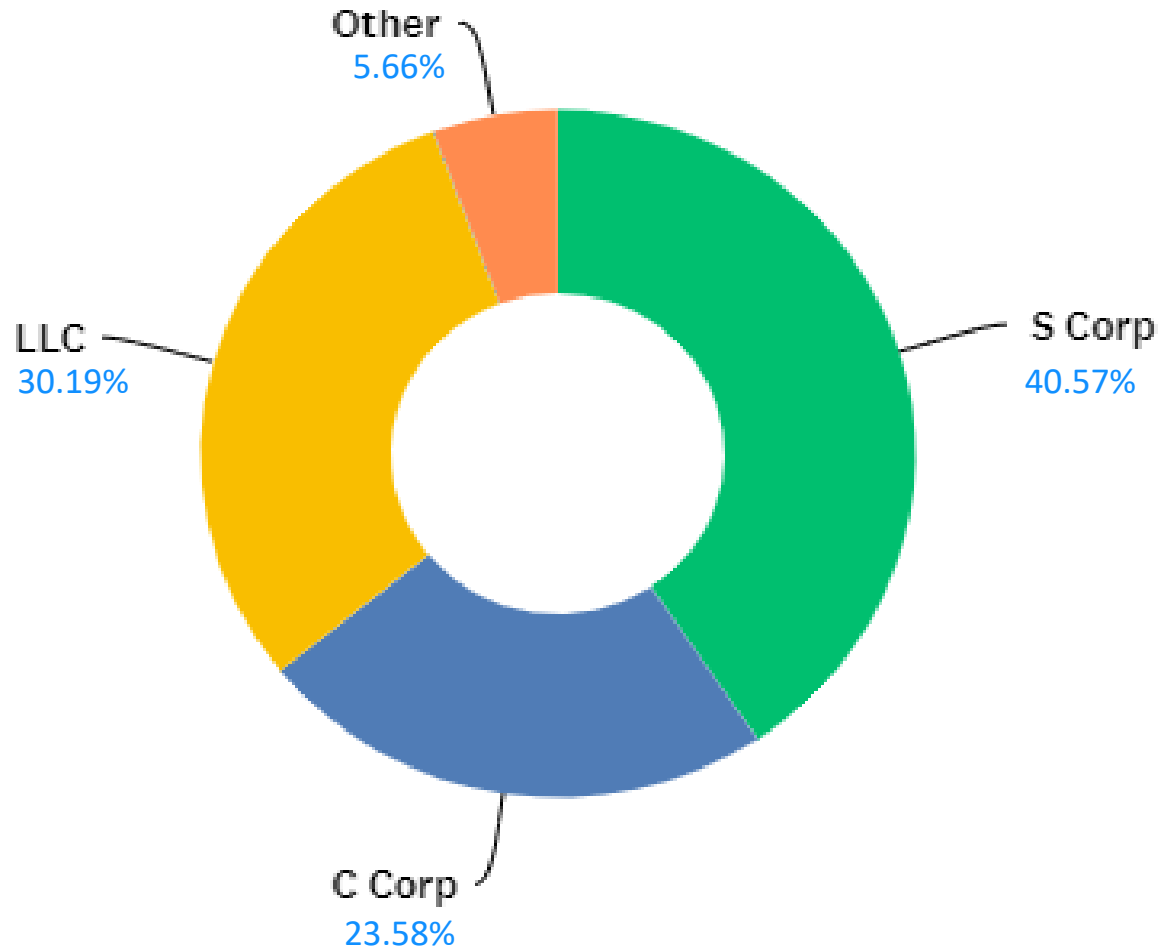
## WHAT DO YOU EXPECT IN TERMS OF YOUR WORKFORCE IN 2018?





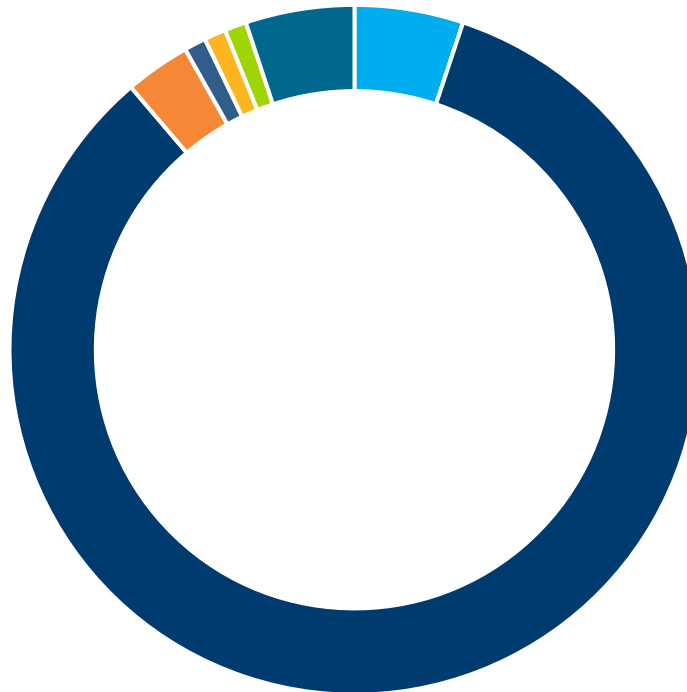
# ENTITY TYPE

Pass Thru Entities dominate the Gov Con industry as SCorp and LLCs provide a favorable tax structure and flexibility for owners!



# NAICS CODES

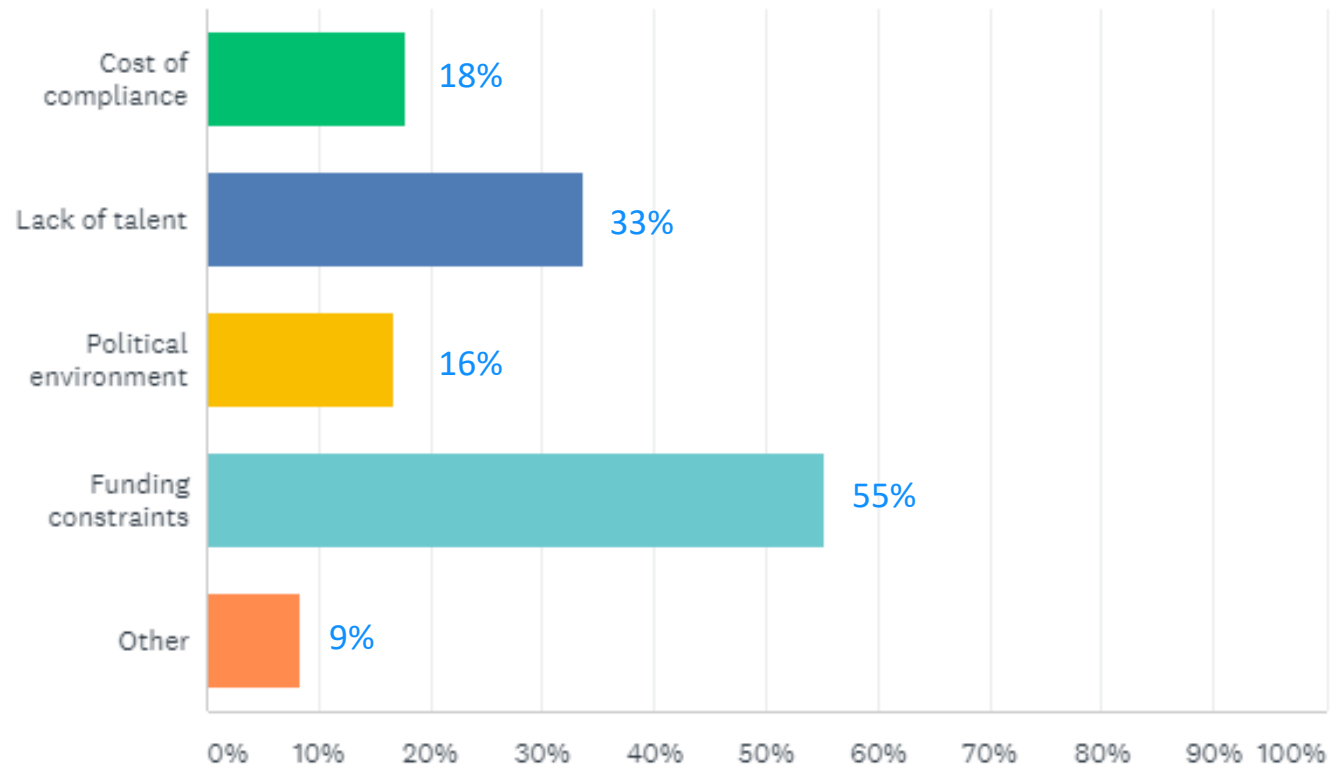
NAICS Codes



5%	334 - Computer and Electronics
84%	541 - Professional Services (eng, etc)
3%	336 -Transportation Equipment
1%	511 - Publishing
1%	518 - Data Processing
1%	519 - Other Info Services
5%	561 - Administrative and Support

- 334 - Computer and Electronics    ■ 541 - Professional Services (eng)    ■ 336 -Transportation Equipment
- 511 - Publishing    ■ 518 - Data Processing    ■ 519 - Other Info Services
- 561 - Administrative and Support

## BIGGEST CONCERNS OF GOV CONS



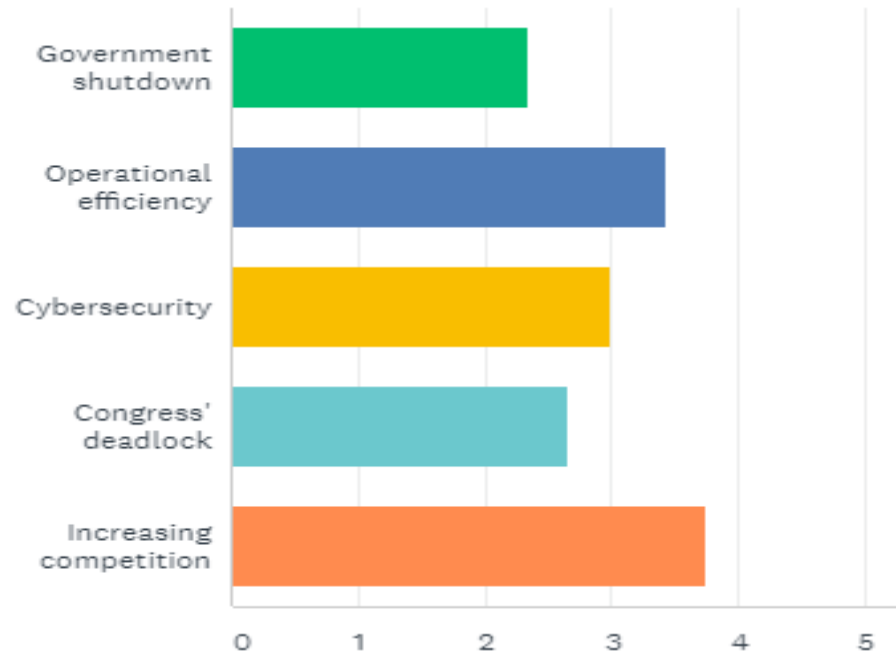
Funding Constraints and Political Environment drive out talented people from the industry – self fulfilling prophecy!

# BIGGEST CONCERNS OF GOV CONS

## Other – Comments

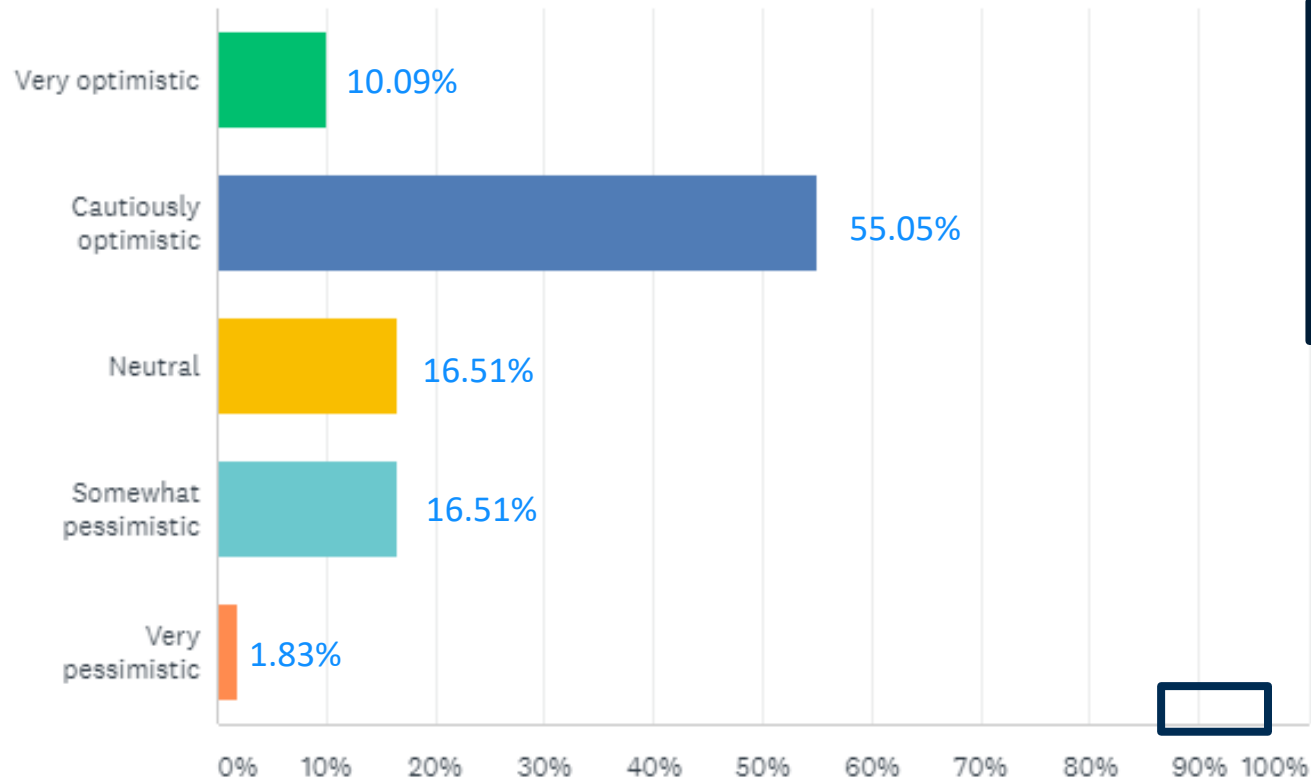
- Navigating Small to Large Business
- Government units not funding awarded contracts on a timely basis
- Competition (3 notes on competition)
- Lack of opportunities for mid-tier companies
- Loss of regulation supporting business for small/micro businesses
- Unpredictability of contract selection/RFP process
- Lack of qualified, cleared, talent due to backlog and TS/SCI cleared talent
- Emphasis on price over qualifications in federal procurements
- Proposing new opportunities competitively now that we are out of the 8(a) program
- Low Price Technically Accepting Bidding Environment

# WHAT IS KEEPING YOU UP?



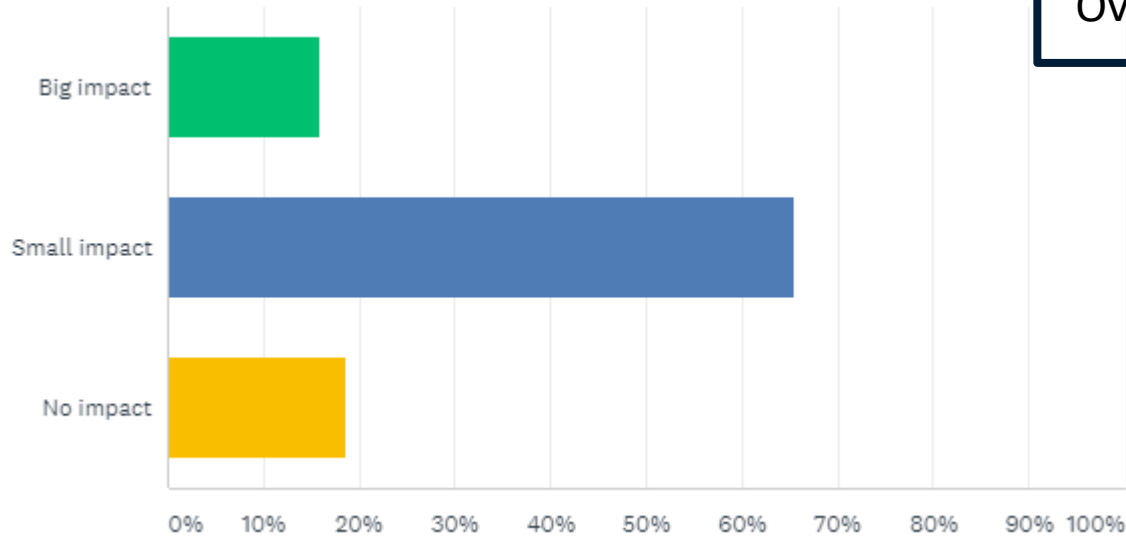
	1	2	3	4	5
Govt Shutdown	12%	8%	16%	29%	35%
Operational efficiency	22%	40%	13%	15%	11%
Cybersecurity	11%	17%	43%	14%	14%
Congress Deadlock	11%	20%	15%	30%	23%
Increasing Competition	47%	18%	12%	10%	14%

## ATTITUDES OF DEALING WITH GOVERNMENT



Passing of 2 year budget is huge but some agencies are stalled with internal management appointments!

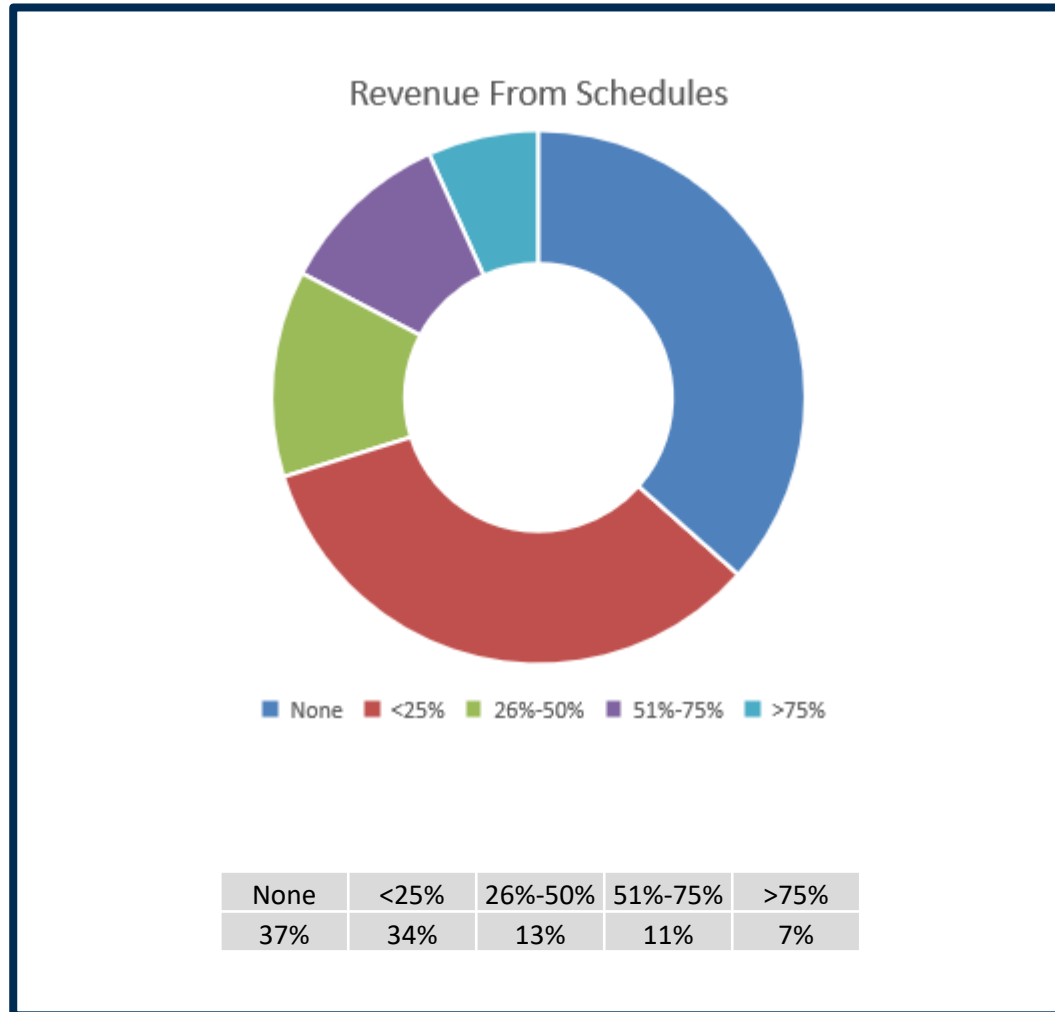
## IMPACT OF TAX REFORM



Overall tax act created optimism

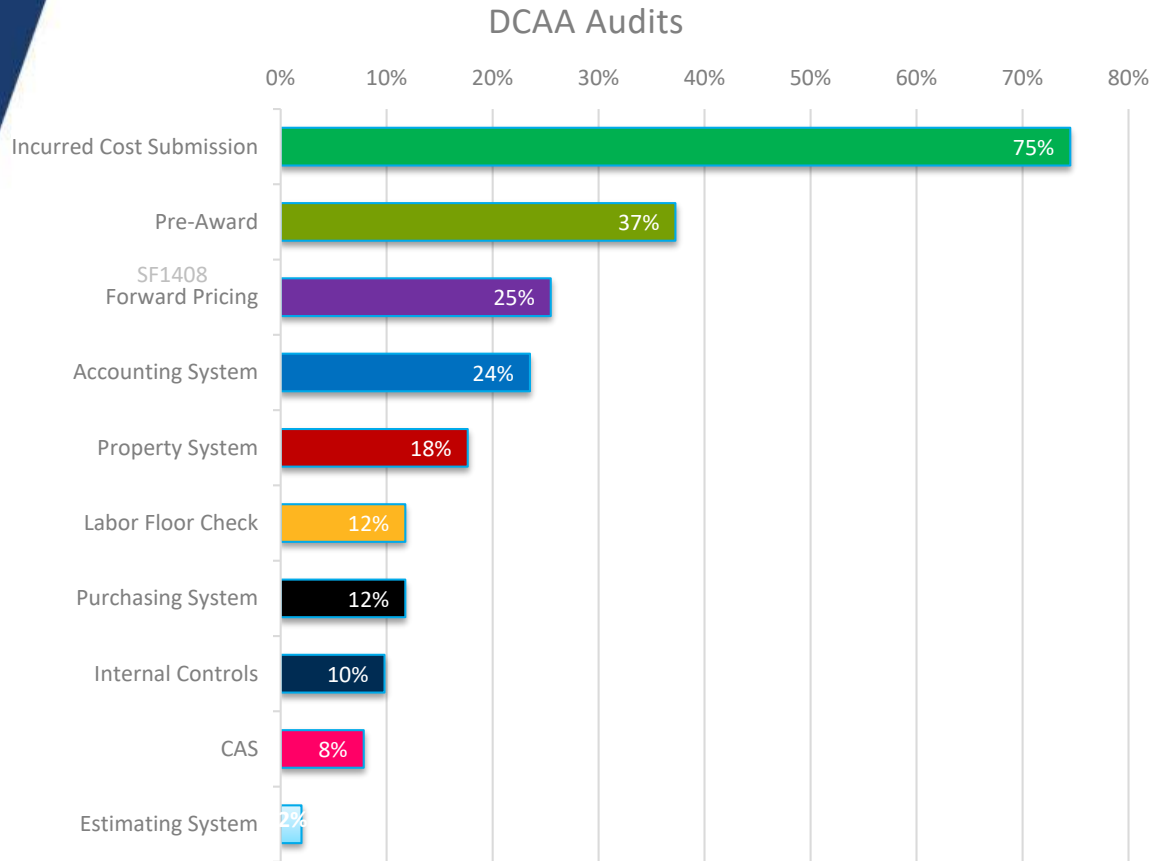
- C Corps reduction in top rate from 35% to 21%
- S Corps should be equalized by 20% credit, except for state tax limitations
- Fringe benefit deductions decreased for all entity types
- All individuals have lower tax brackets

# MOBIS, ALLIANT, GSA OR OTHER?

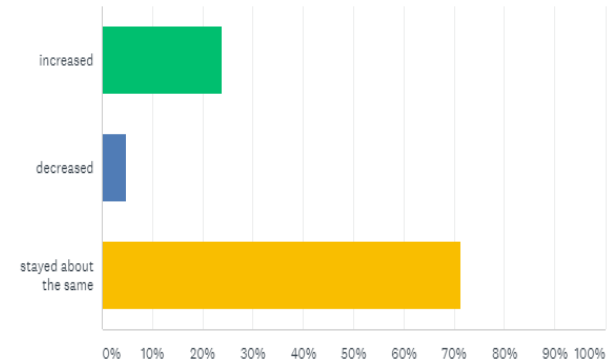




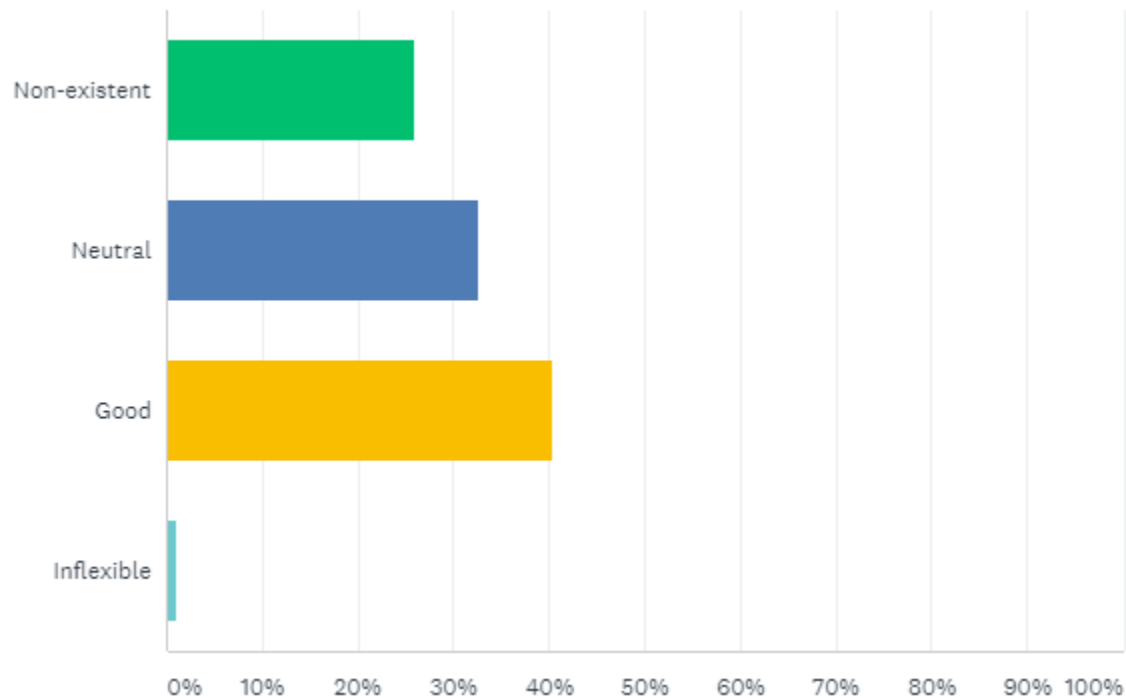
# DCAA AUDITS



Oversight Stayed About the same!!!

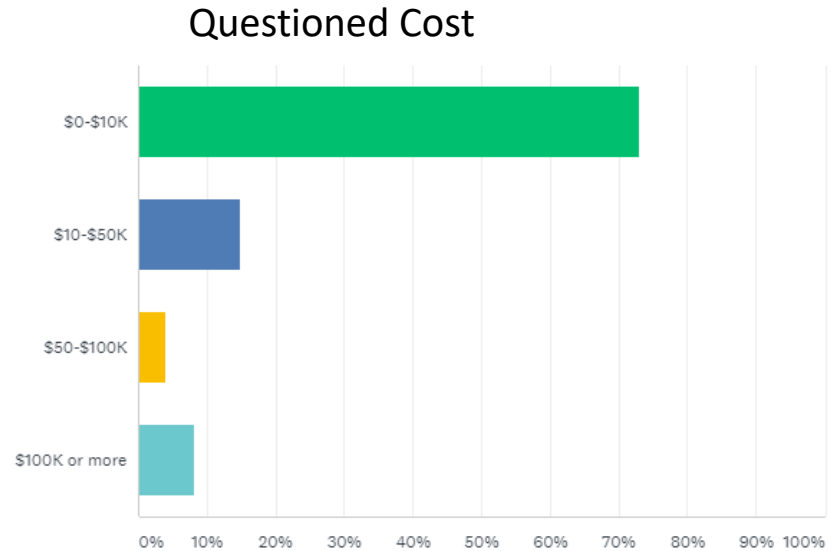
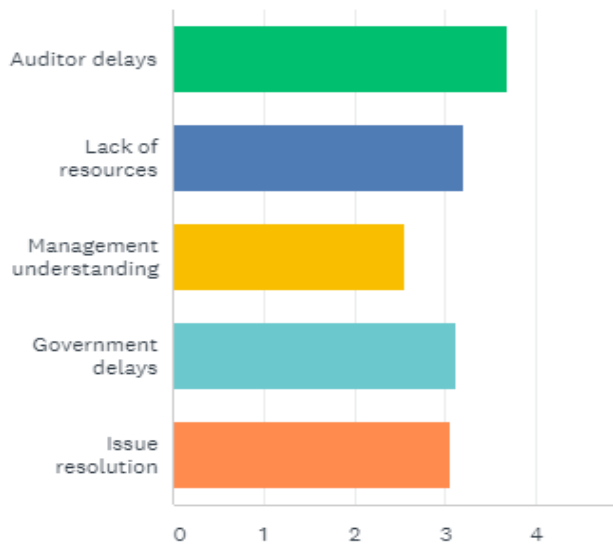


## HOW IS YOUR RELATIONSHIP W/ACO



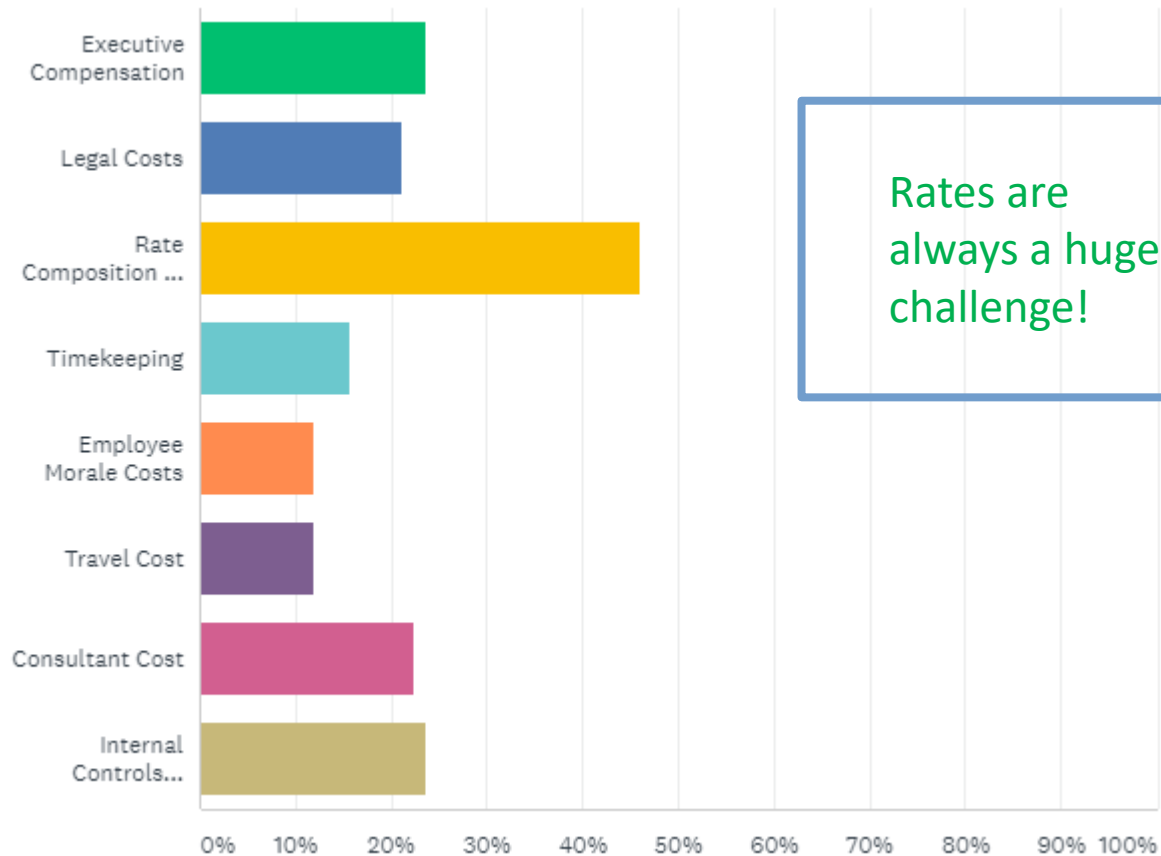
40% have a good relationship with the ACO  
60% have a neutral or non-existent

# CHALLENGES IN FINALIZING INCURRED COST AUDIT?



	1	2	3	4	5
Auditor delays	47%	17%	12%	7%	17%
Lack of resources	34%	16%	7%	23%	20%
Mgmt Understanding	7%	18%	27%	18%	30%
Govt Delays	23%	23%	15%	23%	17%
Issue Resolution	11%	26%	34%	19%	11%

# MOST COMMON INDIRECT COST ISSUES



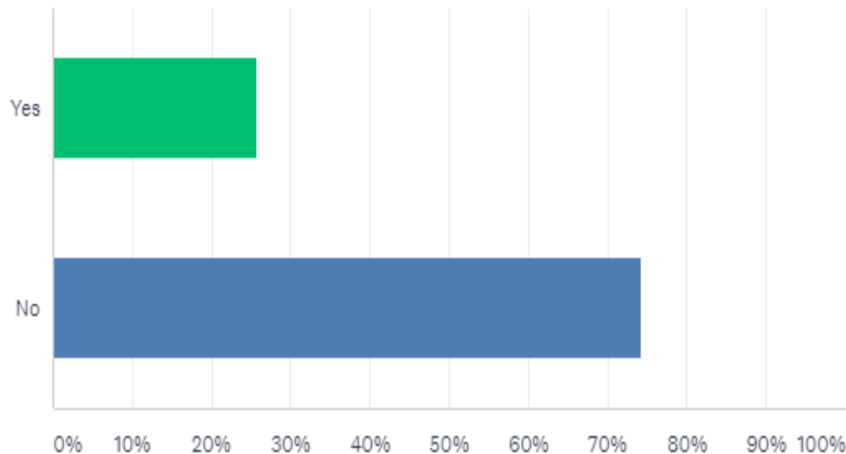
# ACCOUNTING STAFF EXPERTISE NEEDS



	1	2	3	4	5	6
Rates	48%	24%	17%	2%	4%	5%
Billing	15%	30%	28%	15%	8%	5%
Time	21%	11%	26%	29%	11%	3%
Unallowable	26%	13%	13%	26%	18%	3%
CAS Compliance	9%	9%	3%	9%	19%	50%
Executive Comp	19%	14%	8%	8%	24%	27%

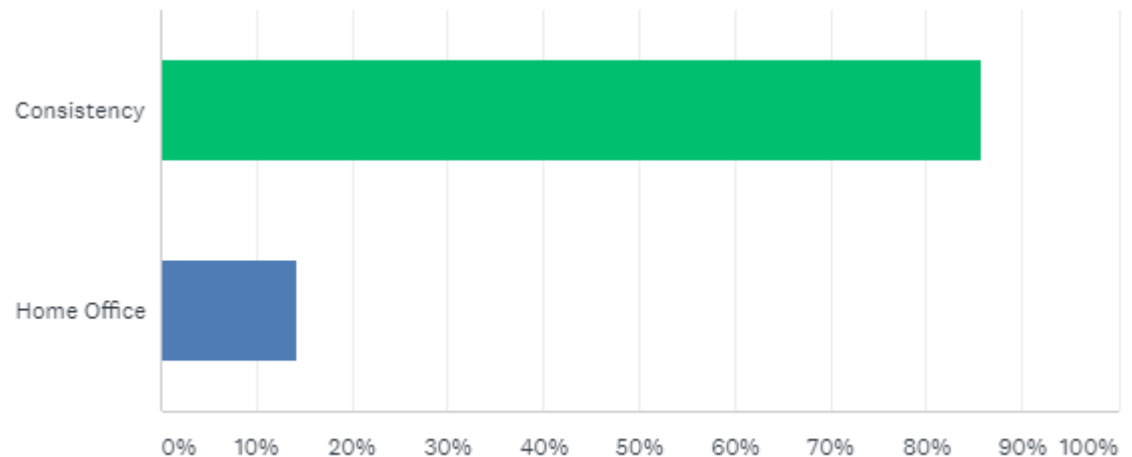
# COST ACCOUNTING STANDARDS (CAS)

Are you CAS Covered?

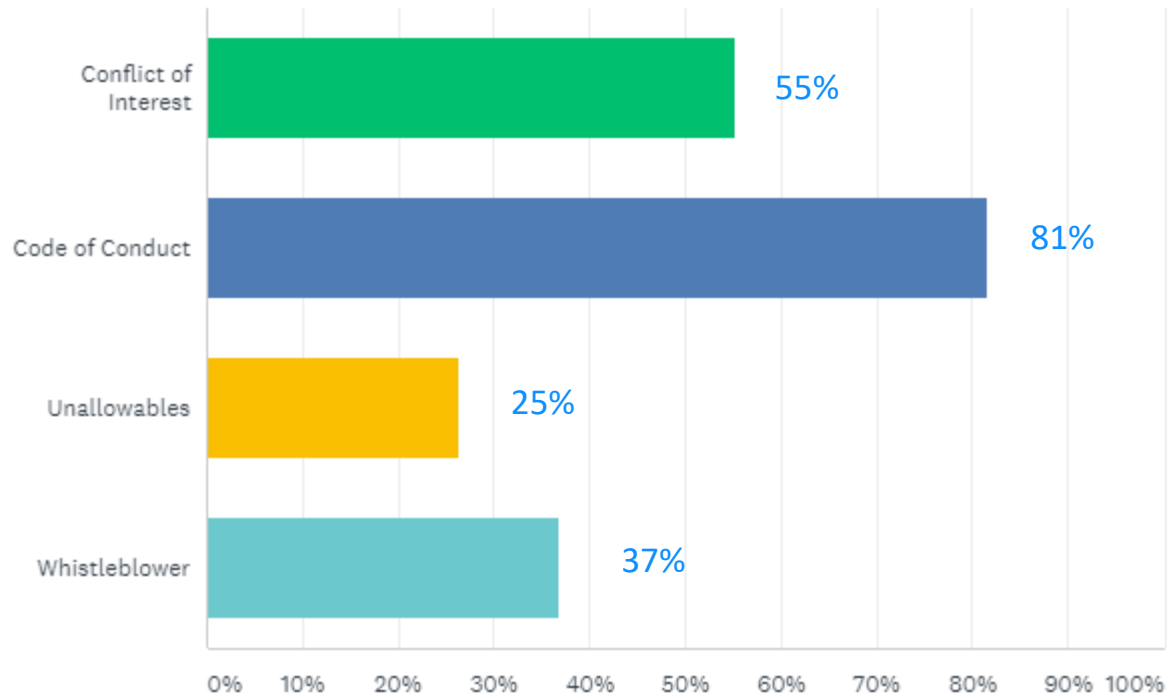


- CAS 401 - Consistency in Estimating, Accumulating, and Reporting Costs
- CAS 402 - Consistency in Allocating Costs Incurred for the Same Purpose
- CAS 403 Allocation of Home Office Expenses

## CAS Issues



## POLICIES WITH TRAINING

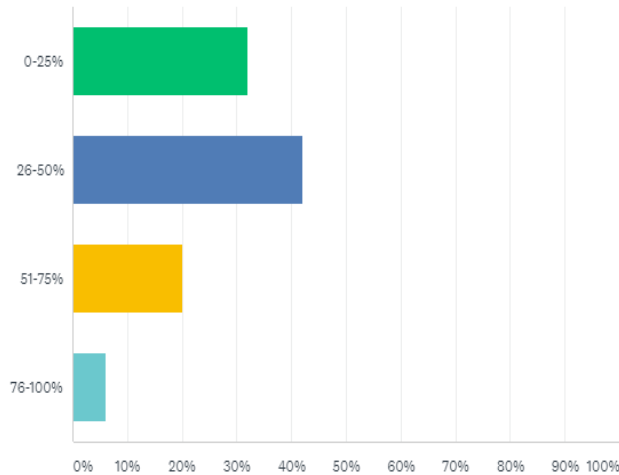


Accounting System Audit requires annual unallowable training!

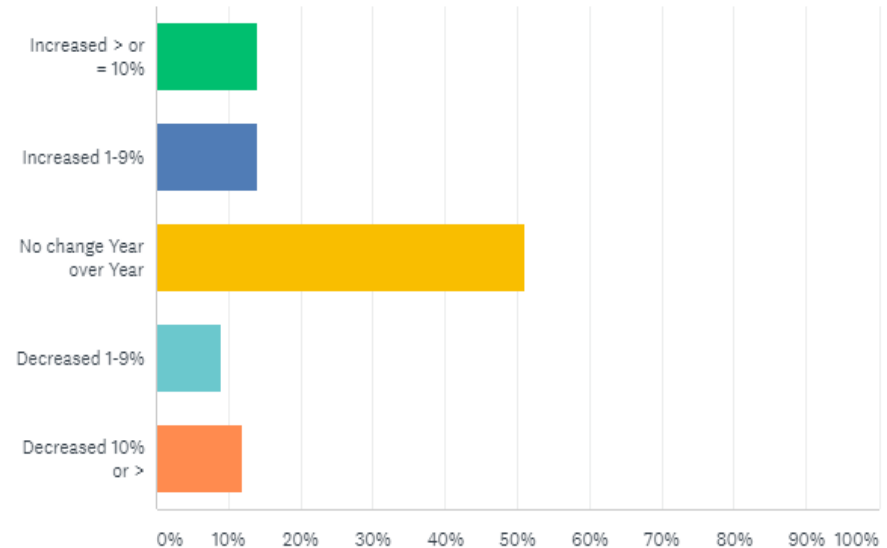
Very positive training numbers!!!

# WINNING!!

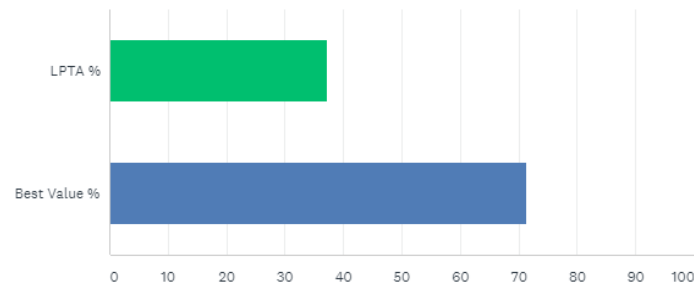
Current Win Rate 2017



Win Rate Changes from Last Year



What % of Bids in 2017 were LPTA and Best Value?





# CONTRACT INFORMATION

## 2017 Report

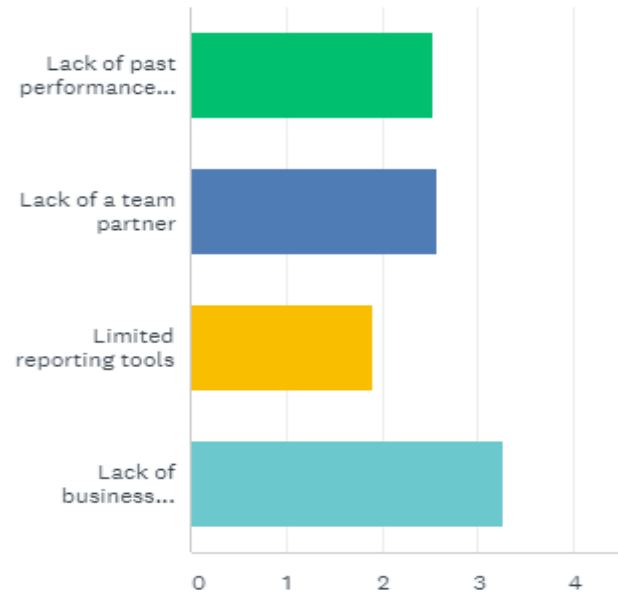
Company Size	Active	Bid	Won	Loss	Delayed	Protested
Up to \$25M	28	13	7	4	1	0
\$26M - \$50M	36	38	12	3	1	0
\$51M - \$100M	76	79	32	29	18	0
\$101M - \$250M	89	129	30	28	1	3

## 2018 Report

Revenue	Active Contracts 2017	Contracts Won 2017	Contracts Lost 2017	Contracts protested	Contracts Terminated
<\$25M	24	7	4	0	1.3
\$25M-\$50M	30	7	5	1	1.5
\$51-100M	53	11	11	0	1.3
>\$100M	70	24	28	1	0.6

This data is consistent with the win percentages discussed earlier. Very few protests and terminations....optimism has LEGS.

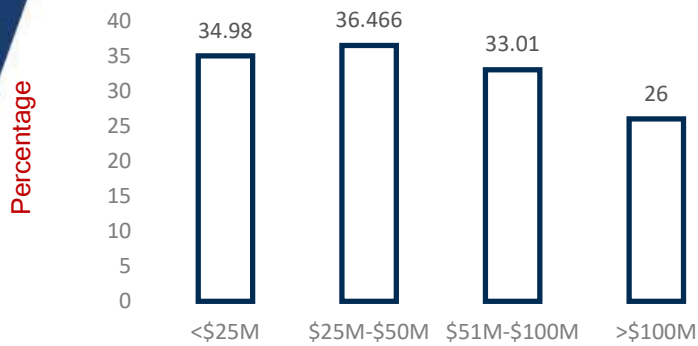
# BUSINESS DEVELOPMENT CHALLENGES



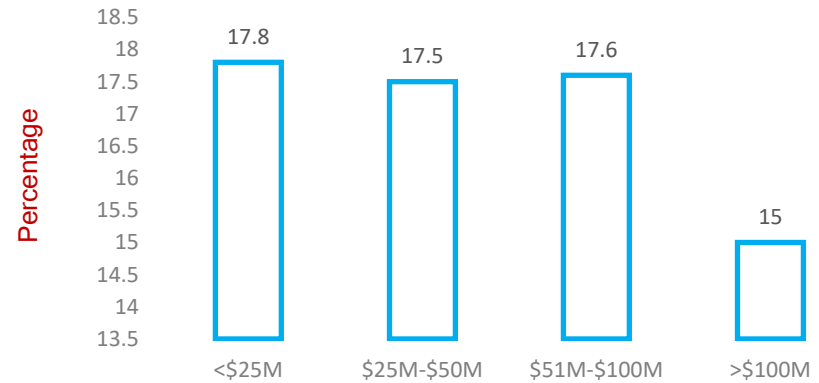
	1	2	3	4
Lack of past performance	27%	28%	20%	25%
Lack of a teaming partner	15%	40%	32%	13%
Limited reporting tools	9%	14%	30%	47%
Lack of BD funding and resources	62%	14%	14%	11%

# INDIRECT RATES

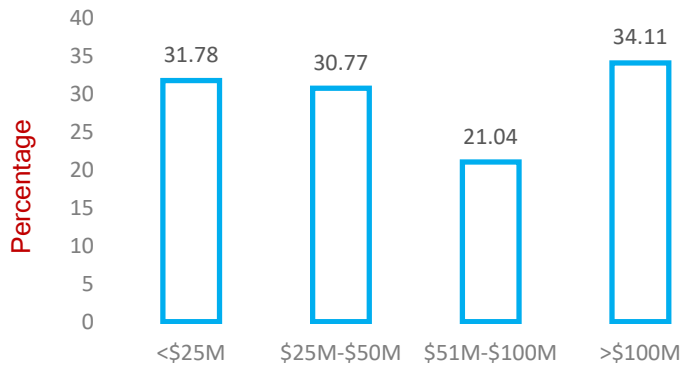
### Fringe Average



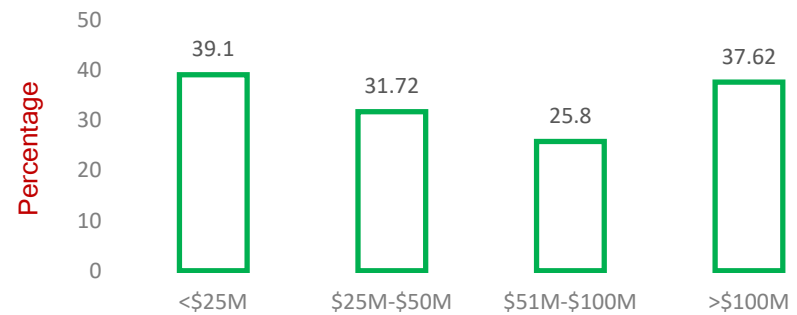
### G&A Average



### OH Customer Average

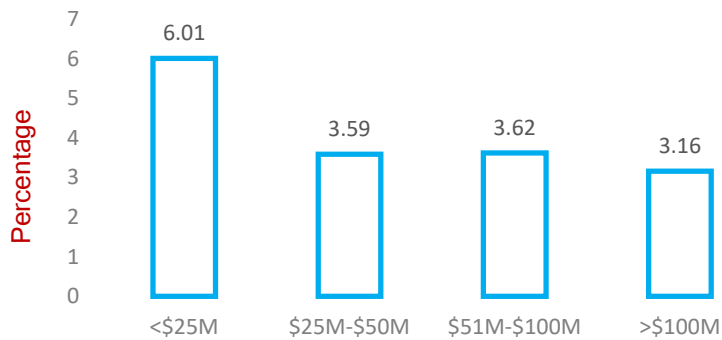


### OH Contractor Average

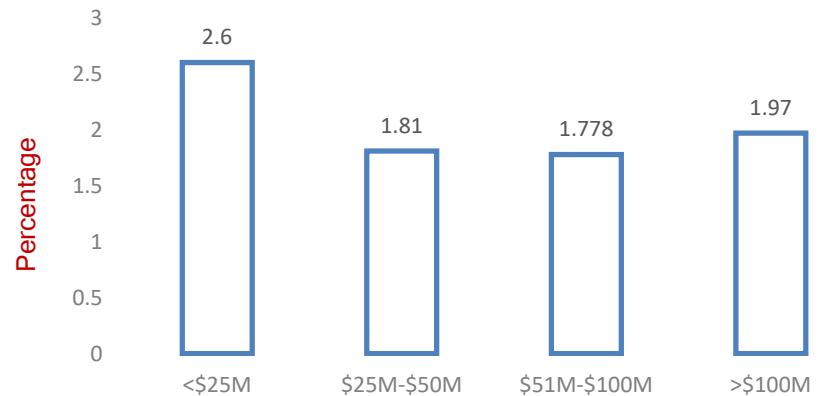


# RATES CONTINUED

MSH Average

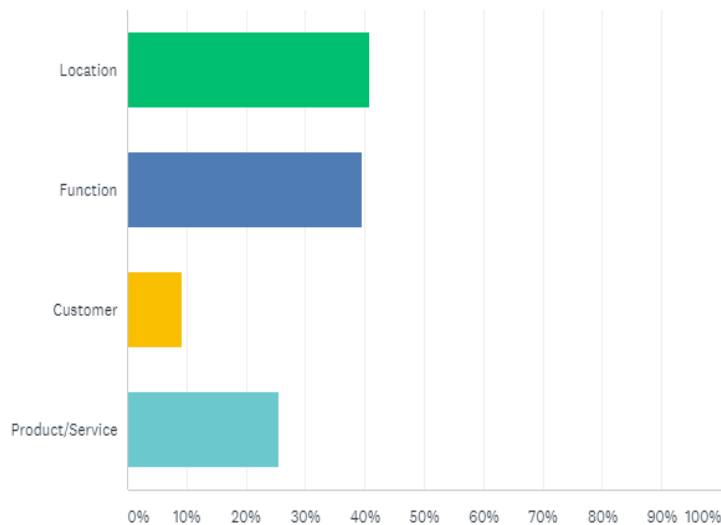


Wrap Rate Average

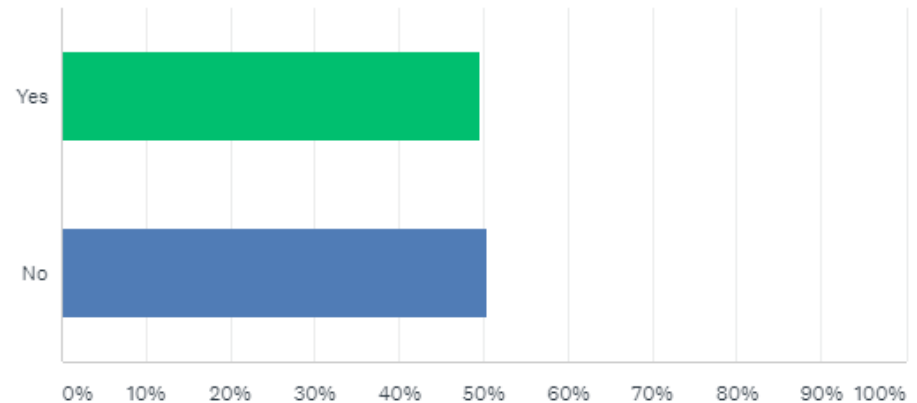


# OVERHEAD BASE AND SERVICE CENTERS

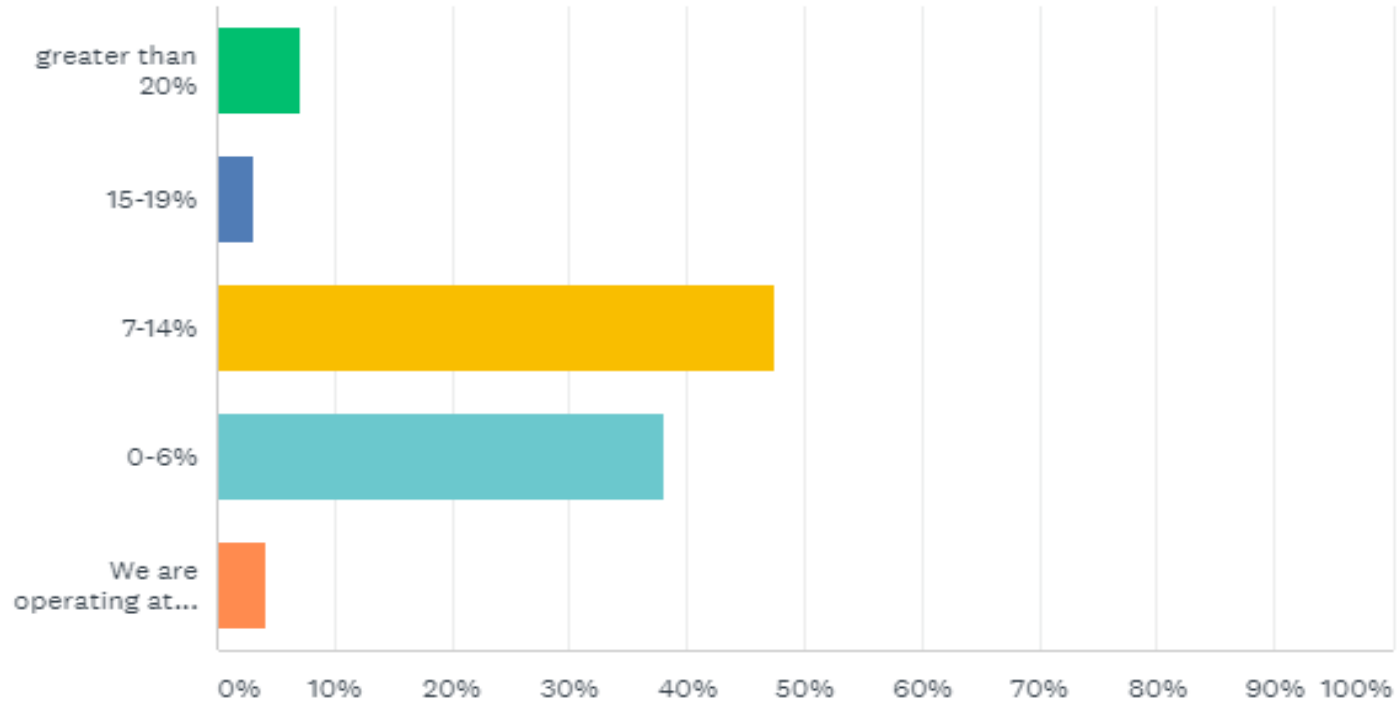
What do you use as a base for your overhead rates?



Do you use Service Center Allocations?



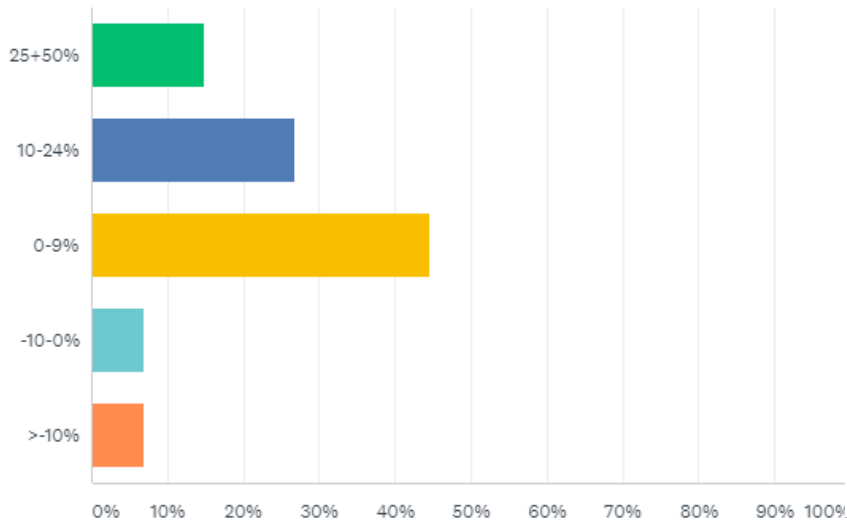
# PROFIT



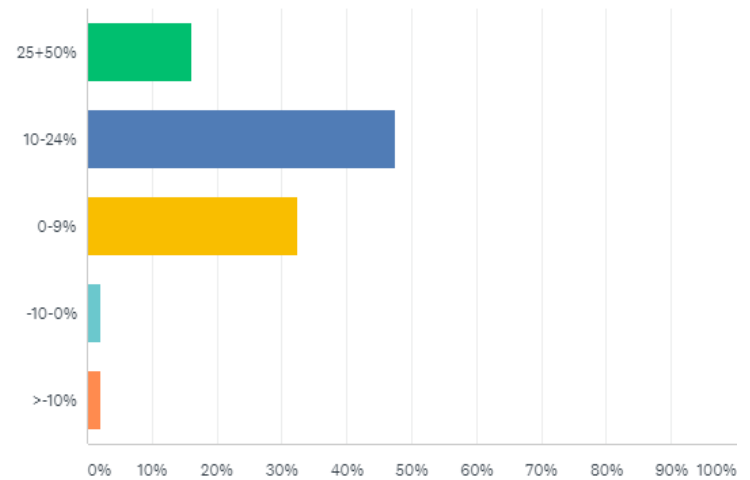
This number is low in relation to the increase in FP contracts – Better planning would help!

# GROWTH

What is your current growth rate?



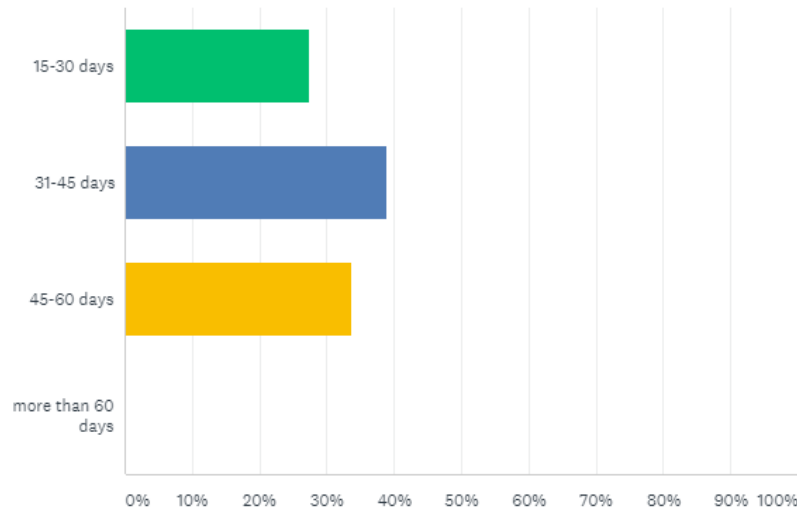
Projected growth rate?



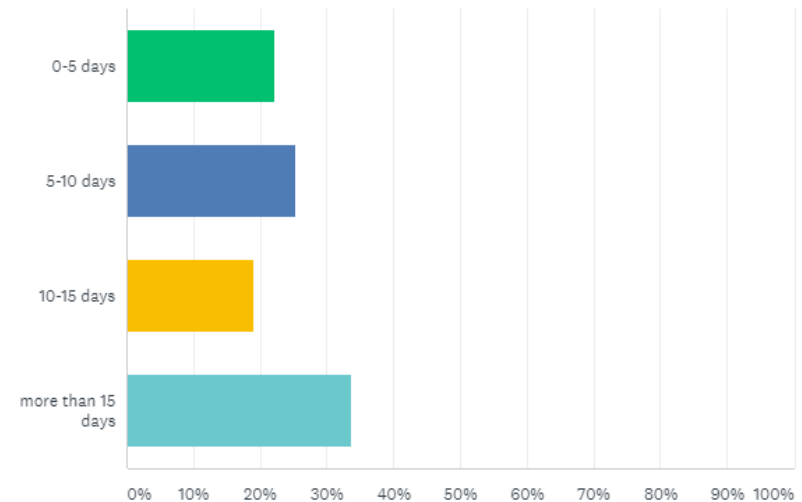
Optimism is fueling the projected growth rates

# CASH CYCLE

What is your DSO?



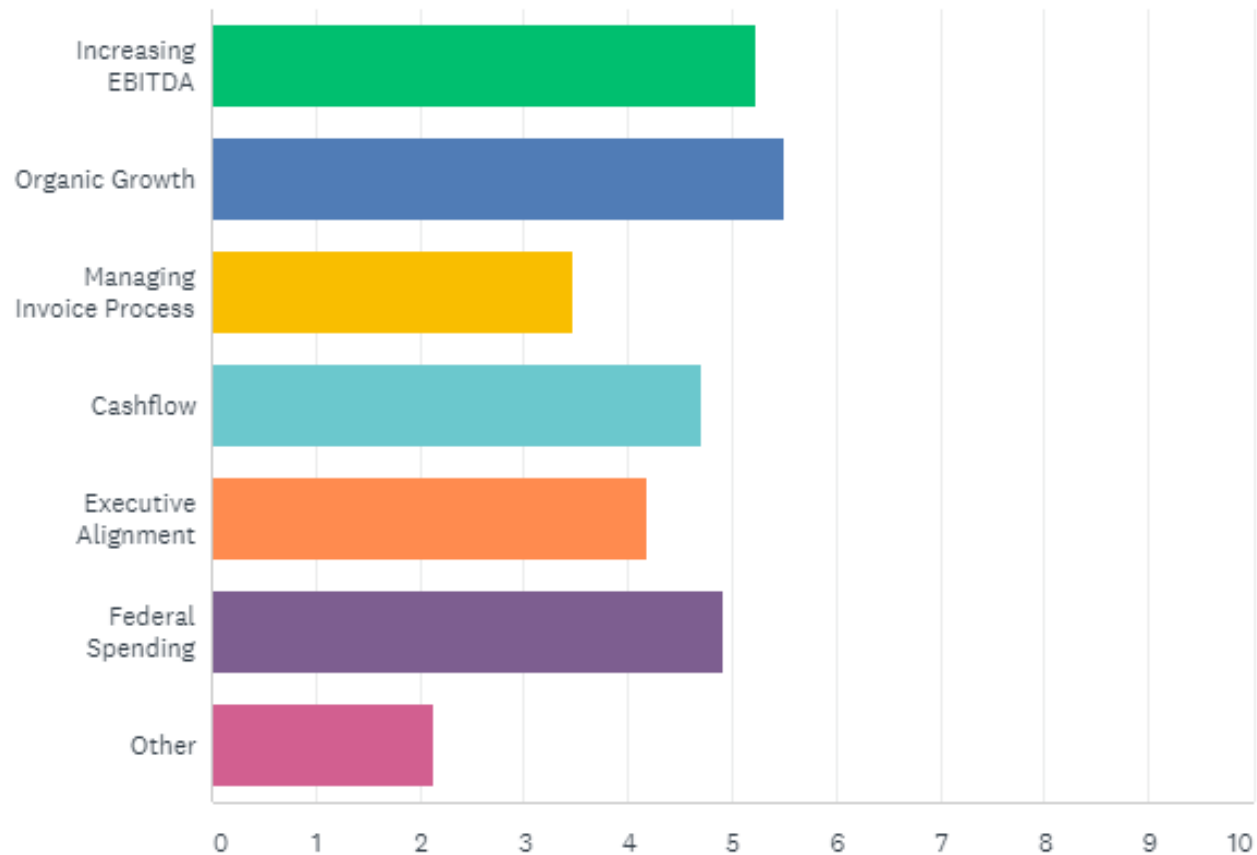
What is your Invoice Cycle?



DSO is aided with automation but length of invoice cycle is surprisingly high



# FINANCIAL CHALLENGES



Growth and Profit are top of mind!

# HEADCOUNT IN FUNCTIONAL GROUPS

2017 Report

FTEs Per Function							
	Accounting	HR	Recruiting	IT	Contracts	Business Development	Project Control
Up to \$25M	2.5	1.1	0.6	1.2	1.4	1.9	1.2
\$26M - \$50M	4.4	2.4	1.6	2.3	2.0	3.9	1.6
\$51M - \$100M	7.3	3.8	0.8	3.5	3.5	7.3	2.5
\$101M - \$250M	15.8	8.3	5.8	11.3	5.3	8.5	5.8

2018 Preliminary Data

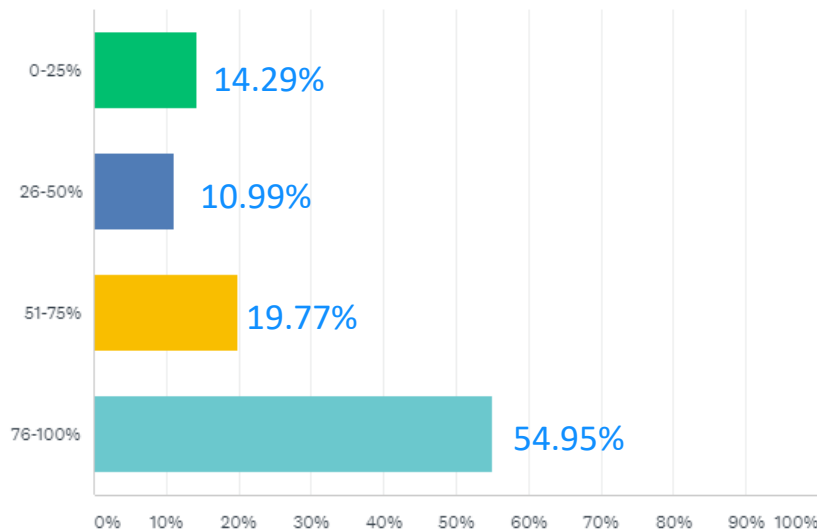
**NEW!**

FTEs Per Function

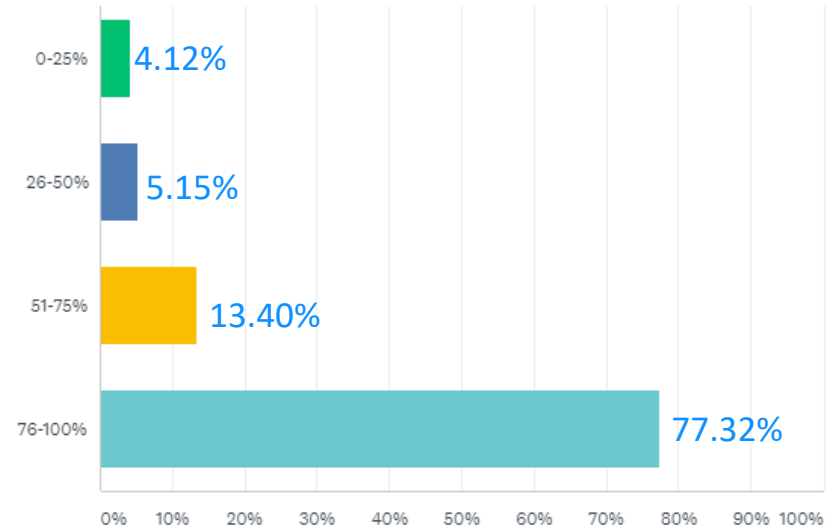
Revenue Size	Accounting	HR	Recruiting	IT	Contracts	Bus Dev	Proj Control	Compliance
<\$25M	3	2	2	2	2	2	2	1
\$25M-50M	4	3	2	3	2	5	3	1
\$51-\$100M	6	3	3	3	2	8	5	1
>\$100M	9	4	4	7	5	9	5	2

# PROJECT PERFORMANCE

On Budget

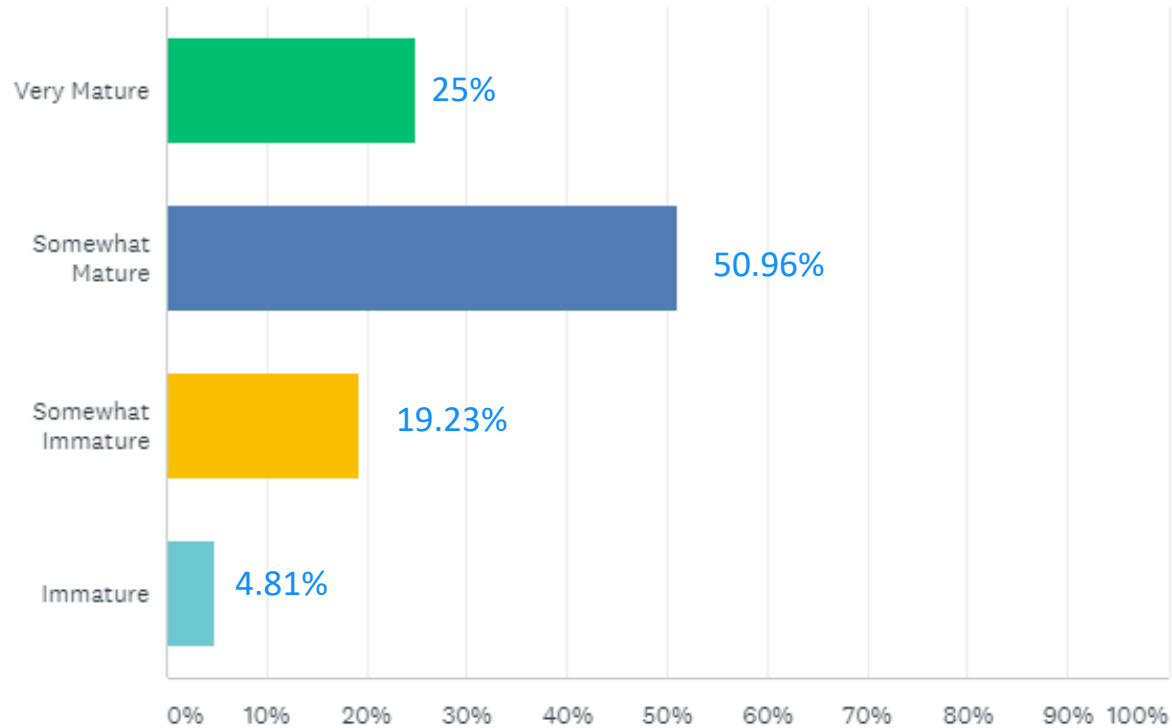


On Time

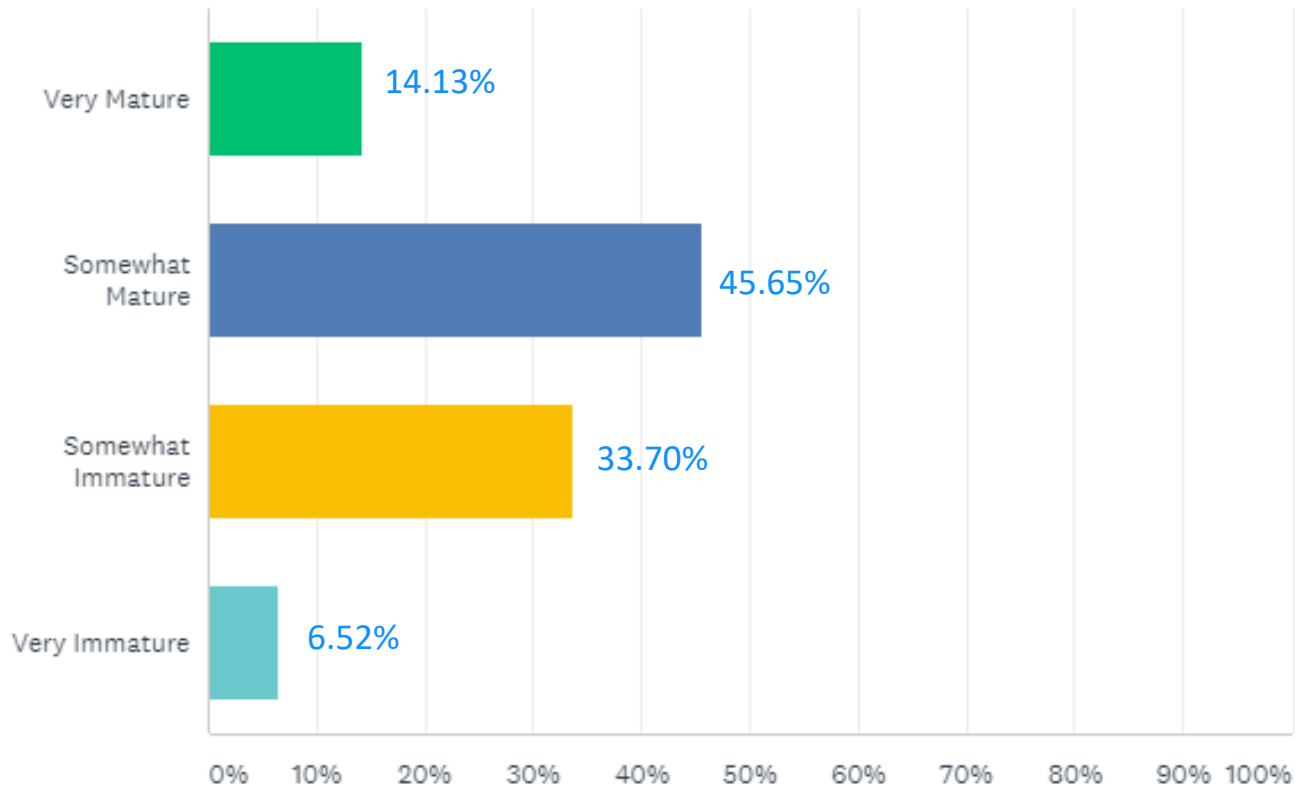


- 55% of the respondents report that 76-100% of their projects are on budget
- Amazing that 77.32% of the respondents say they are 76-100% on schedule

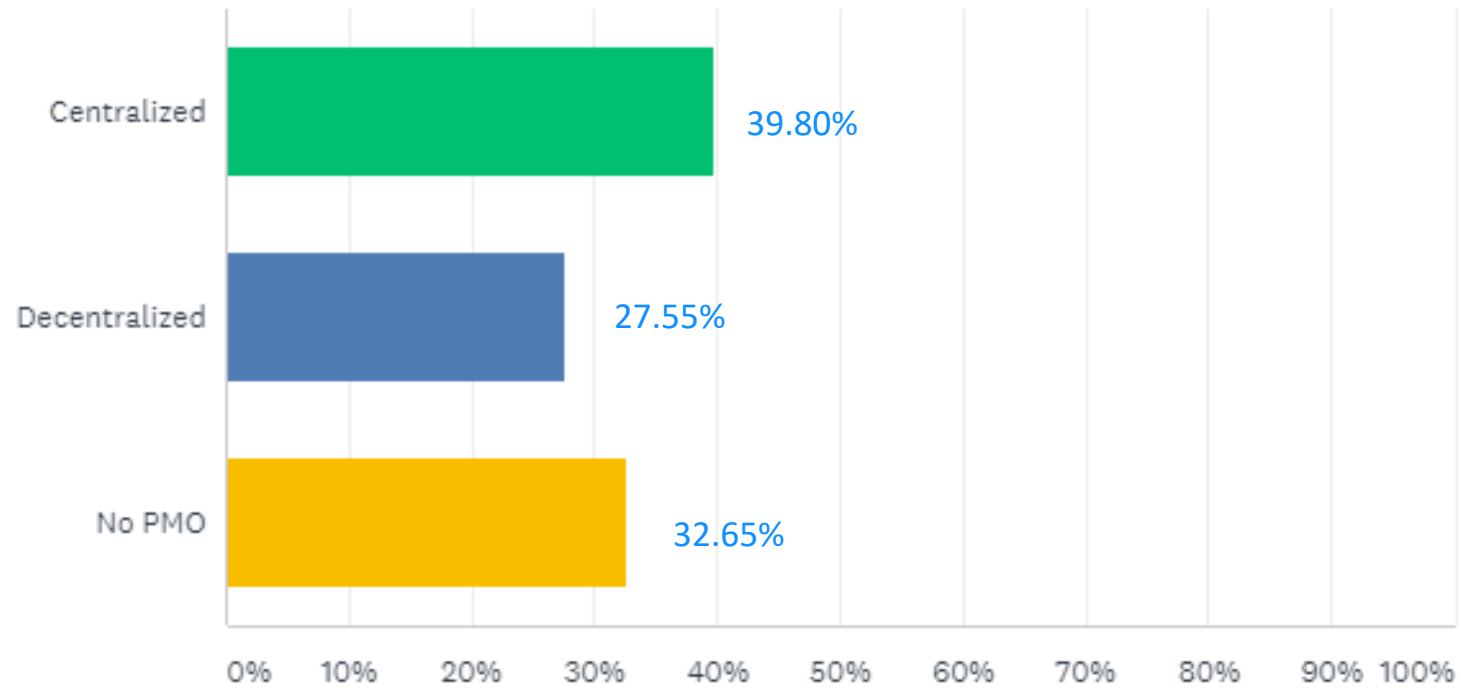
# PROJECT MGMT MATURITY



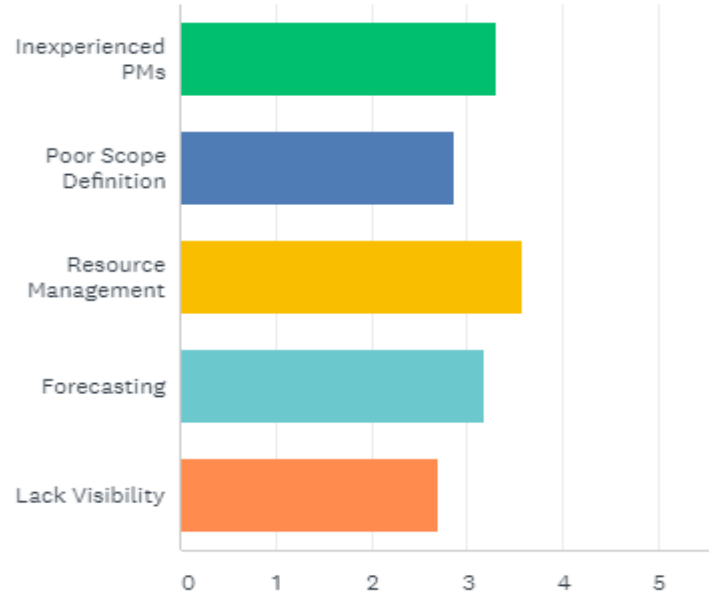
## RESOURCE MGMT MATURITY



# PMO?



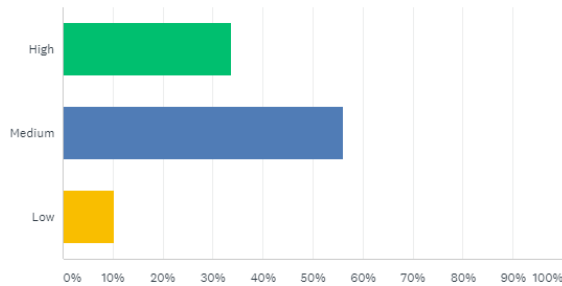
# PROJECT MANAGEMENT CHALLENGES



	1	2	3	4	5
Inexperienced PMs	33%	19%	19%	9%	20%
Poor Scope Definition	17%	15%	18%	32%	18%
Resource Management	25%	37%	18%	11%	8%
Forecasting	31%	14%	17%	23%	14%
Lack of Visibility and Control	10%	21%	24%	15%	31%

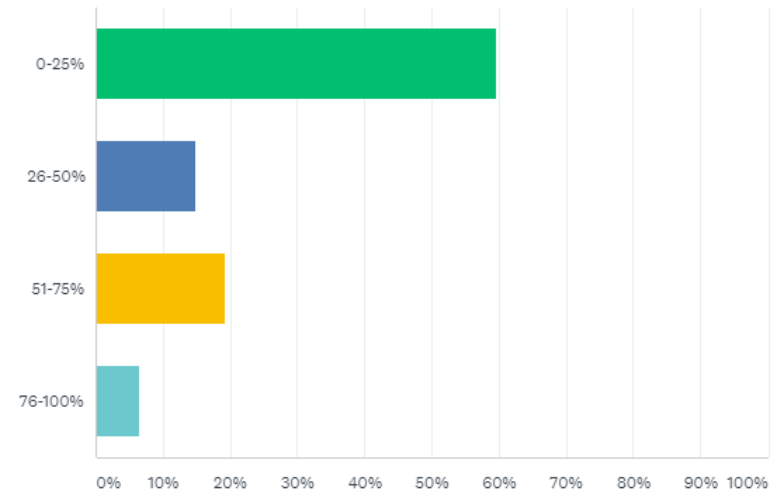
# PROJECT MANAGEMENT MISC.

## Visibility and Control Rating

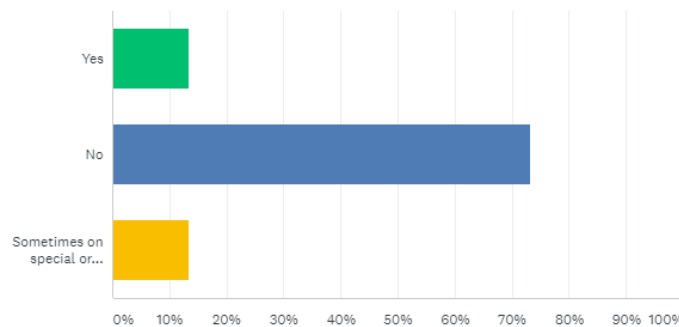


ANSWER CHOICES	RESPONSES
High	33.67%
Medium	56.12%
Low	10.20%
<b>TOTAL</b>	

## PMPs



## EVM





## WHAT TO EXPECT IN THE GAUGE 2018 REPORT

- More breakouts by revenue & employee levels
- Trends 2017 to 2018 and looking into 2019
- More correlations and analytics
- New tools, tips, and tricks
- Analysis on the Industry
- Insights from Government Contractors and Colleagues