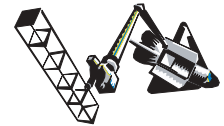




# GOVERNMENT CONTRACTING TODAY



A professional publication addressing current financial, tax, compliance and management issues and economic trends affecting the government contracting industry, courtesy of:



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SUMMER 2002

Government Contracting Services Group

VOL. 8, ISSUE 1

## Fair and Reasonable Pricing - Really!

*This is the second article in my proposal series. The previous issue was on Win Themes. This issue discusses the tools available to the Government to ensure fair and reasonable pricing is achieved.*

In 1776, Adam Smith introduced the world to the "Invisible hand of competition." The concepts presented in his centuries old thesis are still in force today, helping to define economic laws that help ensure that prices paid for goods and services are fair and reasonable. When prices are too high, consumers react by not purchasing or competitors will bring products to market to take advantage of the higher prices which increases supply. The market reactions, Mr. Smith's "invisible hand" analogy, keep prices in check around a "market price" for that good or service.

In Government contracts, procurement officials are required to obtain competition to the maximum practical extent. A decade ago, this concept was hampered by the procurement process of supporting all proposed prices with at least two pounds of paper along with the associated oversight and audit work. Over the past decade, the Federal Acquisition Regulation (FAR) has been updated, through procurement reform, to provide the contracting officer with the tools needed to ensure that fair and reasonable prices are obtained without the need for unnecessary reams of paper.

When market forces are in place, such as for commercial items and competition, the Government's job of determining whether a price is fair and reasonable can be quite simple. Absent these forces, other factors such as cost, become the principle driver for a contract price. With the addition of cost comes the need for oversight and audits.

FAR Part 15.404 requires that the contracting officer evaluate the reasonableness of prices proposed by contractors. The analytical techniques of cost analysis, price analysis and cost realism can be used alone or in combination with others tools to ensure that the final price is fair and reasonable. The complexity and circumstances of each acquisition will generally determine the level of detail of the analysis required.

*"The Government's job of determining whether a price is fair and reasonable can be quite simple."*

### Price Analysis

The application of each type of analysis depends on a number of factors. All contracts must receive price analysis. Price analysis is defined as "the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit." Preferred methods of price analysis include comparison of:

- Proposed prices received in response to the solicitation. (*Normally, adequate price competition establishes price reasonableness*) or
- Previously proposed prices and previous Government and commercial contract prices with current proposed prices for the same or similar items, if both the validity of the comparison and the reasonableness of the previous price can be established.

Other price analysis techniques include the use of parametric estimating

methods, the application of rough yardsticks (such as dollars per pound or per horsepower, or other units) to highlight significant inconsistencies that warrant additional pricing inquiry. The contracting officer can also use competitive published price lists, published market prices of commodities, similar indexes, prices obtained through market research, independent government estimates or the analysis of pricing information provided by the bidder.



Carl Sweetnam

### Cost Analysis

When price analysis alone does not satisfy the contracting officer that a contractor's proposed price is fair and reasonable, a second type of analysis may be required. Cost analysis is the review and evaluation of the separate cost elements and profit in a contractor's proposal. Cost estimates are generally called "cost or pricing data" if the proposal exceeds \$550,000. If the proposal is under \$550,000 or for a commercial item, the price is set by law or regulation or there is price competition, the cost information is dubbed "information other than cost or pricing data." Cost analysis includes the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency.

Some examples of cost analysis include verification of cost or pricing data and evaluation of cost elements, including the reasonableness of proposed costs, projections of cost trends, the use of parametric models or cost-estimating relationships, the application of audited or

*continued on page 3*

# Regulation Update

## FAC 2001-08 Updates Definitions, GSA Schedule Order Disputes and Relocation Costs

New final rules amending the Federal Acquisition Regulation regarding the definition of a claim, Federal Supply Schedule order disputes, and relocation costs were issued June 27.

The changes contained in Federal Acquisition Circular (FAC) 2001-08 are:

### Definitions moved or updated

The FAC clarifies the applicability of definitions, eliminates redundant or conflicting definitions, and streamlines the process for locating definitions. It does not change the meaning of any FAR text or clause.

The following changes to the FAR are incorporated by the rule:

- revise and move the definitions of "claim" from FAR 33.201; "continued portion of the contract," "partial termination," "terminated portion of the contract" from FAR 49.001; and "termination for convenience" from FAR 17.103;
- add a definition of "termination for default" at FAR 2.101 and a new paragraph 17.104(d) that explains the distinction between "termination for convenience" and "cancellation" deleted from the definition of "termination for convenience" that was moved from FAR 17.103;
- revise FAR 33.213(a) to clarify the distinction between claims "arising under a contract" and claims "relating to a contract";
- revise the definition of "claim" in the clause at FAR 52.233-1 to conform to the definition at FAR 2.101.

The revised definition for a "claim," as moved to FAR Part 2.101, reads:

"Claim means a written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to the contract. However, a written demand or written assertion by the contractor seeking the payment of money exceeding \$100,000 is not a claim under the Contract Disputes Act of 1978 until certified as required by the Act. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim. The submission may be converted to a claim, by written notice to the contract-

ing officer as provided in 33.206(a), if it is disputed either as to liability or amount or is not acted upon in a reasonable time."

The definition of termination for convenience is:

"Termination for convenience means the exercise of the Government's right to completely or partially terminate performance of work under a contract when it is in the Government's interest."

*"The payments to compensate for increased taxes incident to allowable reimbursed relocation costs are allowable."*

The definition of termination for default is:

"Termination for default means the exercise of the Government's right to completely or partially terminate a contract because of the contractor's actual or anticipated failure to perform its contractual obligations."

### GSA Federal Supply Schedule Order Disputes

The rule incorporates policies for disputes in schedule contracts and the handling of incidental items, and to remove the requirement to notify the General Services Administration when a schedule contractor refuses to honor an order placed by a government contractor.

### Relocation Costs

The FAC updates FAR 31.205-35, Relocation Costs. This cost principle guides the allowability of costs incurred by an existing contractor employee incident to a change in the employee's assigned work location for a period of 12 months or more, or upon recruitment of a new employee.

The update recognizes the increasing commercial practice of reimbursing relocation costs on a lump-sum basis. Specifically, the rule:

- increases the limit for miscellaneous expenses when a lump-sum ap-

proach is used. The current FAR requires the reimbursement of miscellaneous expenses to be limited to actual expenses or \$1,000 (if the lump-sum approach is used). The proposed rule would have removed the \$1,000 limitation altogether. To reduce the government's risk in this area, the final rule retains a ceiling for miscellaneous expenses when a contractor uses the lump-sum payment method, but increases the limit from \$1,000 to \$5,000. The cost principle continues to have no ceiling for miscellaneous expenses when reimbursement is based on actual expenses.



Bill Walter

- adds two new categories of allowable relocation costs: (1) spouse employment assistance and for increased employee income and (2) Federal Insurance Contributions Act (FICA) taxes incident to allowable reimbursed relocation costs; and
- revises the "compensation for personal services" cost principle at FAR 31.205-6(e)(2) to clarify that wage "gross-ups", the differential allowances paid to compensate for increased taxes on employee compensation, are unallowable. However, the payments to compensate for increased taxes incident to allowable reimbursed relocation costs are allowable.

Bill Walter is a Director of Government Contract Consulting Services for Goodman & Company. Mr. Walter provides contract consulting services for companies throughout the U.S. and is a popular lecturer and author on issues facing companies that do business with the Federal Government. Contact Bill Walter at [wwalter@goodmanco.com](mailto:wwalter@goodmanco.com) or (703) 970-0405.

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## Fair and Reasonable Pricing - Really!

(continued from page 1)

negotiated indirect cost rates, labor rates, and cost of money or other factors. Other techniques can include comparing costs proposed for individual cost elements with actual historical costs or previous cost estimates for the same bidder or cost estimates for the same or similar items from other bidders.

When cost analysis is required, contractors are often subject to the requirements of additional laws and regulations including the Cost Accounting Standards or the Truth in Negotiations Act.

## Cost Realism Analysis

The final type of pricing analysis identified in FAR 15.404 is cost realism analysis. If the contract is for a cost reimbursement type contract, the contracting officer is required to perform a cost realism analysis to determine if the costs proposed are:

- Realistic for the work to be performed under the contract;
- Reflect a clear understanding of contract requirements; and are
- Consistent with the various elements of the offeror's technical proposal.

The principle purpose of cost realism analysis is to eliminate unrealistically low offers. These types of offers occur because a bidder:

- Does not understand the contract requirements
- Does not properly coordinate the proposal preparation thus the cost proposal is inconsistent with the technical proposal, or
- Understates the proposed cost (buy-in) hoping to get additional funding through modifications or follow-on contracts.

## Technical Analysis

Additional reviews of the resource requirements may be performed by individuals that have specialized knowledge, skills, experience, or capability in engineering, science, or management. They can perform a technical analysis of the proposed types and quantities of materials, labor, processes, special tooling, facilities, the reasonableness of scrap and spoilage, and other associated factors identified in the proposal in order to determine the need for and reasonableness of the proposed resources, assuming reasonable economy and efficiency. At a minimum, the technical analysis should examine the types and quantities of material proposed and the need for the types and quantities of labor hours and the labor mix. Any

other data that may be pertinent to an assessment of the bidder's ability to accomplish the technical requirements or to the cost or price analysis of the service or product being proposed should also be included in the analysis.

## Summary

Many Requests for Proposals (RFP) will instruct a bidder to provide certain data to assist an evaluator in performing cost realism analysis. Some examples are statements about a bidders financial capability, current personnel salary information, policies on uncompensated overtime and whether uncompensated overtime is bid, indirect

cost rate agreements or a buildup and explanation of a bidders indirect rate structure and past performance data. By understanding why and how an evaluator is assessing your cost proposal can greatly enhance the content and quality of your cost proposal - all improving your opportunity to focus on your Win Theme!

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*Carl Sweetnam is a Senior Consultant with the Government Contracting Services Group of Goodman & Company. He has over 15 years experience working with Government contractors in the areas of Accounting, Finance and Contract Administration.*

## DCAA Guidance

**April 12, 2002**

### **Assistant Director Policy and Plans**

*Audit Alert on Identification of Auditor Determined Indirect Cost Rate Settlement Opportunities* — The guidance discusses the DoD's emphasis on expedited contract closeouts and the agency's challenges and initiatives for assuring they are meeting their goals. A special emphasis is put on converting the final rate settlement process from DCMA contracting officers to DCAA auditors.

**April 15, 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance on Annual Examinations of Paid Vouchers For Contractors on the Direct Billing Program* — The guidance rolls out a new audit program and annual audit requirement of paid vouchers for contractors on the direct billing program.

**April 26 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance on Contractor Confirmation of Disclosure of Off Balance-Sheet Arrangements and Related Party Transactions During Detailed Financial Condition Risk Assessment and Financial Capability Audit* — The guidance basically requires auditor to request a "management letter" that all off-balance sheet arrangements and related party transactions have been disclosed during financial capability audits.

**May 2, 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance on Submission Requirements of Interim Public Vouchers* — Establishes new requirements (original only) for number of copies of interim vouchers at certain DFAS locations.

**May 9, 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance on the \$387,783 Executive Compensation Cap for Contractor Fiscal Year 2002 and Beyond* — Outlines the notice in the Federal Register on May 6 of the change in Ex Comp cap.

**May 16, 2002**

### **Assistant Director Policy and Plans**

*Transmittal of DDP Guidance on Changes in*

*Cost Accounting Practice* — Distribution of new guidance from the Director, Defense Procurement regarding changes in cost accounting practices.

**May 21, 2002**

### **Assistant Director Policy and Plans**

*Revised Audit Guidance on Annual Examinations of Paid Vouchers for Contractors on the Direct Billing Program* — Revises the April 15th guidance to include the ability to perform the review of paid vouchers as part of other audits.

**May 23 2002**

### **Assistant Director Operations**

*Supplemental Audit Guidance on Special Purpose Audits of Contract Overpayments* — Provides guidance on auditors reviews of all types of over-billings.

**June 4, 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance on CAS and FAR Part 31 Cost Principles Applicability to Utility Privatization Contracts* — Provides cost accounting and FAR guidance to FAOs specific to utility privatization.

**June 17, 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance on Procedures for Developing Unilateral Recommendations for Contracting Officers* — The guidance revises the procedures for developing unilateral rate recommendations for contracting officer and adds the issuance of a five-month overdue letter to the contractor to the four letters/memorandums already required to be issued by the FAO.

**June 25, 2002**

### **Assistant Director Policy and Plans**

*Audit Guidance for Nonmajor Contractor Audits with Maximum Control Risk Assessments and Audit Evidence Highly Dependent on Contractor Computerized Information Systems* — Mandates that auditors perform an additional audit step when using the Nonmajor ICQ that documents any work performed on determining system reliability.

# SBA Mentor-Protégé Program - Qualifications and Benefits

The Small Business Administration (SBA) has a goal to enhance an 8(a)'s ability to compete and obtain federal contracts. The latest development in this area is the creation of the Mentor-Protégé program. If utilized properly, the mentor, protégé and SBA will all benefit from the program. Currently, there are over 100 mentors participating in the program.

## Program Benefits

SBA designed the program to primarily benefit the Protégé. Benefits to the protégé can include technical and management assistance, financial assistance, subcontracting, and joint venture agreements to service prime contracts. The technical/management assistance provided will vary greatly from agreement to agreement depending on the needs of the protégé but like all assistance offered must be part of a formal written document. Examples of assistance could include proposal preparation, business development training, accounting systems, development of indirect rates, internal controls, human resource management, etc. The key is to gain an understanding of the needs of the protégé and design an agreement that demonstrates the mentors ability to address these specific needs.

Perhaps the most surprising benefit is the ability to provide financial assistance in the form of loans and/or equity. Mentors can own up to 40% of a protégé. While SBA does not advocate the sale of stock, they recognize the need for many companies to receive capital/equity in order to grow. Therefore, SBA allows for a mentor to own a significant piece of ownership. While I do not generally advocate the sale of stock for my clients, each business owner must weigh the benefits of selling stock for capital. Realize for young companies, owners are probably selling stock at the lowest price. Therefore, the owners must carefully weigh the benefits provided by that mentor. One such benefit could be a mentor's willingness to provide business since they are partial owners of the entity. In any sale of equity, careful due diligence and serious consideration should be performed prior to any agreement. In addition, the control rules of 13CFR 124.105 apply to any loan/equity arrangements. Mentors may not be able to exercise control over the protégé in any form.

The ability to joint venture and subcontract should be beneficial to both mentor and protégé. Together the mentor can go after contracts they would not be eligible for due to size standards

and the protégé can go after contracts they might not be eligible for due to size, technical, or financial shortcomings. However, if SBA determines the only purpose of the relationship is to secure 8(a) contracts for the mentor, SBA will not approve the agreement.

The protégé may also benefit from this relationship by becoming eligible for additional SBA assistance. For example, an improved financial position due to loans/capital infusion may enable the protégé to obtain other financing through SBA.

SBA benefits by empowering 8(a)'s to grow and by gaining a better understanding of the needs of their constituents. By evaluating and monitoring the assistance provided by the mentors and comparing the success and failures of the protégé, SBA should gain considerable insight into the needs of these growing companies.

## Mentor Requirements

To qualify as a mentor, SBA requires the concern to show the "commitment and the ability to assist developing 8(a) Participants". Mentors can be graduated 8(a), transitional stage 8(a) or any other business with the "ability and commitment" to mentor. As a general rule, mentors may only have one protégé at a time. In addition SBA imposes the following requirements:

- Financial solvency (last two years must be profitable)
- Good character
- Cannot be debarred or suspended from federal contracting
- Provide government contracting experience

Government contracting experience can be obtained by prior experience as an 8(a) contractor. However, anyone who can impart government contracting experience is eligible to apply as a mentor. It appears that commercial companies without government contracting experience would be hard pressed to qualify as mentors.

## Protégé Requirements

A protégé may only have one mentor at a time. To qualify for the program, a protégé must be in good standing with SBA and all current with all reporting requirements including annual reports, financial statements, etc. In addition, the protégé must be in the developmental stage of the 8(a) or 8(a) BD programs. The only exceptions is if the entity has never received an 8(a) contract or it has a size which is half the SBA size standard under the entities primary SIC

code. It is apparent that SBA is trying to provide support for those entities which are early in the program or have never had much success during their participation.



Gregg Funkhouser

## Agreement Requirements

The agreement must be in writing and sent to the District Office where it will undergo evaluation by the Business Opportunity Specialist (BOS) of the protégé. From there, it will be forwarded to the ADD/8(a) BD, District Counsel, District Director and with recommendation will arrive at the AA/8(a) BD who will approve or decline the agreement within 15 days and return the package to the District Office. SBA will approve the agreement unless they determine insufficient assistance to the protégé or a vehicle to impart 8(a) contracts to the mentor.

The agreement will terminate within nine years or when the stated objectives of the agreement have been fulfilled. However, the agreement cannot be for less than one year and must contain a clause that allows either party to terminate with thirty days notice to both the party and SBA. Care must be given to the type and length of support to be given especially when considering loans and or equity which may be contained in the agreement. In addition, the ability to terminate with thirty days notice should alert owners to the perils of selling equity.

The agreement must include a detailed assessment of the needs of the protégé and the assistance the mentor will provide to address those needs. This is critical to both SBA approval and to arrive at a clear understanding of the relationship and the expectations of the parties. Do not assume either party will provide anything which is not contained in the agreement. Be honest of your expectations while assessing the needs of protégé and detail the road map to fulfilling these needs. Finally, have your counsel and accountants involved in the final agreement. There will be many legal, financial and tax considerations which the business owner must gain an understanding before signing the agreement.

## Annual Evaluation

SBA will perform an annual evaluation to determine compliance with the program as part of the protégé's annual evaluation. The protégé must certify

*continued on page 5*

## DCAA Focuses on Contract Overpayments

The Defense Contract Audit Agency issued guidance to assist Field Audit Offices (FAO) in the implementation of special purposes audit of contract overpayments and progress payments. The agency is requiring that these audits be performed on all major contractors, contractors receiving significant contract payments and "any other contractor that the FAO deem appropriate based on documented audit risk." They do limit the special audits to contractors that submit payment requests to the Defense Finance and Accounting Service (DFAS). All contractors that meet the requirements must be programmed for audit and the audit completed during fiscal year 2002.

There are two primary areas covered in the special audits:

- Review of billing system internal controls to ensure that contract overpayments are identified promptly and that any amounts due the government are properly offset or refunded timely.
- Self-initiated post payment audits of progress payment requests.

The MRD and subsequent audits are the agency's response to the Government Accounting Office (GAO) performing "several evaluations in the last several years related to the identification and recovery of contract overpayments." The GAO reports related to these evaluations show that 77% of the total dollar value of overpayments were attributed to contract administration adjustments which are defined as contract payments received in accordance with the contract that need to be reduced due to subsequent events or actions. Surprisingly, 80% of the contract administration adjustments relate to the administration and payment of progress payments, e.g., changes in alternate liquidation rates or application of loss ratios.

DCAA's special audit response primarily lent itself to addressing the most dollars. The "special audits" consisted of a revision to their standard audit program - APBILL, or the billing system review.

The changes consisted of two additional audits steps:

- Ensure contractors have adequate written policies and procedures for comparing amounts billed to amounts received and for contract

payment and appropriately notifying the paying office if the amounts differ. If overpayments are received, the contractor should return the overpayment to the paying office.

- Review contractors' comparisons to ensure the written policies and procedures have been effectively implemented.

As mentioned previously, it is surprising that a significant portion of the overbilled amounts were related to progress payments on firm-fixed-price (FFP) contracts. It is equally surprising that DCAA placed the emphasis on this change even though they certainly prompted to do so by GAO. However, does this mean that those entities with primarily cost reimbursable and time and material contracts that do not meet the "major contractor" requirement and are overbilled related to billing at a higher than actual provisional rate are without scrutiny? Oh, if only that were the case.

Last winter, the DCAA issued a separate MRD with audit guidance on preparation of cumulative allowable cost worksheets. These worksheets, actually prepared using information from the contractors Schedules I and O (if prepared using the "ICE" Model), of the incurred cost submission reconcile the total billed costs to the actual allowable costs in each contractor fiscal year.

The MRD notes several changes that are being made to the Contract Audit Manual (CAM) that will "prove to be a valuable tool in expediting contract closeouts." Administrative closeout of contracts necessitates all overbilling (and underbilling) be collected from (or by) the contractor. While submitting the incurred cost submissions, being audited and preparing final invoices have always been required, for more than a decade the contractor has typically waited several years for DCAA to complete those audits. The agency is now, in many areas of the country, getting caught up. Changes in the Federal Acquisition Regulation (FAR) have made audits of proposals less frequently required and they are looking at ways of reducing the government's different types of risk proactively. Accordingly, the MRD identifies billing system reviews as a method of determining the strengths and weaknesses of the Schedules I and O of incurred cost submissions.

**Bottom Line:** In government fiscal year 2001 it was financial capability reviews. For 2002 expect more financial capability review, billing system surveys and contract closeouts particularly on those contracts and or delivery orders on which overbilling has occurred.



Ken Bricker

*K. D. "Ken" Bricker, CPA, DABFA is a Partner in the Goodman & Company Government Contracting Service Group. Ken, located in our Norfolk, Virginia office, provides contract consulting, litigation support and advisory services to our clients that do business with the Federal Government.*

### SBA Mentor-Protégé Program - Qualifications and Benefits (continued from page 4)

that no amendments have been made to the agreement without subsequent approval. The update must contain a detailed accounting of the technical/management assistance provided during the year. The update must list any loans or equity provided, all subcontracts performed (including amount of the contract), all joint venture contracts (including contract amount and work performed by each party), and a narrative description of all benefits received by the protégé from the mentor. SBA will use this information to evaluate the benefits received and to review the amount of 8(a) work performed by the mentor.

The benefits of this program will not be known for years. However, SBA's website ([www.sba.gov](http://www.sba.gov)) has 129 participants listed in the program. Your success or failure will be predicated upon finding the right partner and sharing realistic goals for both parties. There is little question that both mentor and protégé can benefit from the relationship but there will certainly be as many failures as successes. You can find the regulations (CFR13 Section 124.520) at the library on SBA's website.

*Gregg N. Funkhouser, CPA is Partner in Charge of Government Contracting for Goodman and Company. Gregg has clients in the SBA mentor-protégé program and can be reached for questions at [gfunkhouser@goodmanco.com](mailto:gfunkhouser@goodmanco.com) or (703) 970-0400.*

**GOODMAN & COMPANY**  
**“10 KEYS” GOVERNMENT CONTRACTING SMALL BUSINESS SEMINARS**  
**Tower Club, Tysons Corner, Virginia**

Registration: 7:30 to 8:00 am Seminar: 8:00 to 10:00 am  
 Fees \$35 per seminar: Clients of Goodman & Company \$25 per seminar  
 Breakfast included - CPE Credits available

**September 23, 2002 “10 KEYS” TO SUCCESSFUL 8(a) GRADUATION**

This first half of the seminar will focus on the “10 Keys” to successfully graduating the 8(a) program including strategic planning, exit strategy, mergers & acquisitions, continuation of 8(a) contracts, teaming arrangements, management structure, budgeting, indirect costs, accounting systems and controls, and long term debt/liabilities. We will share the knowledge gained in working with our clients to successfully graduate and grow.

The second half of this seminar will feature three Goodman & Company clients who have successfully transitioned from the 8(a) environment. The Presidents of these companies will share with you their visions and the reasons for the continued success of their companies. Following individual presentations, there will be time for questions and answers of the Presidents. The panel will consist of the following:

- Cindy A. Castillo, President, CSSI, Inc.
- Melvin H. Chioioji, President, MELE Associates
- Verle B. Hammond, President, Innovative Logistics Techniques, Inc.
- Gregg N. Funkhouser, CPA, Goodman & Company

**October 22, 2002 “10 KEYS” TO FINANCIAL MANAGEMENT**

This seminar will present the “10 Keys” to successful financial contract management. Mr. William Walter, Director of Government Contractor Consulting Services will lead the presentation to include discussions on the identification and implementation of accounting systems, internal controls, estimating and budgeting, program management tools, financial analysis, managerial accounting tools and selecting your business advisors.

**November 14, 2002 “10 KEYS” TO EMPLOYEES AND BENEFITS ISSUES**

In today’s environment - people are our most important resource. The cost associated with hiring, keeping and motivating employees is a key to success. This seminar, led by Mr. Greg Richardson, Director of Human Resource Consulting for Goodman Consulting and Technology, will discuss and answer your questions on such topics as human resource strategies, labor law compliance such as SCA and DBA, human resource strategies, job design, recruiting methods, retention challenges, employee vs. independent contractor, wage

and hour compliance (FLSA), professional development & training, teaming & collaboration, EEO and other compliance requirements and harassment in the workplace.

**December 11, 2002 “10 KEYS” TO EXIT STRATEGIES**

You have put tremendous amounts of time, energy, money and sweat equity into your business. At times it is one of your proudest achievements. However, at some point you’re going to have to think about how to untangle yourself from the company that you’ve spent so much time putting together. You may already be thinking in this direction for a number of reasons. Maybe you are looking forward to retiring, you just received a purchase offer you want to con-

sider, or your business has done so well that you want to pass it on to your children. In any case, you may want the business to continue beyond your lifetime and you don’t want the IRS to confiscate your hard-earned gains through estate taxes. Mr. Chip Cottrell and Mr. Scott Brezler, Partners of Goodman & Company, will present this seminar focusing on the keys to properly evaluating the various exit strategy options such as: buy-sell agreements, succession planning, mergers and acquisition, private sale, ESOP, and IPO. In addition, the dynamic speakers will discuss the keys to best position the company, value the business, develop a management and advisory team, and determine tax implications.

**Registration Form “10 Keys” Small Business Seminar - 2002**

NAME \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

PHONE \_\_\_\_\_

FAX \_\_\_\_\_

Return registration form by mail or fax to:

**Mr. Matthew Brensy**  
**Goodman & Company**  
 1430 Spring Hill Road, Suite 300 McLean, VA 22102  
 Phone (703) 970-0400 Fax (703) 970-0401

Refunds available with two weeks notice prior to the seminar. Substitutions are accepted. \$35 per seminar, clients \$25.

- September 23, 2002 — Successful 8(s) Graduation \$ \_\_\_\_\_
  - October 22, 2002 — Financial Management \_\_\_\_\_
  - November 14, 2002 — Employees and Benefits \_\_\_\_\_
  - December 11, 2002 — Exit Strategies \_\_\_\_\_
- Total** \_\_\_\_\_

## SPEAKERS

### **Verle B. Hammond** *President & CEO*



Mr. Hammond has spent 28 years in the U.S. Army, where he earned the rank of Colonel and held key command and management assignments in all aspects of logistics and weapons systems acquisition. He founded INNOLOG in 1989, and has since brought the company to its current status as the nation's preeminent provider of logistics systems engineering, information services and supply chain logistics. Under Mr. Hammond's leadership, INNOLOG has grown from a staff of eight with a \$250,000 contract to over 500 employees and annual revenues of over \$40 million. Today, he continues to guide the direction of INNOLOG.

### **Cindy Castillo** *President and CEO*



Cynthia (Cindy) Anne Castillo is President and Chief Executive Officer of CSSI, Inc., an award-winning technical services company specializing in systems engineering, application development, information technology, and program management for the aerospace industry. Headquartered in Washington, D.C., the company also has offices in Virginia, Maryland, New Jersey and South Carolina.

Since taking over CSSI in 1993, Ms. Castillo has established the company as a premier technical services provider to its domestic and international customers. In an industry where women and minorities are scarce, Ms. Castillo has secured major contracts with the Federal Aviation Administration, National Aeronautics and Space Administration, the U.S. Department of Defense, NAV CANADA, and the International Air Transport Association.

Her peers recognized her highly visible contributions by the presentation of the Air Traffic Control Association (ATCA) Small and Disadvantaged Business Award an unprecedented three years in a row (1988-2000). Ms. Castillo continues to diversify CSSI corporate capabilities across a wide spectrum of air traffic control and other aviation related specialties, which now include extensive efforts in air-space modeling and advanced information technology development.

### **Mel Chiogioji, DBA, P.E.** *President & CEO of Mele Associates*



Dr. Chiogioji has over 30 years of senior management experience in the engineering and research fields. Among his areas of specialization are nuclear and fossil-fueled power; energy efficiency, economics and financing; international energy programs; industrial waste utilization and minimization; and construction management. He also has extensive experience in systems analysis, operations research and analysis.

Founded in 1971 as a sole proprietorship, and incorporated in April of 1993, MELE is a certified Section 8(a) company that garnered the #1 spot on the 1997 Maryland "FAST 50" - list of fastest growing technology companies. Deloitte & Touche also recognized MELE in the top 10 of the fastest growing technology companies nationwide.

Headquartered in Rockville, MD, MELE has nine locations throughout the U.S. and the Pacific. MELE has expertise in the areas of Information Technology, Telecommunications, Engineering, Project Management and Government & Public Relations.

### **Gregg N. Funkhouser, CPA** *Partner, Government Contracting Services*



Mr. Funkhouser has practiced in private industry and as a certified public accountant for over twenty years. For over a decade, Mr. Funkhouser has concentrated on the government contracting industry and heads the Government Contractor Services Group for Goodman & Company. Under his direction, the firm publishes a newsletter, "Government Contracting Today," which addresses current financial, tax, compliance and management issues and economic trends affecting the government contracting industry. Mr. Funkhouser has authored numerous articles on tax, government contracting, and 8(a) issues.

### **William R. Walter, CPA** *Director of Government Contract Consulting Services*



Mr. Walter has two decades of experience helping organizations identify and resolve issues associated with cost accounting and financial management systems. He has thorough knowledge of FAR, TINA and CAS, augmented by extensive experience with real business issues, systems and solutions. Bill focuses primarily on developing and implementing cost allocation strategies, accounting and cost control system requirements, and working with contractors to ensure compliance with Federal procurement regulations with a view towards providing information management needs to succeed.

### **Scott M. Brezler, CPA** *Partner, Government Contracting Services*



Mr. Brezler has practiced as a certified public accountant for over a decade. Previously, he was associated with a large regional firm as a supervising senior. Mr. Brezler heads all financial accounting services for the Government Contractor Services Group of the firm. In addition, Mr. Brezler has obtained a Masters Certificate in Government Contracting from the George Washington University.

### **Carl Sweetnam** *Consultant, Government Contract Consulting Services*



Mr. Sweetnam has over 15 years experience in the fields of contract cost accounting, financial management and accounting system design. From his experiences serving as the principal accounting and financial executive throughout career, he has a diverse knowledge base in the government contracting industry.

### **Ken Bricker, CPA, DABFA** *Partner, Government Contract Consulting Services*



Mr. Bricker Over eighteen years of experience in the government contracting arena. He has Government experience as a Senior Auditor for the DCAA and VP/CFO at a government contractor. He regularly assists clients with regulatory issues such as systems reviews (accounting, estimating, purchasing, billing), bids and proposals, rate structure development, forward pricing, wage determinations, claims, defective pricing, and incurred cost submissions. Ken also has served as an expert witness and provided other litigation support on government contract disputes.

### **Greg Richardson, SPHR** *Director of the Human Resource Consulting*



Greg is the Director of the Human Resource Consulting Division. With over 20 years of executive experience, Greg has managed operational functions, training and development programs and human resource obligations. He routinely conducts professional development seminars for workgroups, especially leadership development, and facilitates strategic and business planning efforts. For the past five years he has facilitated the Opening/Closing Retreats for the Leadership Institute of the Virginia Peninsula (Chamber of Commerce) and this year also conducted a similar 2-day event for "Leadership Hampton Roads," sponsored by the Hampton Roads Chamber of Commerce.

### **James A. Cottrell Jr., CPA** *Partner, Corporate Transition and Recovery*



A veteran specialist in global operations, trade and finance, Mr. Cottrell led the financial turnaround, repositioning and development of companies in the USA, United Kingdom, the Netherlands, Hong Kong, Latin America and China. He has lived and worked for almost 20 years in Europe and Asia and has had broad hands-on experience with respect to acquisitions, alliances, and partnerships, as well as reorganizations. Chip spent four years as an international Investment Banker and seven years leading successful technology companies in North Carolina and Virginia.

## Less Than Half Of Employers Have Not Adopted EGTRRA Provisions

Thus far, more than half of employers have not yet adopted provisions passed last year as part of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), according to a new survey by Diversified Investment Advisors. Researchers found that 53% of more than 200 employers with at least 100 workers have not modified their retirement plans to reflect the law, which was enacted to modernize both defined benefit and defined contribution retirement plans. New rules increase maximum employee contributions and allow workers over 50 to make "catch-up" contributions. Many of EGTRRA's provisions must be adopted by Dec. 31. But several states

have delayed enacting the law, causing employers to sit on their hands until the issue is resolved. What is more, experts have pointed out several provisions that employers do not need to take advantage of right now, most of which have to do with defined benefit plans. Some note that the government does not appear to have provided much guidance for employers, although the feds do seem to understand their predicament. The American Benefits Council has asked for more guidance on the subject. Of the 47% survey respondents who have made the EGTRRA changes, 71% say participation in their plans has increased with the adoption of tax cred-

its for lower-income participants. Moreover, 87% now accept catch-up contributions and 83% accept rollovers from other types of plans.

*Craig Dean, cdean@goodmanco.com, a Certified Retirement Plan Specialist with Goodman & Company, L.L.C., a subsidiary of Goodman & Company, is a firm-wide resource who specializes in helping corporations establish, run, and monitor all types of retirement programs. With a degree in Finance and Economics, Craig has been servicing qualified plans for over 10 years. Along with maintaining multiple licensing requirements, he is a registered representative of CAPPRO Brokerage Services and is an active member of the American Society of Pension Actuaries*

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