

RAYMOND JAMES INVESTMENT BANKING

Security, Defense & Government Services
Confidential | September 2017

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Leading Investment Banking Franchise

Industry Focused and Specialty Transaction Investment Banking Groups

Security, Defense & Government Services	Technology & Services	Industrials	Consumer & Retail	Energy	Financial Services	Health Care	Real Estate	Transport & Infrastructure
	Financial Sponsors	Industrials	Debt Origination	European Advisory	Mergers & Acquisitions	Public Offerings	Restructuring	

Experience & Scale

+700 Capital Markets Professionals
+330 Investment Banking Professionals
+7,000 Financial Advisors
~350 M&A Assignments*
+\$600B Capital Raised*
+\$600B Assets Under Administration

* Over the last four years

Franchise Accolades

Technology M&A Advisory			Equity Offerings for Growth-Focused Firms		
Rank	Firm	# of Deals	Rank	Firm	# of Offerings
1	Raymond James & Associates, Inc.	145	1	Raymond James & Associates, Inc.	105
2	William Blair & Company	103	2	Stifel	105
3	Jefferies LLC	92	3	SunTrust Robinson Humphrey Inc	96
4	Morgan Stanley	90	4	Jefferies LLC	81
5	Houlihan Lokey	90	5	Piper Jaffray & Co	79
6	Goldman Sachs	81	6	BMO Capital Markets	72
7	Evercore Partners Inc	77	7	Robert W. Baird & Co	70
8	KPMG	76	8	Cowen & Company LLC	68
9	Lazard	75	9	Canaccord Genuity Corp	63
10	Signal Hill Capital LLC	74	10	KeyBanc Capital Markets	59
11	Credit Suisse	73	11	Scotiabank	56
12	PwC	70	12	William Blair & Co LLC	55
13	AGC Partners	70	13	BTIG LLC	46
14	RBC Capital Markets Inc	69	14	JMP Securities LLC	42
15	M&A International Inc	68	15	Capital One Securities Inc.	39
16	Stifel	64	16	Stephens	38
17	Lincoln International LLC	61	17	Wunderlich Securities Inc.	38
18	JPMorgan	59	18	Leerink Partners LLC	33
19	Deutsche Bank AG	59	19	Needham & Company LLC	33
20	Deloitte	59	20	Mitsubishi UFJ Financial Group	32

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Comprehensive M&A Experience

Raymond James' Defense and Government Services team has been active in the market for over two decades, having closed some of the most significant defense and government services middle market M&A transactions in that period

<p>PENDING</p> <p>Project Champion</p> <p>Intel – HUMINT</p>	<p>PENDING</p> <p>spartan</p> <p>Is being acquired by Ultra Electronics</p> <p>Defense Technology</p>	<p>OPHASEONE</p> <p>A portfolio company of RLJ High Services</p> <p>Has been acquired by accenture High performance, Defense</p> <p>Cloud Computing, PaaS</p>	<p>The Government Services Business of ABM</p> <p>Has been acquired by VALANT</p> <p>Mission Support & Critical Infrastructure Services</p>	<p>Schafer</p> <p>A portfolio company of Metalmark</p> <p>Has been acquired by Delcan</p> <p>National Security Engineering Services</p>	<p>Booz Allen Hamilton</p> <p>Has acquired AQUILENT</p> <p>Digital Government IT Services</p>
<p>The Heavy Equipment Group of OLDENBURG GROUP</p> <p>Has been acquired by J.P. Lehman & Company</p> <p>Defense Manufacturing</p>	<p>QRC</p> <p>Has been acquired by DC-CAPITAL PARTNERS</p> <p>Intel – Tactical RF Solutions</p>	<p>ANGUARD</p> <p>Has been acquired by SolAero</p> <p>A portfolio company of VISUM</p> <p>Aerospace & Satellite Products</p>	<p>NAL RESEARCH CORPORATION</p> <p>Has been acquired by Drew Marine</p> <p>A portfolio company of THE JORDAN COMPANY</p> <p>Surveillance & Tracking Solutions</p>	<p>GATR</p> <p>Has been acquired by CUBIC</p> <p>Tactical Communication / ISR Products</p>	<p>DNC</p> <p>Has been acquired by A subsidiary of</p> <p>Health IT Services & Solutions</p>
<p>COMMON VOTERS</p> <p>Has received an investment from a fund managed by Morgan Stanley Credit Partners</p> <p>Electronic Voting</p>	<p>TEMPUS JETS</p> <p>Has merged with CHART ACQUISITION CORP.</p> <p>Surveillance & Reconnaissance Aircraft</p>	<p>immixGroup</p> <p>Has been acquired by ARMADA</p> <p>Enterprise Software & Hardware</p>	<p>MERCURY</p> <p>A wholly owned subsidiary of MERCURY</p> <p>Has been acquired by iNovex</p> <p>Intel – Big Data Analytics / Cloud</p>	<p>The Engineering Solutions Division of COLUMBIA GROUP</p> <p>Has been acquired by Huntington Ingalls Industries</p> <p>Unmanned Underwater Vehicles</p>	<p>LINQUEST CENTERS</p> <p>Has been acquired by LinQuest Holdings, Inc., a newly formed entity led by Company Management</p> <p>Engineering & Technical Services</p>
<p>emcore</p> <p>SPACE Photovoltaics Division</p> <p>Has been acquired by VERITAS</p> <p>Space Power Applications</p>	<p>DTech Labs</p> <p>Has been acquired by CUBIC</p> <p>Tactical Communications</p>	<p>ARMA</p> <p>Has been acquired by GENERAL DYNAMICS</p> <p>Intel – IT & Special Communications</p>	<p>tenacity</p> <p>Has been acquired by CSC</p> <p>Intel – Cybersecurity Services</p>	<p>UTX</p> <p>Has been acquired by VERINT</p> <p>Mobile Communications Disruption & Surveillance</p>	<p>EFJohns</p> <p>Has been acquired by JVC KENWOOD</p> <p>Critical Communications</p>

* Certain transactions displayed were advised by Raymond James principals while employed at a prior firm

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<p>AeroSat</p> <p>Has been acquired by ASTRONICS</p> <p>Mounted Aircraft Antennas</p>	<p>KIVI</p> <p>Has acquired Headland Media</p> <p>Satellite Communication Solutions</p>	<p>The Intelligence Security Operations Business of GRS</p> <p>Has been acquired by GRS</p> <p>A portfolio company of FeedCap</p> <p>Security Support Solutions</p>	<p>Social & Scientific Systems, Inc.</p> <p>Has acquired the Health Sciences Research Group of SRA</p> <p>Biomedical Research & Technical Services</p>	<p>THOMSON</p> <p>Has been acquired by Six</p> <p>A portfolio company of GTCR</p> <p>Intel – Geolocation, ISR Systems & Services</p>	<p>Hengstler</p> <p>Has been acquired by Raytheon</p> <p>Intel – Software & Cyber</p>
<p>gtSi</p> <p>Has divested its minority stake in TEYAKTEK</p> <p>Cloud Computing & IT Solutions</p>	<p>artel</p> <p>Has secured an investment from TPG</p> <p>TORCH HILL</p> <p>Satellite Managed Network Services</p>	<p>ATP</p> <p>Has been acquired by URS</p> <p>Advanced IT Services</p>	<p>FULCRUM IT</p> <p>Has been recapitalized by Boyer Capital Partners & Grindstone Partners</p> <p>Intelligence Analysis & Cybersecurity</p>	<p>api technologies corp.</p> <p>Has acquired REFLECTION CLAYTON, INC.</p> <p>Defense Electronics</p>	<p>nci</p> <p>Has acquired advancemed</p> <p>An affiliate of CSC</p> <p>Health Care Detection & Fraud IT Services</p>
<p>3e</p> <p>Has been acquired by Ultra Electronics</p> <p>Secure Wireless Solutions</p>	<p>RTI</p> <p>Technology Assisted Learning a business unit of CAE</p> <p>Simulation & Training</p>	<p>Alexis Corporation</p> <p>Has been acquired by CUBIC</p> <p>Intel – HUMINT</p>	<p>ITS</p> <p>Has been acquired by ATSolutions</p> <p>A portfolio company of COVANT</p> <p>Network Engineering</p>	<p>Whetzel</p> <p>Has been acquired by NOVETTA</p> <p>A portfolio company of COVANT</p> <p>Intel – Big Data Analytics & Software solutions</p>	<p>The Security and Intelligence Solutions unit of QinetiQ</p> <p>Has been acquired by ManTech</p> <p>International Corporation</p> <p>Intel – Integrated security services</p>
<p>ZA</p> <p>Has been acquired by Raytheon</p> <p>Intel – Data Extraction Analysis & Cybersecurity</p>	<p>STADCO</p> <p>Has been acquired by Corinthian Capital</p> <p>Industrial & Engineering</p>	<p>Aerodyne</p> <p>A wholly owned subsidiary of MCR</p> <p>Has been acquired by MCR</p> <p>Unmanned Aerial Vehicles</p>	<p>ITS</p> <p>A portfolio company of the edgewater funds</p> <p>Has been acquired by SNOW PHIPPS</p> <p>Network Engineering & Architecture</p>	<p>ARGOTEX</p> <p>Has been acquired by COBHAM</p> <p>Intel – Systems Security Engineering</p>	<p>DRT</p> <p>Has been acquired by BOEING</p> <p>Intel – Intelligence, Surveillance & Reconnaissance</p>

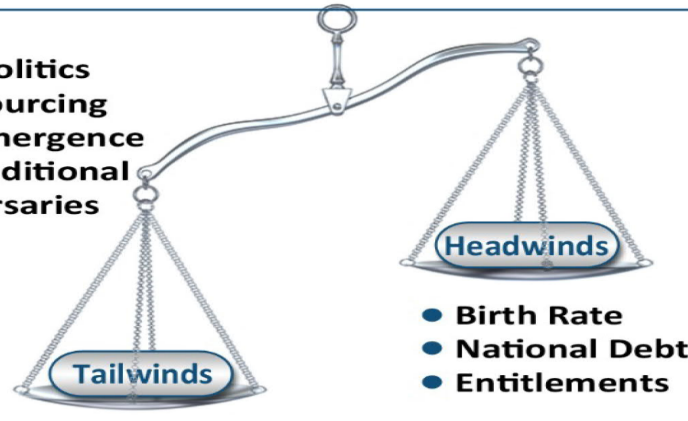
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Government Market Overview

- *Entering a new defense expansion cycle rooted in geopolitical instability resembling the 1980's*

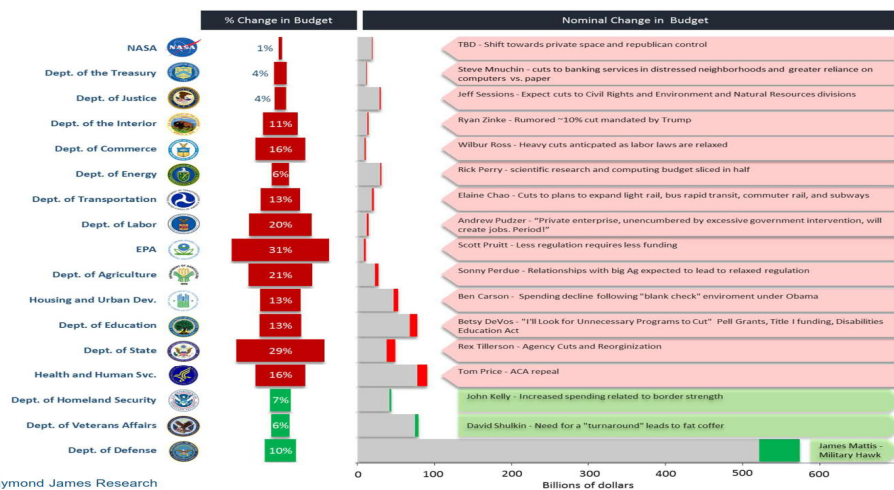
- **Geopolitics**
- **Outsourcing**
- **Re-emergence of Traditional Adversaries**



Source: Raymond James Research

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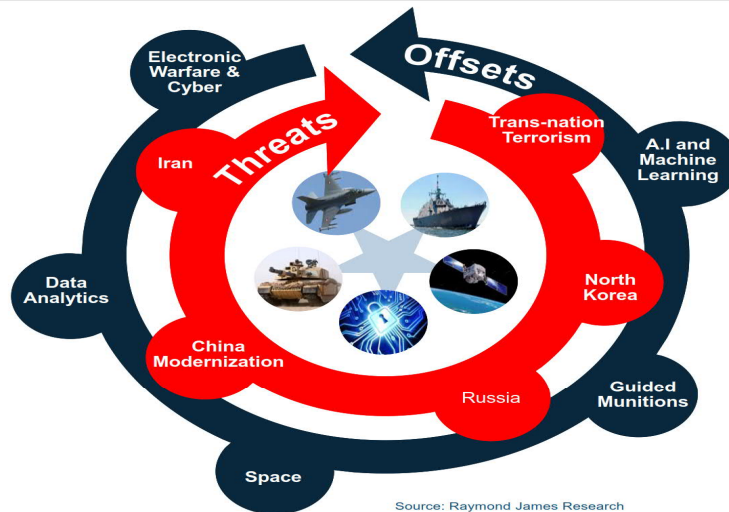
Zero Sum Budget & Focused Growth



Source: Raymond James Research

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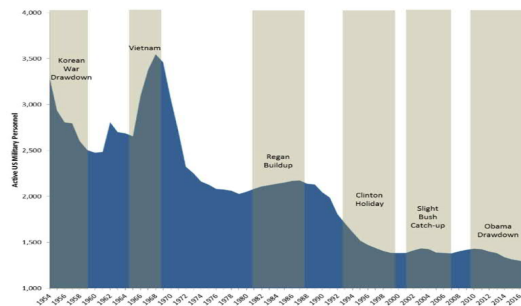
Near Peer Threats Require Long Term Investment



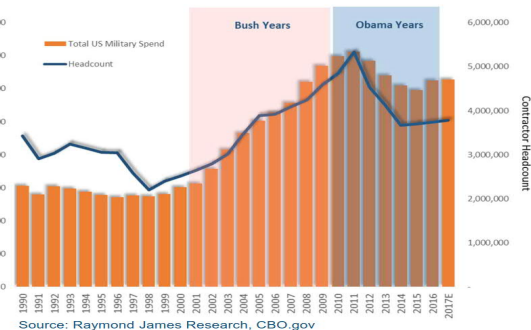
Source: Raymond James Research

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Higher End Strength & More Outsourcing



Source: Raymond James Research, US Department of Defense

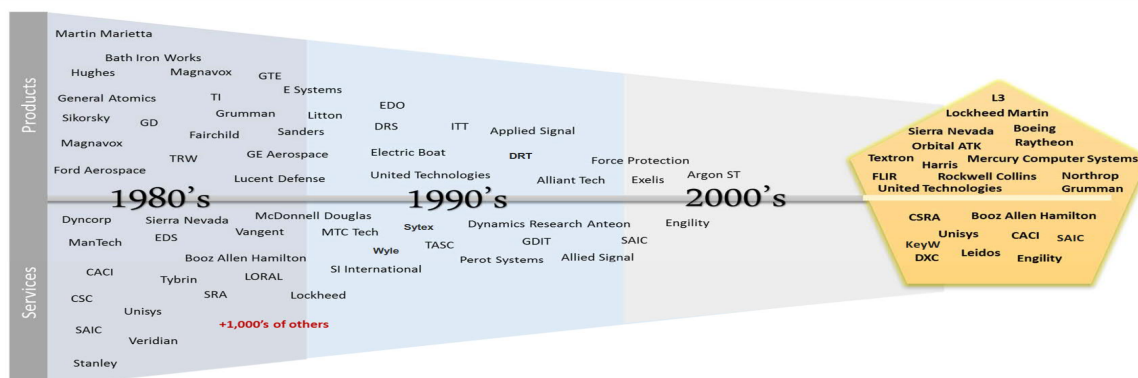


Source: Raymond James Research, CBO.gov

- **End Strength Has Steadily Declined Since Vietnam Peak**
- **Should Reverse this Downward Trend Over the Next Few Years**
- **Outsourcing is Rebounding as Well**
- **Contractor Staffing Has Declined Since 2012 But Pivoting to Expansion**

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The Melting Snow Cone of Suppliers

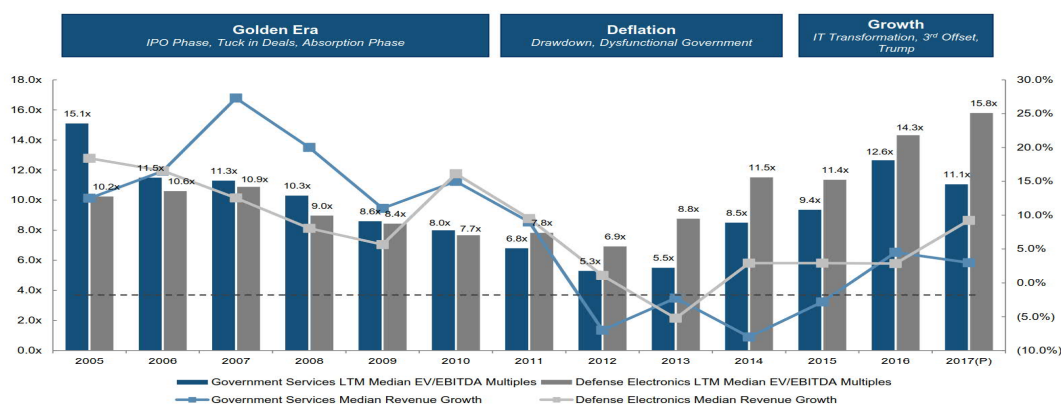


Source: Raymond James Research

- **Supplier Base Has Been Decimated By 3 Decades of Consolidation**
- **Mid Tier Defense Electronic Firms Are Nearly Extinct**
- **Primes Largely Exiting Services Eliminates Meaningful Competitive Layer**
- **Another Round Of Consolidation Likely To Thin Contractor Ranks Further**

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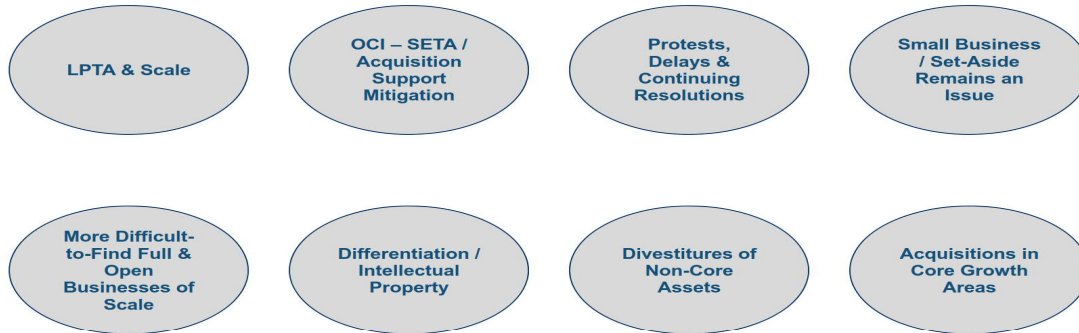
Public Market Valuations: Historical Perspective



Note: Government Services index includes BAH, CACI, CSRA, EGL, ICFI, LDOS, MANT, SAIC, VEC, and VSE; Defense Technology index includes AVAV, COB, CUB, FLIR, HRS, KTOS, LLL, MRCY, TDY, and VSAT
Source: Capital IQ. Data as of 9/18/2017

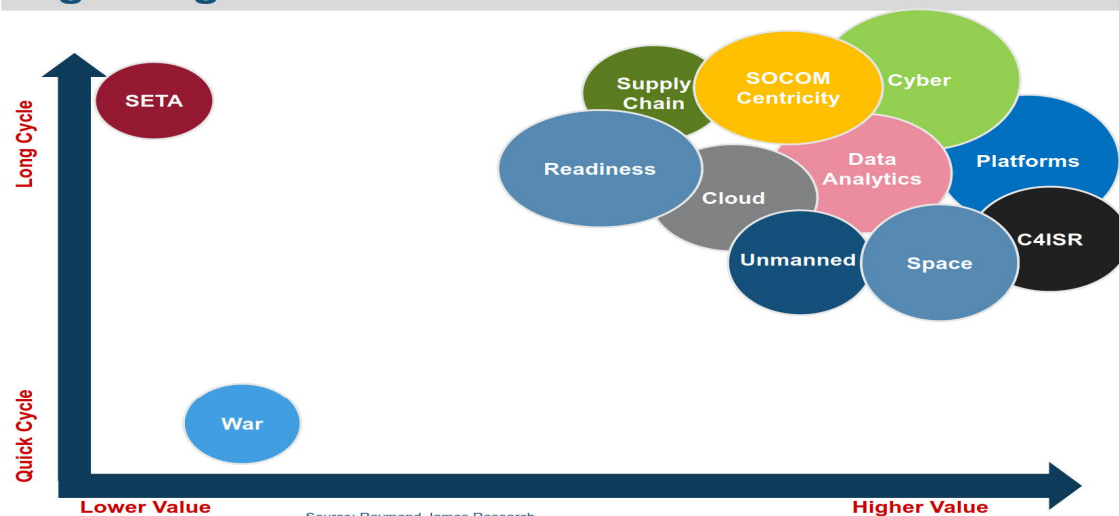
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Key M&A Trends / Considerations



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High Target Areas

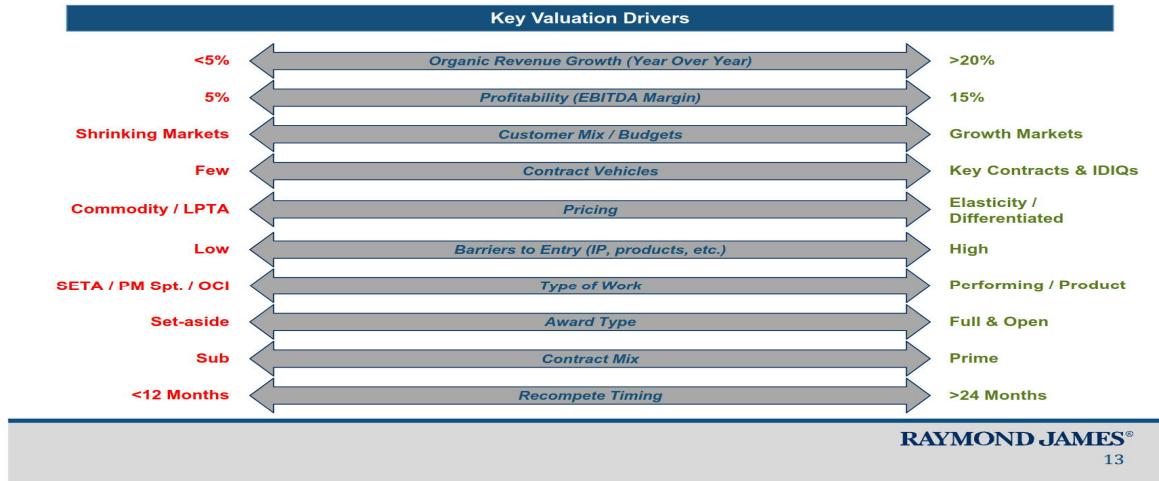


Source: Raymond James Research

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Valuation Drivers

- Valuations of defense technology and government services companies are impacted by a series of drivers that speak to both risk and strategic rationale for an acquirer





*Session 1: Transitioning from
Small Business to Large Innovative
Prime Contractor*

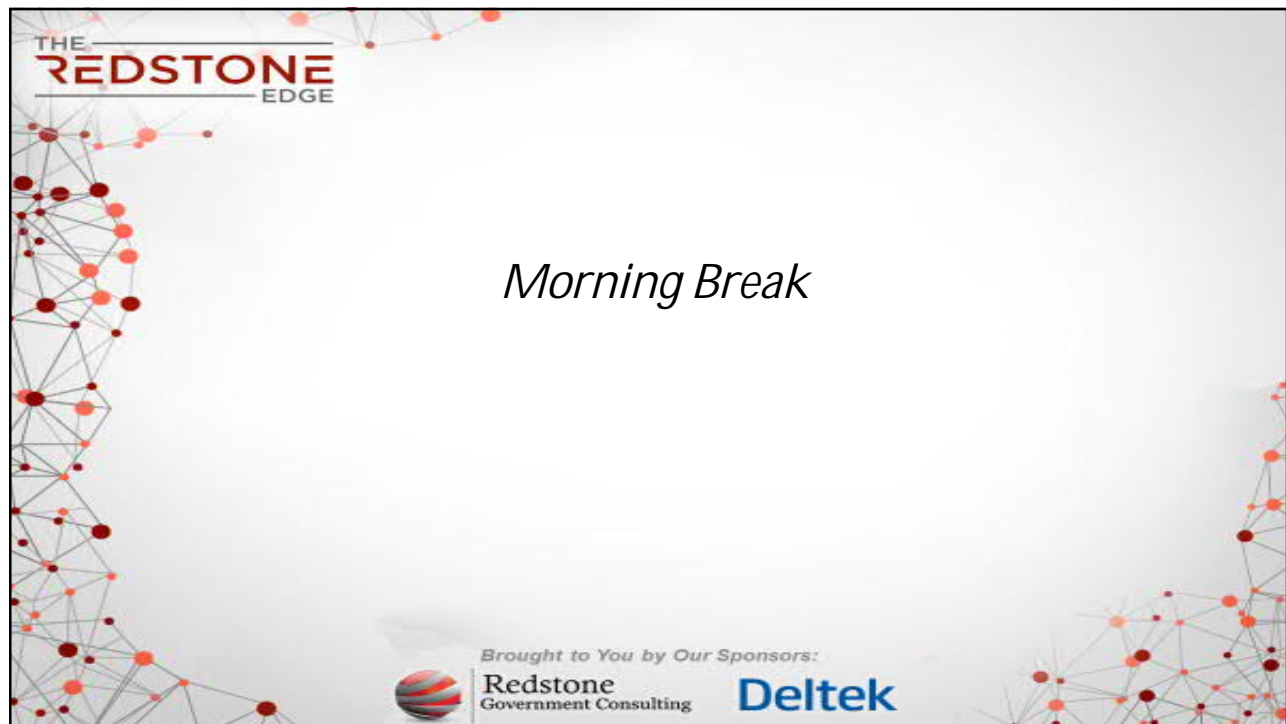
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Big Changes for Small Businesses

Legal Updates Relevant to Small Business Government Contractors

Redstone Edge

Huntsville, Alabama
September 21, 2017

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Summary of Discussion

- Where things stand now
 - Continuing uncertainty
 - The Trump Effect
 - Fair Play and Safe Workplaces
 - Non-displacement of Qualified Workers
 - Minimum Wage/Paid Sick Leave
 - LGBTQ Protections
 - GAO Bid Protest Recap
- Looking ahead
 - Areas of caution
 - Opportunities
 - SBA's All-Small Mentor/Protégé Program

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Where things stand now

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Known unknowns

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Kicking the can down the road

- What the heck is going on?!
 - Border wall
 - Procurement temporarily stayed as a result of GAO bid protest
 - Protest dismissed, so procurement can proceed
 - Awards soon?
 - Government funding
 - Early Sept.: agreement to fund government for 3 months
 - December 8: government shutdown?

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The times, they are a changin'

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Changes Under Trump Administration

- Trump Administration is making its mark
 - Executive Orders
 - Some have been rescinded outright, while others are in jeopardy
 - Trump: for every new regulation, two must go away

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Changes Under Trump Administration

- Fair Play & Safe Workplaces (EO 13673)
 - Certify compliance under several different labor laws, or disclose any violations w/i past 3 years
 - CO to consider in making responsibility determination
 - Disclose information regarding pay/hours for employees
 - March 27: Eliminated under Congressional Review Act
- Buy American/Hire American
 - Maximize procurement of domestic products
 - Increased enforcement of Buy American laws
 - Reform immigration system and prioritize H1-B visas to skilled workers

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Changes Under Trump Administration

- Actions in jeopardy?
 - Non-displacement of Qualified Workers (EO 13495)
 - Right of first refusal for some service contract employees when work transitions to a new contractor
 - Minimum Wage for Federal Contractors (EO 13658)
 - Incrementally increases minimum wage for federal contractor employees (\$10.20 [non-tip]/\$6.80 [tip])
 - Paid Sick Leave (EO 13706)
 - Employees accrue 1 hour of paid sick leave for every 30 hours worked (or give a flat 56 hours at the beginning of each year); can be used to care for family [FAR 52.222-62]

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Changes Under Trump Administration

- Prohibition on LGBTQ Discrimination (EO 13672)
 - Adds sexual orientation and gender identity to list of protected categories under FAR's Equal Opportunity clause
 - The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity, or national origin. [FAR 52.222-26(c)(1)]
 - January 31: Trump Admin. announced rule would survive
 - But: recent shift in view place rule in jeopardy?

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GAO Bid Protests: 2016 Recap

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GAO Bid Protests 2016

- 2,789 actions were filed at GAO in FY 2016
 - 2,621 protests, 80 cost claims, and 88 RFR
- Bid protests sustain rate nearly doubled
 - Of 2,621 protests, GAO decided 616 on the merits
 - Sustained 139/616 (22.56%)
 - 12% (2015), 13% (2014), 17% (2013), 18.6% (2012)
 - “Effectiveness” Rate = 46%
 - Voluntary corrective action or sustain
 - About the same as previous years

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GAO Bid Protests 2016

- Most prevalent reasons for a sustained protest
 - Unreasonable technical evaluation
 - Unreasonable past performance evaluation
 - Unreasonable cost/price evaluation
 - Flawed selection decision (e.g., only considering point scores and not merits/prices)

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GAO Bid Protests—Potential Changes in 2017

- April 2016: GAO proposed significant changes to bid protest filing
 - Electronic docketing system
 - Filing fee (\$350)
 - Timeliness in pre-award protests: 10 days from date impropriety was known or should have been known
 - Debriefing deadline does not apply to solicitation improprieties
- All are potential changes
 - Check SmallGovCon.com for updates

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Looking ahead

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Caution and Opportunities

- Areas of caution
 - Increased attention on cybersecurity
 - 2018 NDAA
 - Bid protest reforms
 - Target large businesses and incumbents?
 - Large businesses (\$100+ million) pay DOD if protest denied
 - No profit on bridge contracts to incumbents resulting from incumbent's protest
 - Filing fees?
 - SDVOSBs v. AbilityOne at VA: who has priority?
- Opportunities
 - SBA's All-Small Mentor/Protégé Program

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Small Business Mentor/Protégé Program

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Small Business Mentor/Protégé

- SBA-approved business development program
 - Open to all small businesses
 - Mentor provides assistance to the protégé
 - Must have an SBA-approved MPA that specifically details (and benchmarks) this assistance
 - Fast approval (in general, just a few weeks)
 - Agreement valid for 3 years
 - Reauthorized every year (automatic if SBA does not take any action)
 - May renew for one 3 year-period (total of 6 years), but likely no approval beyond that

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Small Business Mentor/Protégé

- Protégé: small business under primary NAICS code
- Mentor: any for-profit business concern that demonstrates commitment and ability to assist small business concerns
 - Commitment and ability: fulfill obligations under agreement, good character
 - Company can serve as both mentor and protégé (at the same time) if no conflict of interest

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Small Business Mentor/Protégé

- Benefits to mentor/protégé
 - Business development and enhanced capabilities
 - Affiliation exception for assistance given by mentor
 - Can enter into a joint venture (but don't have to)
- 8(a) mentor/protégé may transfer to small business program
- Impact on other mentor/protégé programs
 - Agencies (other than DoD) cannot continue existing M/P programs
 - SBA: why are other programs necessary given universal SBA program?

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Joint Ventures Under All-Small Program

- Optional!
 - Parties are not required to enter into joint venture agreements in order to qualify for MPP
 - Entities are not required to apply to MPP in order to joint venture
- Why should a mentor/protégé form a joint venture?
 - Mentor is a large business
 - Mentor/protégé JV qualifies as small if the protégé qualifies as small under the corresponding NAICS
 - For non MPJVs: both parties must be small
 - Applies to any socioeconomic contract for which the protégé qualifies

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Joint Ventures Under All-Small Program

- Written joint venture agreement
 - In general, must meet similar requirements as an 8(a) mentor/protégé JV agreement
 - Describe protégé's needs
 - Very detailed requirements
 - Small business partner must self-certify as to agreement's compliance with requirements

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Joint Ventures Under All-Small Program

- Must meet applicable performance of work percentages
 - Limitation on subcontracting, 13 C.F.R. § 125.6
 - Protégé must perform at least 40% of JV's work (substantive work, too)
 - Severe penalties for failure to comply
- Past performance: individual JV members' past performance counts, not just the JV's

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Questions?

Any questions?

Thank you!

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Health Establishments at Local Schools

What does HEALS do?



HEALS provides school-based medical, dental and optometry care to low income children.

HEALS Mission



To keep children healthy and optimize their opportunities for success in school and society.

Who does HEALS serve?



2,000+ children/year

Ages birth to 19yrs

Underserved and underprivileged students & siblings

Referrals from other schools

HEALS Clinic locations



Medical:

Sonnie Hereford Elementary
Morris Elementary

Medical & Dental:

MLK Jr. Elementary

Dental & Optometry:

Lincoln Academy

Medical, Dental, & Optometry:

Madison Cross Roads Elementary
Madison County Elementary in Gurley
(Dental/Opt. coming soon)

HEALS Physicians



Dr. Bett Pitchford



Dr. Brian Patz



Dr. Alice McDuffee

Nurse
Practitioners



Annette Potter



Andee Johnston

HEALS Medical Services



Well-child check-ups
Immunizations
Acute care
Lab work
Prescriptions
Management of chronic diseases
Nutrition, weight management

HEALS Dentists



Dental Director
Dr. Charles Hall



Dr. Randy Harvell



Dr. Lindsey Risdon



Dr. Rana Ahmad

HEALS Dental Services



PREVENTIVE CARE:

cleanings, x-rays,
fluoride, sealants,
periodontal care

RESTORATIVE CARE:

fillings, root canals,
pulpectomy, extractions,
space maintenance, SS
crowns, etc.

HEALS Optometrists



Dr. Sunita Jagani



Dr. Melanie Cox

HEALS Optometry Services



Complete vision and eye health examinations

Fitting for Medicaid glasses

Nutritional, Mental Health & Social Services



On-Site Nutritionist

On-Site Mental Health

Collaboration with NOVA

Crisis intervention

Collaboration with NCAC and Crisis Services of North Alabama

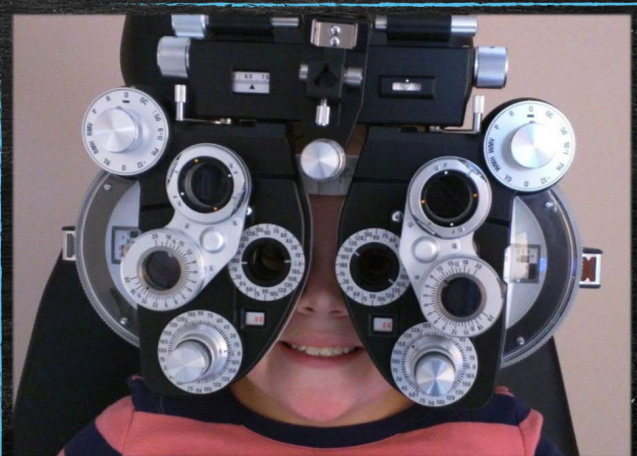
Assistance with public insurance applications

What's NEW at HEALS?



NEW...Optometry Care Clinic

OPENED
February 2017
at
Lincoln
Academy



NEW...Dental Clinic



OPENED
February 2017
at
Lincoln
Academy

NEW...Medical Clinic

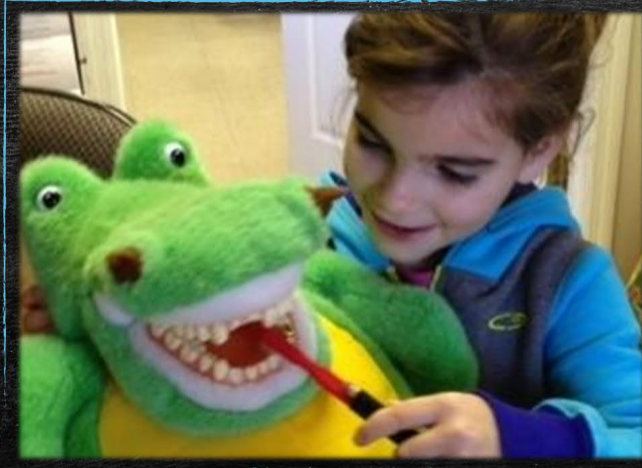
Medical Clinic
at
Madison County
Elementary in Gurley

Dental & Optometry
coming in 2018!



Ribbon Cutting in August 2017

HEALS Funding



40% Community Gifts

25% Grants

35% Public Insurance
Reimbursement

Stars Dancing for HEALS



2017 STARS:

Cassie Watson Scott

Natalie & Javier Reto

Courtney Edmonson

Anglier Baker

Kerry Fehrenbach

Lindsay Chapman

Teek Patnaik

Heels for HEALS



New athletic shoes

Child and adult sizes

1,000 children/ year

KITS 4 KIDS



Tooth brush

Tooth paste

Waxed dental floss

Deodorant

Shampoo/conditioner

Body wash

Band-aids, Kleenex

Crayons/coloring books

Small treasure box toys

Your support makes a difference

91% of
every dollar
goes directly to
patient care

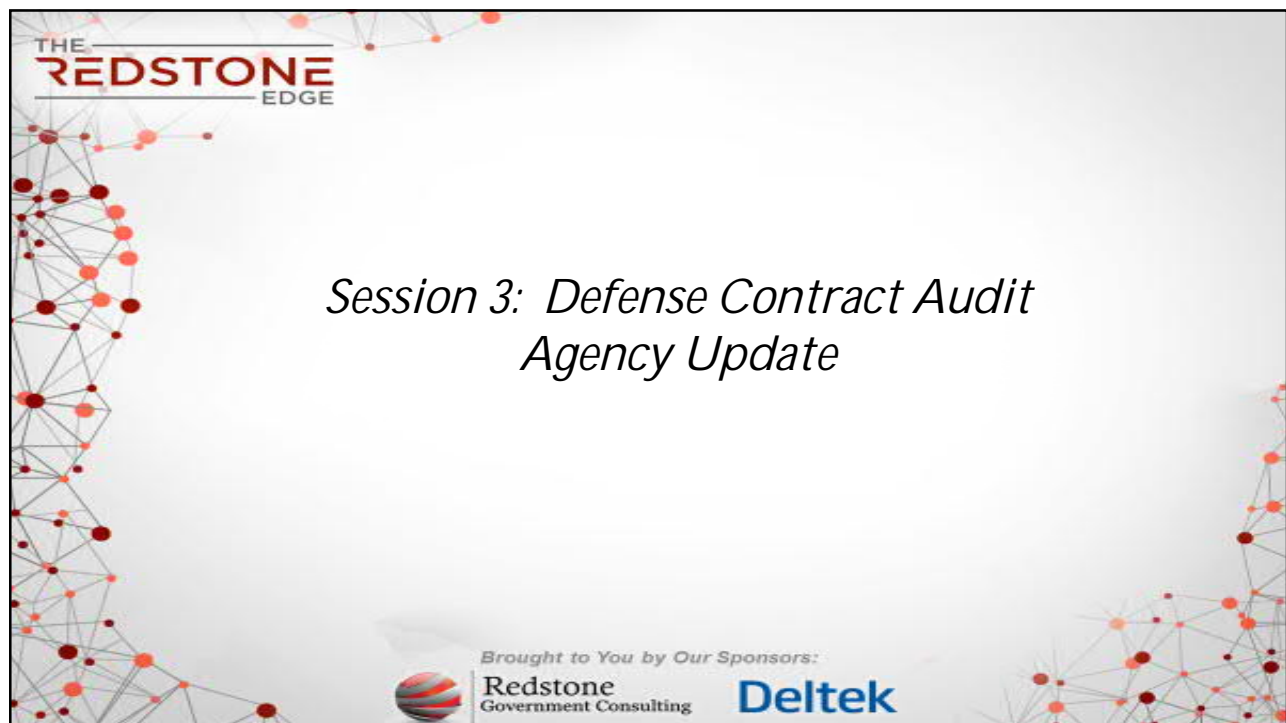



Thank you!



Teek Patnaik
Executive Director/CEO
Teek.Patnaik@healsinc.org

healsinc.org







DEFENSE CONTRACT AUDIT AGENCY


DCAA Update

Protecting the Taxpayer






Supporting the Warfighter



Ms. Debbra Caw
Deputy Regional Director,
Central Region

The views expressed in this presentation are DCAA's views
and not necessarily the views of other DoD organizations

INDEPENDENT TEAM




TRUSTED ADVISOR SUPPORTIVE

One Agency – One Mission

- Mission
- Reorganization
- FY 2017 Priorities
- Incurred Cost
- DCAA and DCMA Partnership
- Small Business Outreach
- NDAA Outcome and Interests

INDEPENDENT TEAM

Page | 2

 **DCAA**

TRUSTED ADVISOR

SUPPORTIVE


DCAA Mission

As a key member of the government acquisition team, we are dedicated stewards of taxpayer dollars who deliver high quality contract audits and services to ensure that warfighters get what they need at fair and reasonable prices.

INDEPENDENT

TEAM

Page | 3

 **DCAA**

TRUSTED ADVISOR

SUPPORTIVE

Defense Contract Audit Agency

- Approximately 5,000 employees located at over 300 offices throughout the United States and overseas
- Responsibilities and Duties:
 - Perform all needed contract audits for DoD
 - Provide accounting and financial advisory services to DoD (and civilian when requested) acquisition and contract administration components during all contract phases:
 - Preaward
 - Contract execution
 - Settlement (contract closing)

INDEPENDENT

TEAM

Page | 4

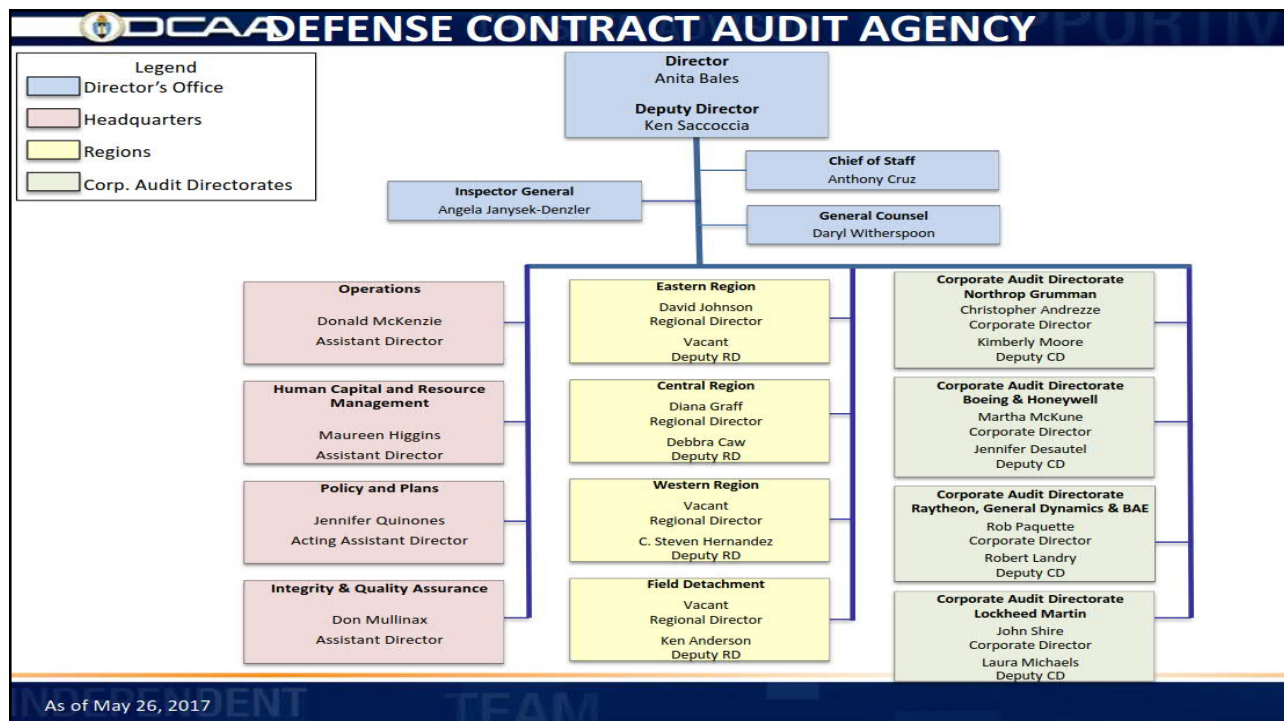
DCAA

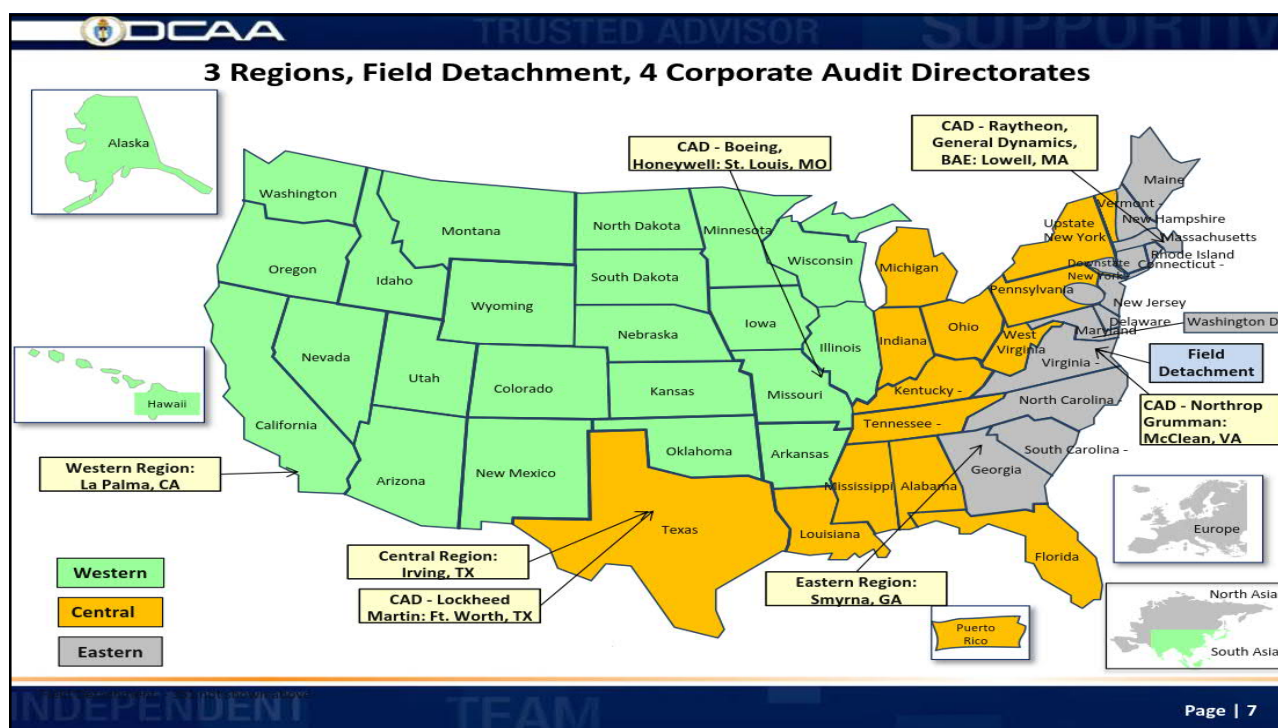
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DCAA Reorganization

- Flexibility and responsiveness to our customers
- One senior executive point of contact for customer/major contractor leadership
- Developing more efficient, effective and innovative audit process
 - Building synergy
 - Challenging prior processes
- Improving communication and collaboration
- Proven results – significant improvement in audit timeliness

INDEPENDENT TEAM
Page | 5





DCAA TRUSTED ADVISOR SUPPORTIVE

FY 2017 Priorities

- Meeting our customers' needs on requested audits including meeting agreed-to-dates
- Completing Incurred Cost audits in a timely manner
- Performing high risk Postaward Audits (TINA)
- Performing high risk Business System Audits
- Completing Termination audits in a timely manner
- Performing real-time testing of Labor and Materials
- Completing Disclosure Statement audits

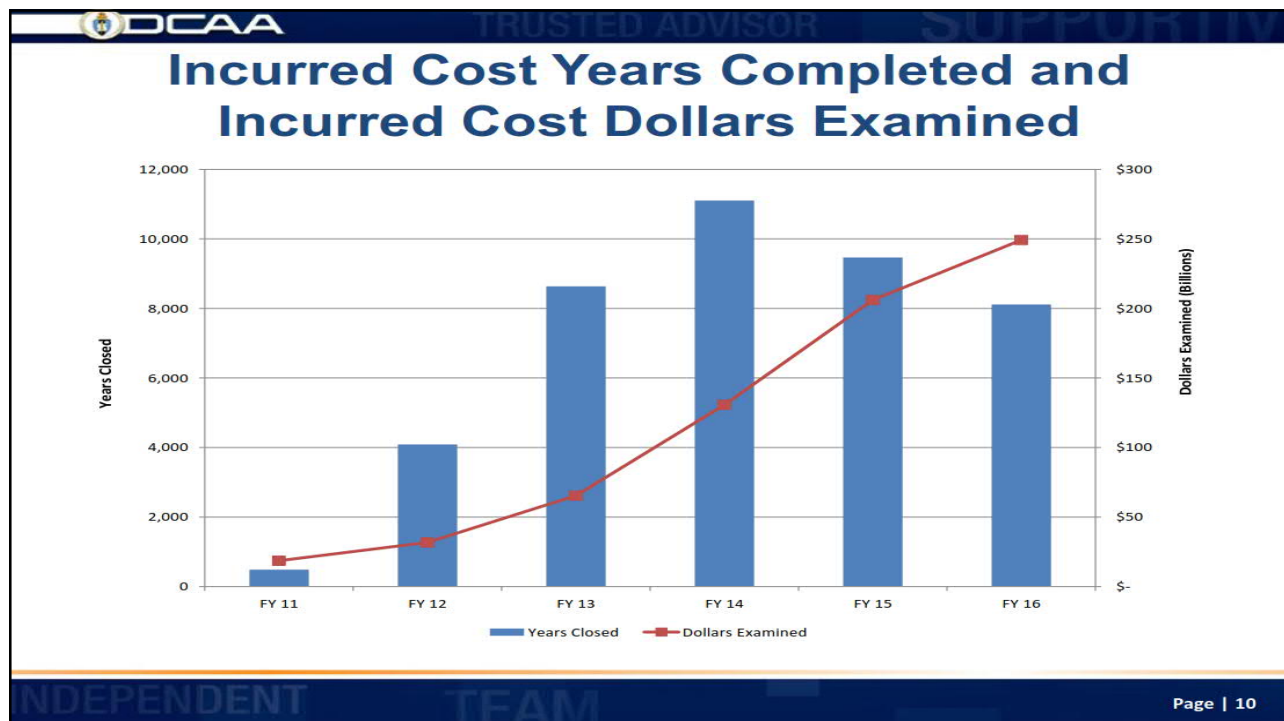
Page | 8


DCAA TRUSTED ADVISOR SUPPORTIVE

Incurred Cost Strategy

- Eliminating the Incurred Cost Backlog is an initiative under DoD's Better Buying Power 2.0
- Developed a multi-pronged approach to working down backlog in an effective manner
 - Dedicated audit teams
 - Multi-year audit techniques
 - Increased staffing dedicated to Incurred Cost
 - Implemented a low-risk sampling approach to performing incurred cost audits

INDEPENDENT TEAM Page | 9



 **DCAA**

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DCAA and DCMA Partnership

- Forward Pricing Proposals and Forward Pricing Rates
- Incurred Cost Processes
- Contract Closeout Processes
- Commercial Items

INDEPENDENT TEAM

Page | 11

 **DCAA**

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Small Business Outreach

- Presentations/Tools for Small Businesses on DCAA website
- Seminar coordination/participation
- Financial Liaison Advisor (FLA) coordination with small business contacts at major buying commands
- National Defense Industry Association (NDIA)/Small Business Technology Council (SBTC) biannual meetings

INDEPENDENT TEAM


Page | 12



Outcome of 2016 National Defense Authorization Act (NDAA)

- Section 893 – Improved Auditing of Contracts
 - DCAA may not provide audit support for non-Defense Agencies unless the backlog for incurred cost audits is less than 18 months of incurred cost inventory
- DCAA met the requirement of less than 18 months of incurred cost inventory
- DoD Comptroller certified to Congress of this progress
- Effective October 1, 2016, DCAA resumed full audit support for non-Defense Agencies

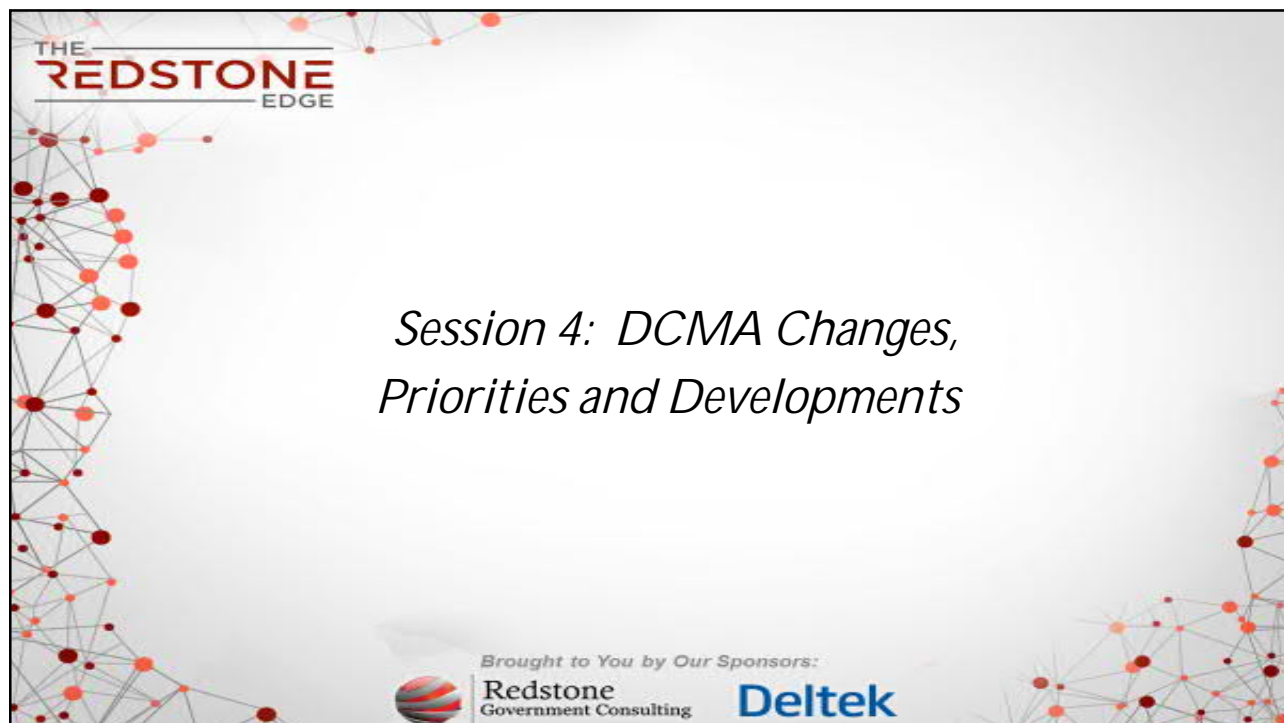
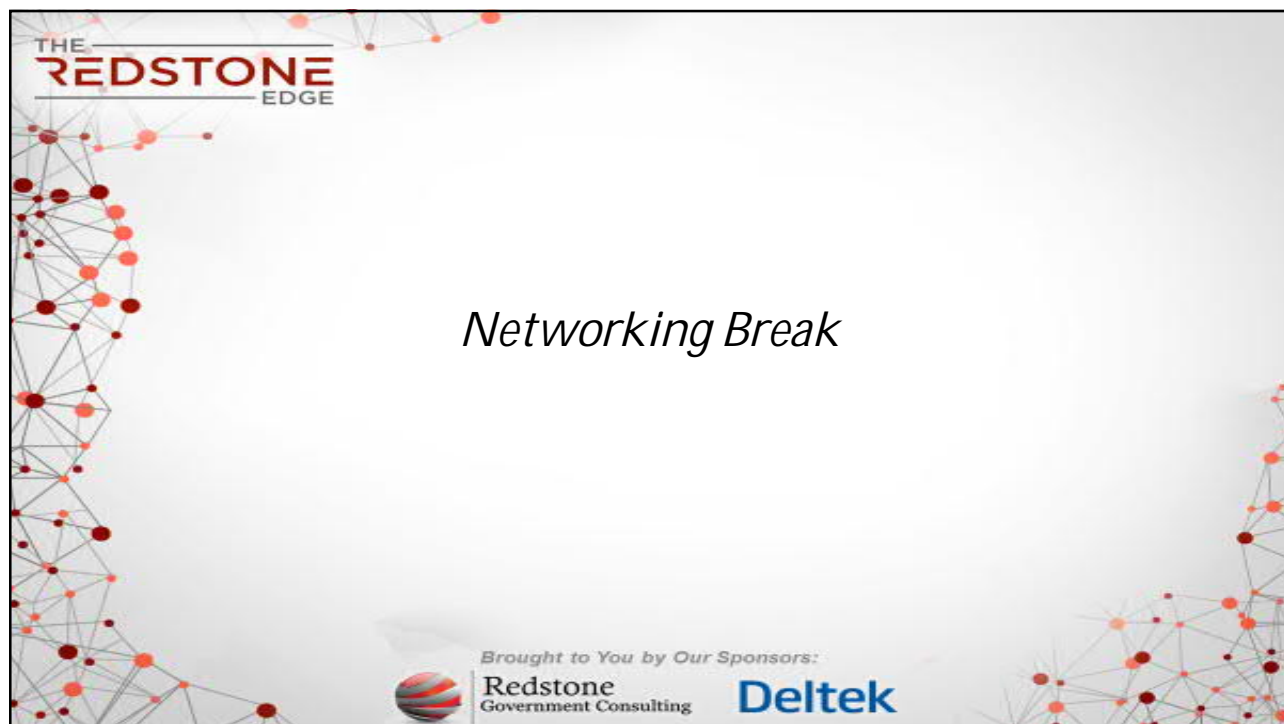
INDEPENDENT TEAM Page | 13





Interests to DCAA of 2017 National Defense Authorization Act (NDAA)

- Section 820 – Defense Cost Accounting Standards
 - Effective October 1, 2018
 - Creation of Defense Cost Accounting Standards Board
 - Potential for Commercial Auditor to audit indirect costs
- Section 891 – Authority to Provide Reimbursable Auditing Services to Certain Non-Defense Agencies
 - Adds an exception for audits of the National Nuclear Security Administration
 - Eliminates the reduction in appropriation for performing reimbursable audit work when the 18 months is met
- Section 893 – Amendments to Contractor Business System Requirements
 - Develop and initiate a program for the improvement of contractor business systems

INDEPENDENT TEAM Page | 14







DEFENSE CONTRACT MANAGEMENT AGENCY

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DCMA Business Systems Update for the Redstone Edge Conference

Presented By:
Andrew C. Obermeyer
Director, Business Operations Center
September 21, 2017



DEFENSE CONTRACT MANAGEMENT AGENCY

Agenda

- DCMA – It's a Big Operation!
- Business Operations Center's Impact
- Contractor Business Systems
- Contractor Purchasing System Review Impacts
- Financial Improvement Audit Readiness (FIAR) and Property
- Earned Value System Review Impacts
- Financial Capability Group
- Focus Areas

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Scope of Work and Span of Control

Scope of Work

Total Contract Amount	\$6.5 trillion
Obligated Amount	\$2 trillion
Serviced Contractor Locations	19,500
Active Contracts	345,200
• Contract Unliquidated Obligations	\$227.4 billion
• ACAT I (IAC, IC, ID) & II Programs	168
Aircraft Accepted	1,295
Aircraft Acceptance Flying Hours	18,100
Oversight of Government Property	\$162 billion
Progress Payments	\$20.3 billion
Performance-based Payments	\$11.2 billion
Payments Per Day	\$455 million

Span of Control

Civilians On-Board	11,761
Military (Active Duty – 398, Reserve – 114)	512
Budget Authority	\$1.4 billion
Reimbursable Target	\$219.5 million

Authorize \$455 million in contractor payments daily

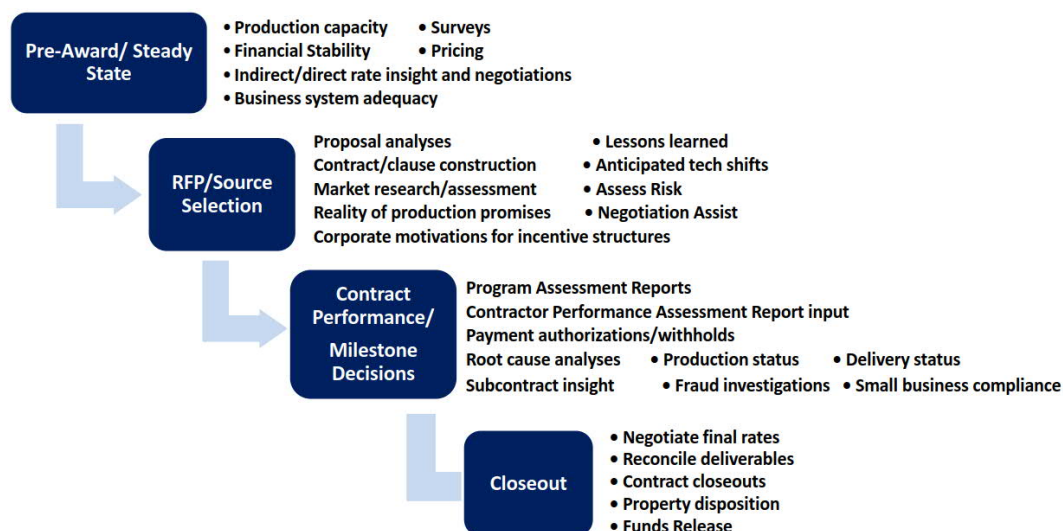
FY16 Data

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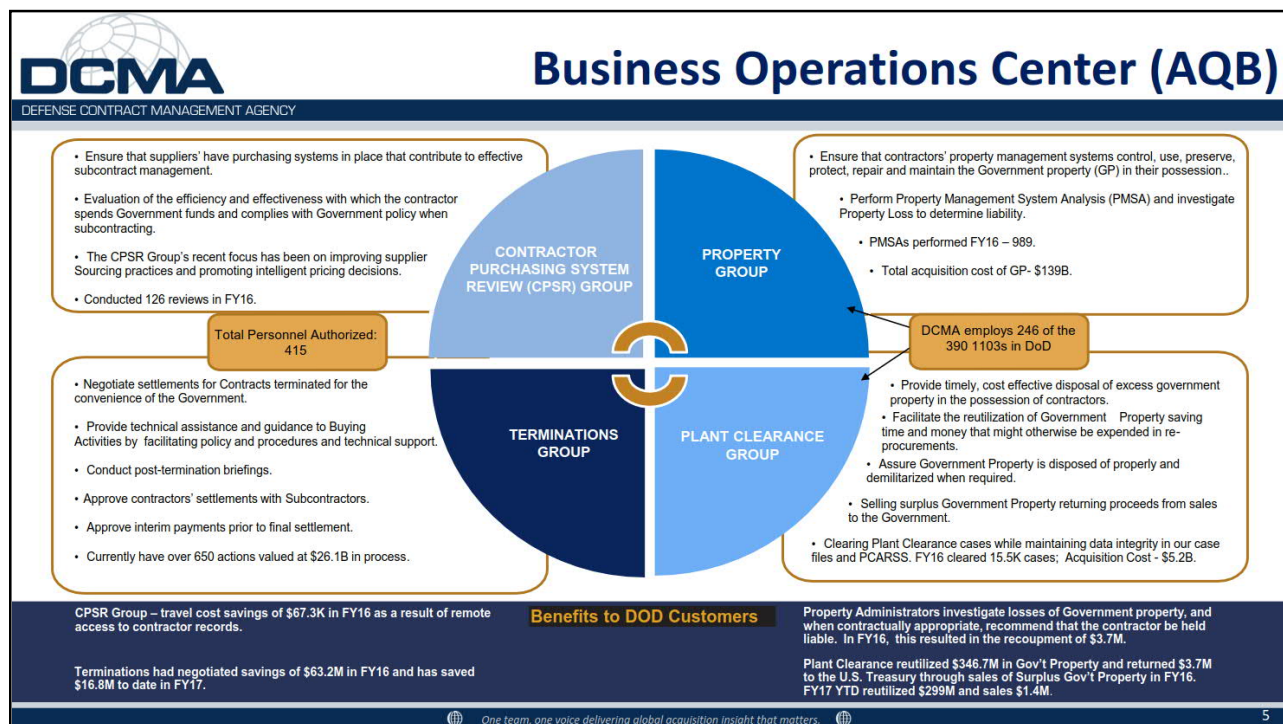


DCMA Assist by Phase



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Regulatory Framework

- **General business system DFARS clause: 252.242-7005, Contractor Business Systems**
 - Based on statutory requirements for "covered" contracts, i.e., subject to cost accounting standards (41 U.S.C. chapter 15); provides authority to apply financial withholds.
 - ACOs should request PCOs insert the clause (if missing) or delegate authority to do so (DCMA-INST 131 [3.1.1.])
- **System specific clauses (one for each business system)**
 - Accounting (252.242-7006)
 - Estimating (252.215-7002)
 - Earned Value Management (252.234-7002)
 - Material Management and Accounting (252.242-7004)
 - Government Property Management (252.245-7003)
 - Purchasing (252.244-7001)

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Background

- The Contractor Business Systems (CBS) policy at DFARS 242.70 and associated business systems clauses became effective for solicitations on May 18, 2011 and for contracts on August 16, 2011. An interim rule available for public comment was issued in the Federal Register on May 18, 2011 . The final rule was adopted into law on February 24, 2012.
- "Significant deficiency," in the case of a contractor business system, means a shortcoming in the system that materially affects the ability of officials of the Department of Defense to rely upon information produced by the system that is needed for management purposes .
- Contract Business Analysis Repository (CBAR) is an eTool that captures business system information about companies. The next chart provides business system disapprovals and withhold data as of May 10, 2016.



Current Business System Status

System	Approvals (count of CAGES)	Disapprovals (count of CAGES)	Not Evaluated (count of CAGES)	Withhold
Accounting	3,661	36	94	\$0 M
Estimating	708	15	52	\$230 M
Earned Value Management	324	0	23	\$0 M
Material Management and Accounting	344	0	28	\$0 M
Property	2,348	12	29	\$62 M
Purchasing	872	15	23	\$0.324 M
Totals	8,257	78	249	\$292 M

Data Source: CBAR eTool, 11 Sep 2017



DEFENSE CONTRACT MANAGEMENT AGENCY

DCMA Business System Panel

- DCMA policy, DCMA-INST 131, Contractor Business Systems, requires the CO to obtain a higher-level review from the DCMA HQ CBS Review Panel prior to notifying the contractor in writing that the system is disapproved.
- Final Determination should be issued within 30 days of receipt of contractor's reply to Initial Determination. If system is disapproved, determination should request a Corrective Action plan and provide withholding instructions. Level III Corrective Action Request should be issue at the same time.

System	Panels *
Accounting	87
Estimating	37
Earned Value Management	27
Material Management and Accounting	3
Property	51
Purchasing	47
Totals	252

* Since September 2011.

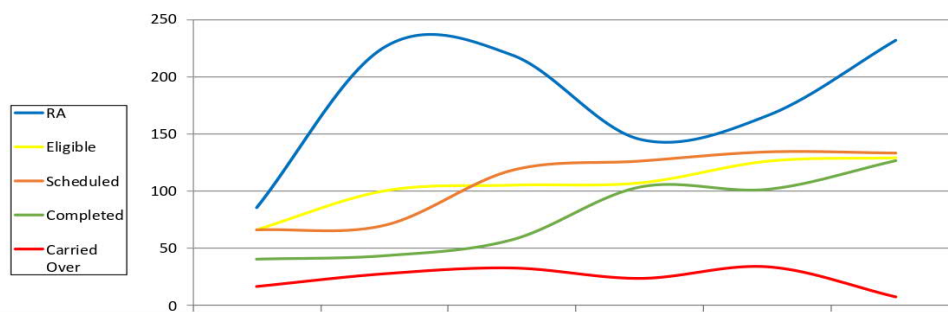
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CPSR Workload Trend



FY	FY11	FY12	FY13	FY14	FY15	FY16
Risk Assessments	85	226	219	145	166	232
Eligible	66	100	105	107	126	129
Scheduled	66	70	118	126	134	133
Completed	40	43	57	103	101	126
Carried Over	16	27	32	23	33	7
Authorized/Onboard	44/24	44/31	44/35	46/32	45/41	48/45

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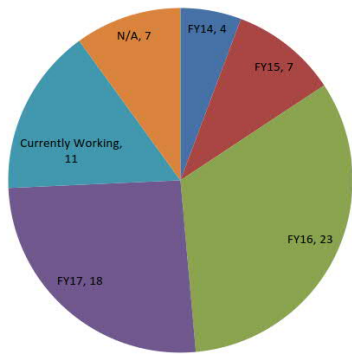
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Approved Purchasing Systems



Contractor Business Systems Clause (DFARS 252.242-7005)


- There are approximately 500 approved Purchasing Systems eligible for a Contractor Purchasing System Review (CPSR) in CBAR
 - CBAR is the main DCMA data repository for the status of Contractor Business Systems
- In CBAR there are 70 Purchasing Systems with an approval date of FY12 or prior
 - The new criteria under Contractor Business Systems Clause (DFARS 252.242-7005) were implemented in FY12, and compliance was assessed in every CPSR after FY12
- CPSR team's effort to address the 70 remaining approved Purchasing Systems
 - 7 systems are no longer eligible and their status needs to be updated to N/A
 - 4 systems were reviewed in FY14 and need their approval dates updated
 - 7 systems were reviewed in FY15 and need their approval dates updated
 - 23 systems were reviewed in FY16 and need their approval dates updated
 - 29 systems have been addressed in FY17
 - 18 systems have been reviewed or confirmed on the CPSR schedule
 - The CPSR team is currently collaborating with our acquisitions partners to determine eligibility or scheduled the remaining 11 systems

Breakdown of the Remaining 70 Approved Purchasing Systems



Category	Count
FY16	23
FY17	18
Currently Working	11
N/A	7
FY15	7
FY14	4




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CPSR Threshold Increase

- Based on Memo entitled, *DCMA Class Deviation for Raising the CPSR Threshold*, signed by DCMA Director on October 7, 2016
- The CPSR \$25M threshold established by FAR 44.302(a) had not been updated since 1996
- The new \$50M threshold was chosen based on an analysis of inflation and acceptable risk
- DCMA C-Note 17-11 Contractor Purchasing System Review (CPSR) Threshold Increase and Impact on Contractor Purchasing System Status published on February 3, 2017 provides guidance
- Goal is to be consistent with Better Buying Power (BBP) 3.0 that should reduce the administrative burden on smaller contractors
- Deviation/waiver set to expire in December 2017
- No action by DAR council as of yet and the restriction on new policy issuance is concerning


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Agency CPSR Strategic Plan Initiative

- All approved contractors to be reviewed against Feb 24, 2012 Business System Criteria by end of CY17
- Guidebook updated, 29 Job Aids and Champion project complete
- New scheduling process developed
- Simplified Risk Assessment/Request Form
- Coordination with Quality on Detection and Avoidance of Electronic Counterfeit Parts
- Coordination with Commercial Item Group (CIG)
- Reinvigorate Supply Chain emphasis

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Commercial Items

- DPAP Memorandum, "Guidance on Commercial Item Determination and Price Reasonableness" dated September 2, 2016 updated the method the Government uses to evaluate Commercial Item Determinations (CID) as mandated by the FY16 NDAA
- Aligning with the DPAP Memorandum, the CPSR Group revised the way we evaluate CIDs
- When reviewing CIDs, an emphasis is placed on the contractor's market research and content to support the price reasonableness determinations
- CPSR works closely with the Commercial Item Group (CIG)
- CIG augments our reviews either physically or virtually
- CIG provides CPSR with feedback on efficacy of prime contractor CID's written during proposal phase
- CPSR participates in CIG customer/contractor trainings and vice-versa

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Supply Chain Emphasis

- Reinvigorate Supply Chain Management (SCM) emphasis
- The SCM criteria has always been part of the CPSR process; DFARS 252.244.7001 criteria 14, *Maintain subcontract surveillance to ensure timely delivery of an acceptable product and procedures to notify the Government of potential subcontract problems that may impact delivery, quantity, or price*
- Includes: Sourcing Strategy, Work Transfer, Vendor Rating System, Supplier Risk Management, Purchasing, Government Notification, Internal Audit & Controls (metrics), Surveillance & Performance Monitoring, and Supplier Corrective Action Vendor Rating System
- CPSR augmented by CMO talent to include: Supply Chain Management Specialist if available, Quality Assurance Representative, and Industrial Specialist otherwise
- Promulgate expectations through the Guidebook and associated Job Aid

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Counterfeit Parts

- DOD has been addressing the proliferation of counterfeit (CF) electronic parts worldwide and their infiltration into the defense supply chain
- DFARS 252.246-7007 only applies to contractors subject to the Cost Accounting Standards (CAS)
- The language of this clause must be included in subcontracts, including commercial item contracts, for electronic parts or assemblies containing electronic parts
- Safe Harbor is provided to contractors with an approved system and allows for recovery of costs of CF parts or suspect CF parts and the cost of rework or corrective action
- Disapproved system impacts access to Safe Harbor
- CPSR is working on a proposal to DPAP in which we offer a way forward for smaller non-covered contractors

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Most Common FY16 CPSR Non-Material Deficiencies

1. Policy and Procedure Manual (74/126)
2. Documentation (52/126)
3. Flow Downs/Terms & Conditions (31/126)
4. Training (25/126)
5. Internal Reviews/Self Audits (24/126)
6. Purchase Requisition Process (20/126)
7. Sole Source Selection Justification (18/126)
8. Negotiations (18/126)
9. Price Analysis (17/126)
10. Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (15/126)

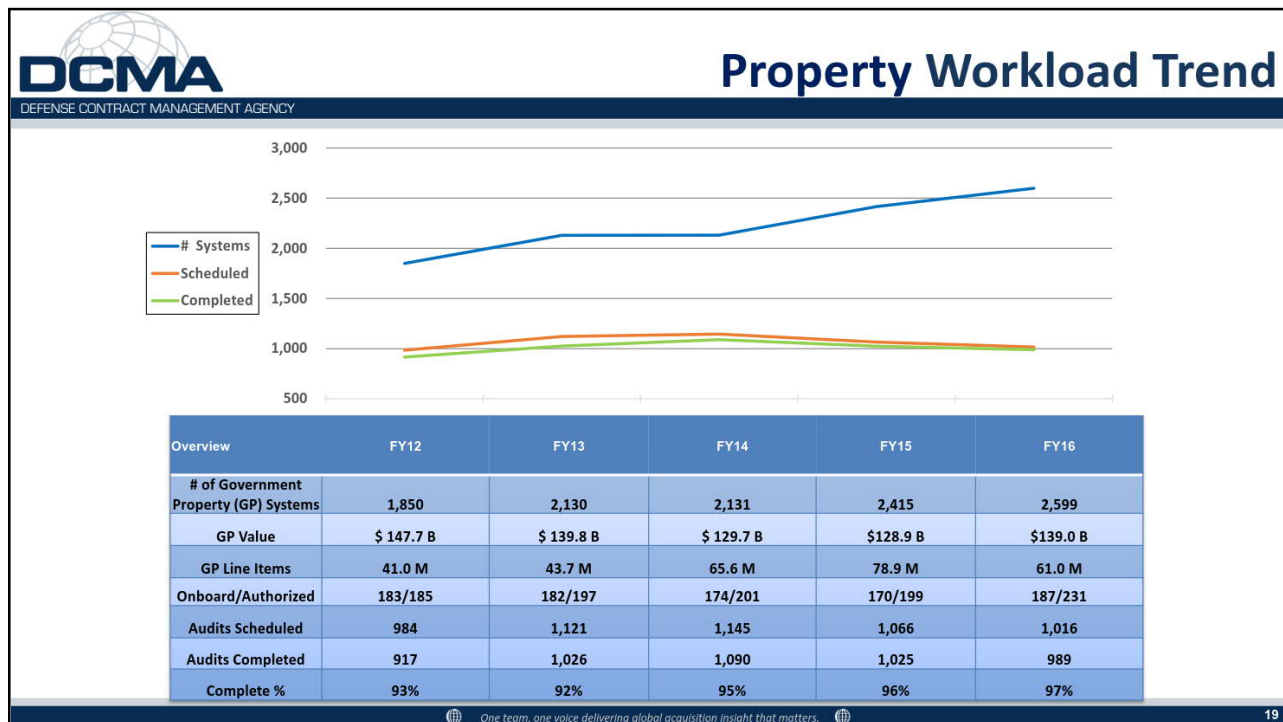
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Most Common FY16 CPSR Material Deficiencies

1. Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (66/126)
2. Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions (Anti-Lobbying) (48/126)
3. Price Analysis (43/126)
4. Defense Priorities and Allocation System (DPAS) Rating (34/126)
5. Federal Funding Accountability & Transparency Act (FFATA) (31/126)
6. Sole Source Selection Justification (27/126)
7. Policy and Procedure Manual (20/126)
8. Commercial Item Determination (15/126)
9. Truth in Negotiations Act (TINA) (12/126)
10. Documentation (12/126)

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FIAR – DCMA Property Perspective

- **Financial Improvement and Audit Readiness (FIAR) efforts include Government property requirements.**
 - Agencies are required to have essential information to effectively manage their Department’s mission critical assets.
 - Reporting entities must ensure that:
 - All accountable assets are recorded in their Accountable Property System of Record (APSR), general ledgers and financial statements (Existence),
 - All of the reporting entities’ accountable assets are recorded in their APSRs, general ledgers and financial statements (Completeness),
 - Reporting entities have the right to report these assets (Rights) and,
 - Assets are consistently categorized, summarized and reported period to period (Presentation and Disclosure).

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DEFENSE CONTRACT MANAGEMENT AGENCY

FIAR – DCMA Property Perspective

- Government agencies often require 100% audits of Government Furnished Property (GFP) annually from defense contractors to support FIAR.
 - Annual inventories can significantly increase contract costs, because contractors will charge the expenses associated with this process back to the Government.
- The FIAR requirements apply to the owning agencies; the DCMA Business Operations Center's Property Group specializes in auditing defense contractors to contractual requirements.
 - FIAR is not a contractual requirement, and is therefore outside DCMA's audit scope. Though, DCMA may be asked to assist other government agencies during their FIAR audits.

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21



DEFENSE CONTRACT MANAGEMENT AGENCY

DCMA EVMS Center FY17 Reviews

DCMA EVMS Center FY17 Review Schedule												
	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
DCMA ORG	October	November	December	January	February	March	April	May	June	July	August	September
GD Hub (PIXG)												
Northrop Hub (PIXN)									Orlando, FL			Redondo Beach, CA
Raytheon Hub (PIXR)						Chandler, AZ					Aurora, CO	
BAE Hub (PIXD)			Canoga Park, CA		Reston, VA			Canoga Park, CA (NASA)	Chantilly, VA		Reston, VA	
Lockheed Hub (PIXL)						Denver, CO				Riviera, FL		
Boeing Hub (PIXB)				Fl Wayne, IN	Reston, VA					Fort Wayne, IN		

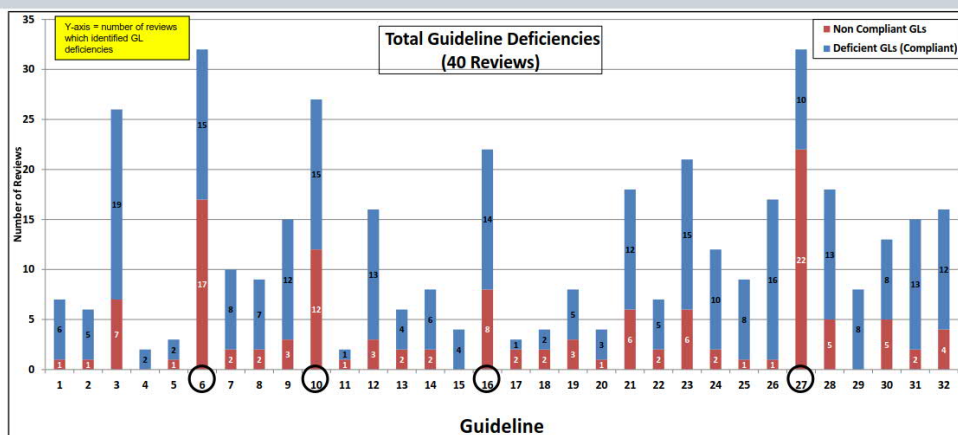
- Review schedule will reduce adjudicated backlog of “not evaluated” systems by 40%
- Ongoing system surveillance plans open for 108 sites
 - 400+ on-site and desk review events planned in FY17
 - Routine Surveillance focuses on managing risks both prior to and post approval

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Common EVMS Deficiencies – 40 Reviews



- Total of 400 Guidelines with deficiencies in the 40 reviews (10/11-current)
 - Includes both compliant GLs (blue bars) and non compliant GLs (red bars)
- Deficiencies (compliant and non compliant) found on GLs 6 & 27 in 32 of 40 reviews (80%) (total of red and blue bars)

• Total of 400 Guidelines with deficiencies in the 40 reviews
 • Average of 10 Guidelines with deficiencies per review

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DEFENSE CONTRACT MANAGEMENT AGENCY

Financial Capability Group

- The FCG consists of 17 Members; a Director, a Subject Matter Expert, 2 Supervisory Financial Analysts, and 13 Financial Analysts
- FCG is made up of two sub-groups, located at Hubsites in Chantilly, VA – Preaward Team and Fort Sam Houston, TX (San Antonio) – Postaward Team
- Average number of requests per year is 942 (over last 3 yrs)
- FY 2016 requests totaled 745 (52% Preawards, 38% Postawards & 10% IAGs)
- Average Cycle Time is About 45 Days

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24

The FCG performs financial analyses to assist contracting officers in assessments of the financial condition and financial risk of:

- **Potential contactors (Preaward) or**
- **Existing contractors (Postaward, Novation, Debt Deferment, or to support an Industrial Analysis Group (“IAG”) Supply Chain Study).**

- **Financial Capability Group (“FCG”) is responsible for performing financial capability reviews for DoD**

Provide Three Types of Products

- **Preaward Surveys** – performed for Procuring Contracting Officers (“PCOs”); assesses the prospective contractor’s ability to meet the financial requirements of the new procurement.
- **Postaward Surveillance** – performed for Administrative Contracting Officers (“ACOs”); assesses a contractor’s ability to meet its current sales backlog including short term future sales.
- **Industrial Capability Assessments** – performed for Program Offices; assesses the financial health of an array of contractors that comprise a particular supply chain or segment of the defense industry.



Financial Capability Group

- **A Financial Capability Review is an assessment of the contractor's overall Financial Condition & Financial Risk.**
 - Review of Financial Performance
 - Company's Liquidity Position (Working Capital)
 - Outside Financing Arrangements (Lines of Credit)
 - Overall Capability to Continue to Perform
 - An Assessment of **Financial Risk**
- Our assessment determines if the contractor has adequate financial resources or the ability to obtain them in order to support its operational requirements.
- Adverse findings are immediately related to the Contracting Officer for appropriate administrative action.



Financial Capability Group

- **Review of Financial Performance** – We review the company's 3 to 5 years performance.
- **Company's Liquidity Position (Working Capital)** – We evaluate the company's working capital position. It is sufficient to support its operations. Study of Current Assets versus Current Liabilities.
- **Outside Financing Arrangements (Lines of Credit)** – We review the company's "back-up" funds. Do they have available credit facilities? What type of interest rates and loan covenants do they have on these credit facilities?
- **Overall Capability to Continue to Perform** – What is their financial viability? Will they be successful; Will they still be around; Are resources compromised?
- An Assessment of **Financial Risk** - an assessment of the probability of a contractor encountering liquidity or solvency problems.



ABQ Director's Focus Areas

- **CPSR Group**
 - Buying office feedback captured in ACO Risk Assessment/Request Form
 - Strategic Initiative – no approvals > 5 years old
- **Plant Clearance Group**
 - Contract transfer of Government Property
 - Public Sales of Surplus Government Property
- **Terminations Group**
 - Experience levels – 80% of workforce < 5 years experience
 - Knowledge transfer
 - Notification to Terminations.Inbox@dcma.mil
- **Property Group**
 - Succession planning -> three less teams, regional alignment
 - One size does not fit all
 - Sustaining the 1103 workforce



ABQ Director's Focus Areas

- **CPSR Group**
 - Buying office feedback captured in ACO Risk Assessment/Request Form
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Questions?



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*Session 5: Human Capital
Management: Leveraging Technology
to Optimize Your Workforce*

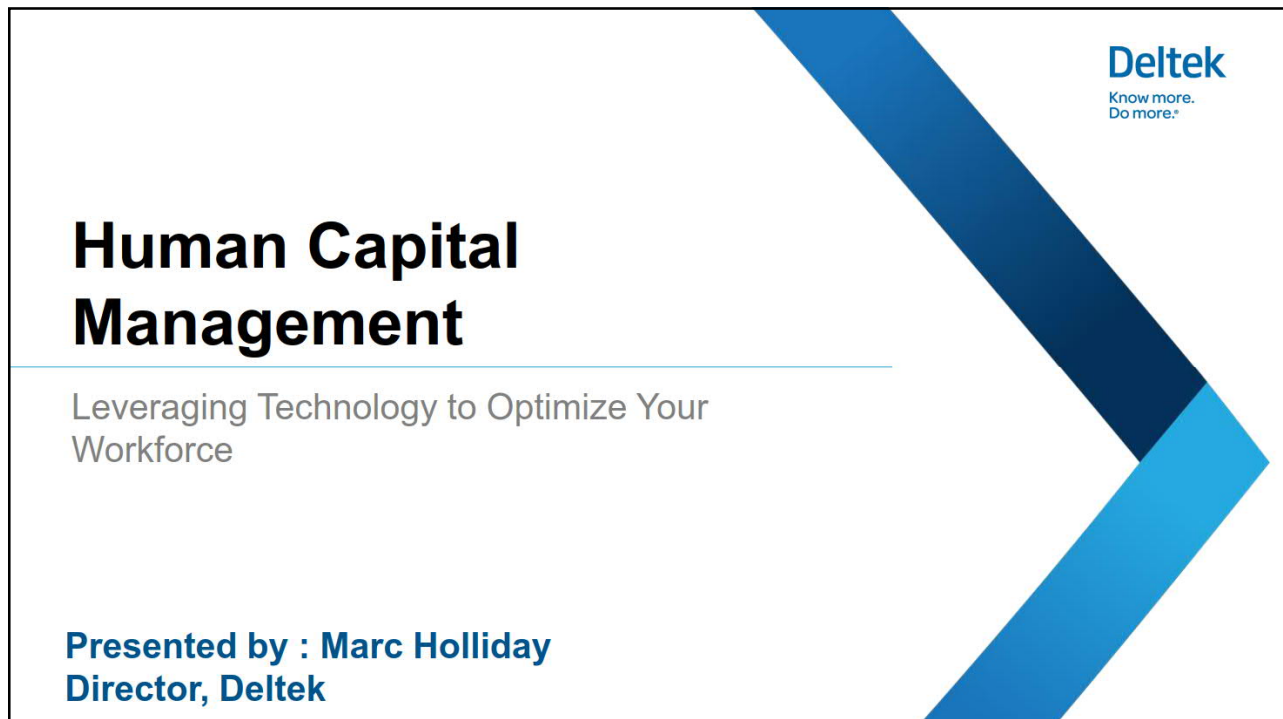
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**Human Capital
Management**

Leveraging Technology to Optimize Your
Workforce

Presented by : Marc Holliday
Director, Deltek

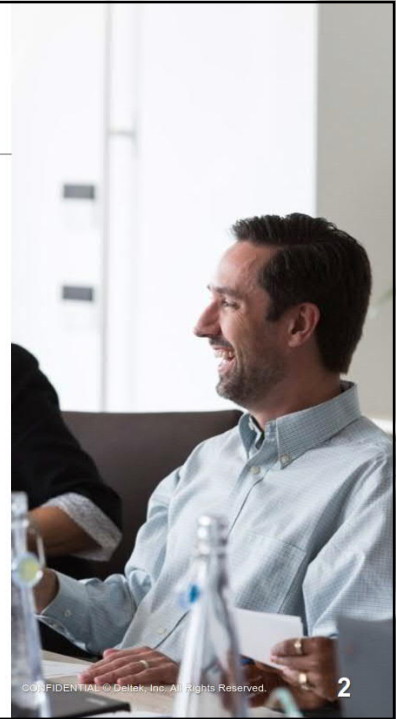


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Do more.®

Agenda

- What is human capital management?
- Deltek Clarity 2017 Results
- How can Deltek Human Capital Management solutions help?
- Best practices for project based businesses

Deltek.



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2

Our Business Life

TPIQ

Talent-driven

Project-centric

Intellectual-capital intensive

Quality-obsessed

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What is Human Capital Management?



Project Teams



Global



Shop Floor



Subcontractors



Rapid Growth

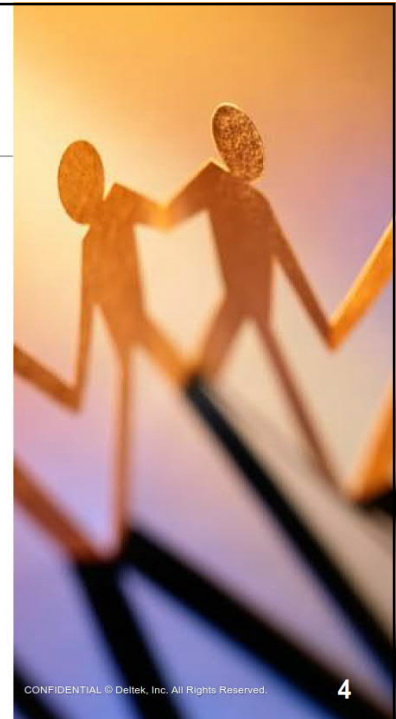


Joint Ventures



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Goal : Produce Economic Value



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Human Capital Management Stages



Workforce Acquisition



Workforce Management



Workforce Optimization

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Where HCM solutions can help Contractors



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Select 2017 Clarity Results

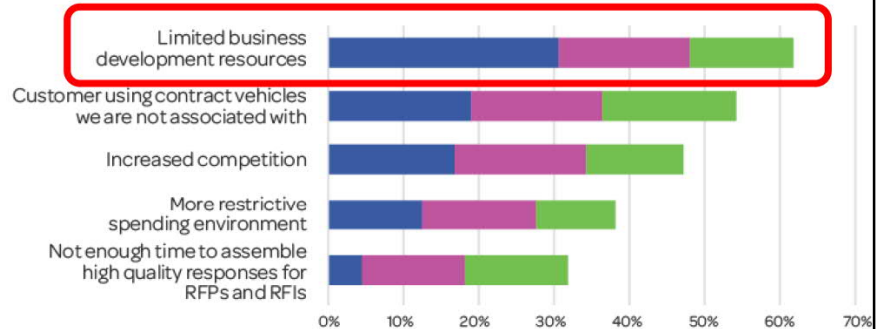
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Top Business Development Challenges

- Limited BD resources continues to be the top challenge despite indications that companies are investing in BD again after years of cost cutting
- More Restrictive Spending Environment has drifted down the list
- Customers using other Contract Vehicles moved up to #2

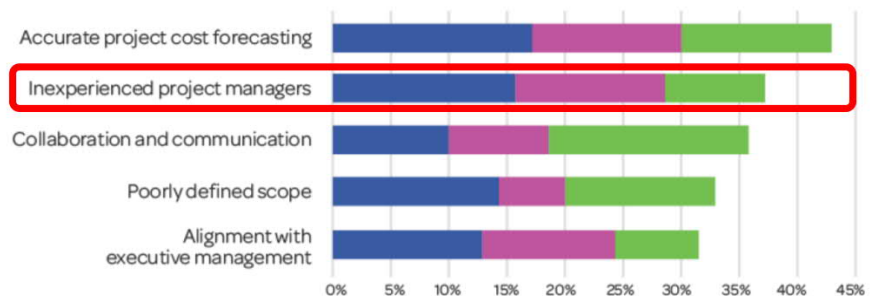


“Our firm simply needs more proposal writers. We are highly capable of delivering.”

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Top Project Management Challenges

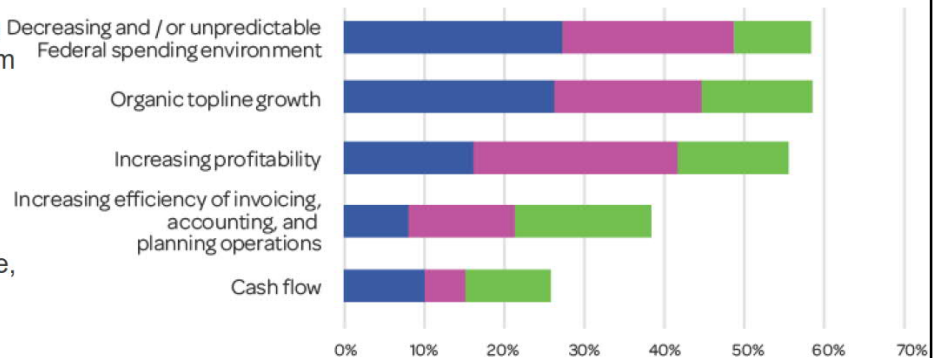
- Top 4 challenges remain the same
- Difficulty still remains in understanding what work is left to be done and the effort required
- Significant attrition of skilled, mid-level PMs



“Poor scope results in inaccurate forecasting of costs and results in communication breakdown because everyone then focuses on the overruns and not the root cause.”

Top Finance Challenges

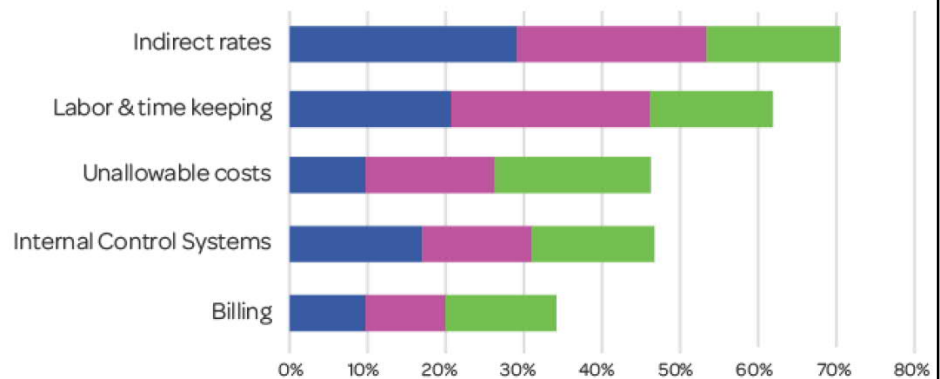
- Unpredictable spending moves up a spot to claim the #1 spot
- Organic topline growth jumps 2 spots and comes in a close #2
- Last year's #1 challenge, increasing profitability, settles in at #3



“Without growth we stagnate - and cannot offer the career development and progression to staff to maintain high retention”

Top Audit Challenges

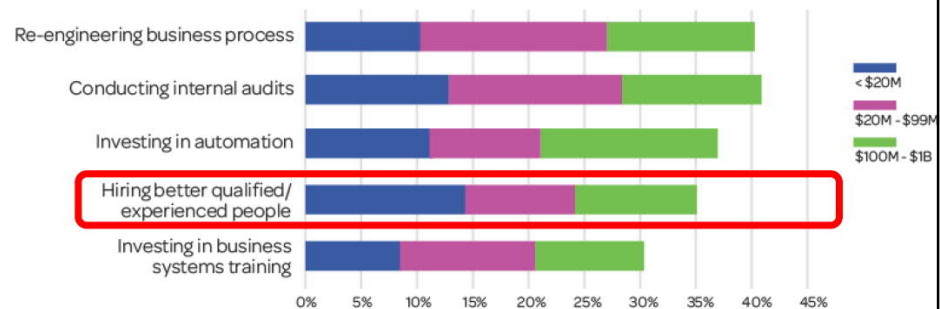
- For the 5th year in a row, Indirect Rates are #1
- Labor & time keeping locks in the #2 spot for the second year in a row
- Unallowable costs remains unchanged from last year in the #3 spot



“Indirect rates are important to competition and managing the workforce and employee cost desires is always challenging.”

Actions to Address Audit Challenges

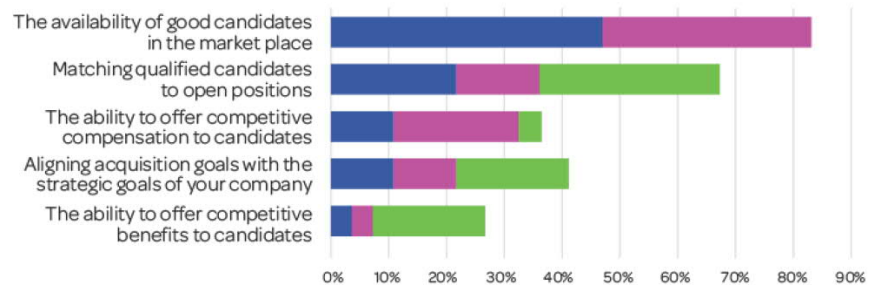
- Re-engineering business process jumps 5 spots to claim the #1 spot
- Conducting internal audits remains near the top
- Investing in automation and hiring better people follow suit and move down a spot this year



“Transitioning from a modified CAS to full CAS compliance due to contract awards. Training personnel on what full CAS requires - especially senior management.”

Challenges in Talent Acquisition

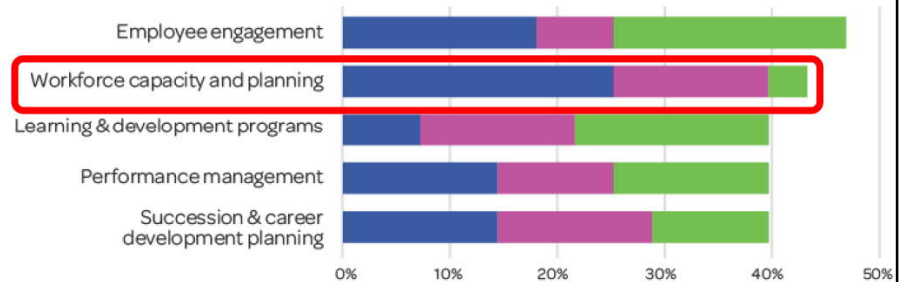
- The top 3 challenges remain unchanged from last year
- The war for talent is real
- Employees now have more leverage over employers



“Ability to recruit technically acceptable employees within cost parameters.”

Challenges in Talent Management

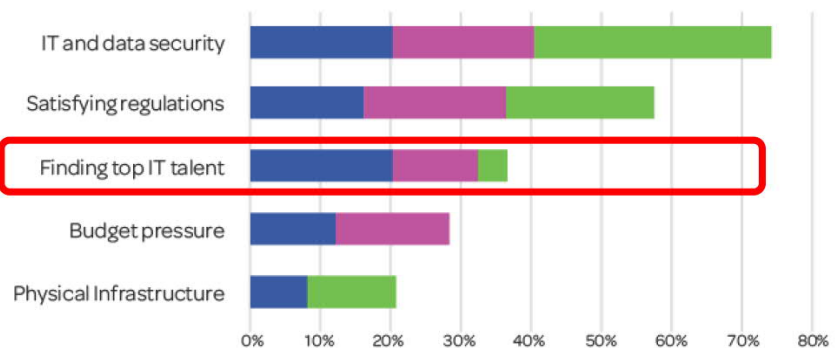
- Employee engagement jumps 4 spots to claim the #1 challenge for managing human capital
- Workforce planning rockets 5 spots to occupy the #2 position
- Work/Life balance, last years #1 challenge plummets 5 spots and out of the Top 5



“Finding, training and better utilizing people and systems are our highest priorities.”

IT Challenges

- Over 70% of firms are challenged with data security
- Budget pressure drops 2 spots to #4 while finding Top IT talent jumps 2 spots to #3
- Physical infrastructure becomes less of a challenge as more firms evaluate the cloud

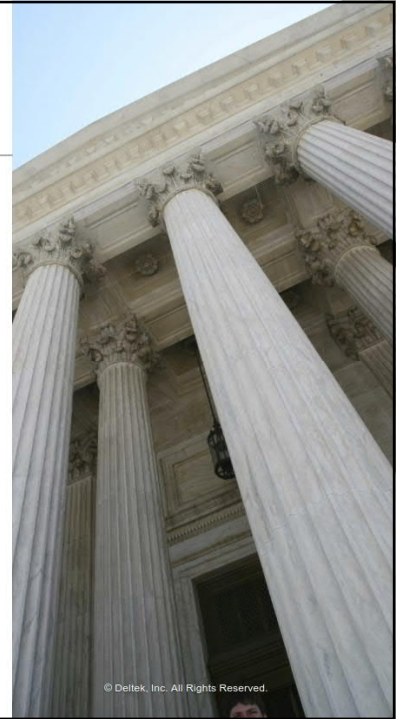


“Cybersecurity... huge new FAR regulation that we need to write a security plan by the end of the year.”

Common HCM challenges for government contractors

- Higher turnover rates than other industries
- More dependencies on the project management profession and subcontractors
- Competing for talent with the commercial sector
- Regulations on executive compensation
- Scaling the workforce up and down very quickly based on contracts
- More scrutiny on labor costs
- Outdated or manual HCM systems

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Common Business Strategies

- Grow the company
- Sell the company
- Diversify into more agencies
- Operate more efficiently
- Protect current contracts
- Increase shareholder value
- Expand globally
- Be more competitive

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What disrupts business strategy?



What stops growth?

- ✓ Failed M&A
- ✓ Loss of key contract, employee or customer
- ✓ Federal spending uncertainty



Why can't you sell?

- ✓ Current contracts undervalued
- ✓ Can't produce needed financial history
- ✓ Too much competition
- ✓ Can't quantify the value of your workforce



What makes you competitive ?

- ✓ Intellectual property
- ✓ Patents
- ✓ Leaders
- ✓ People
- ✓ Prior projects



What causes inefficiency?

- ✓ Billable resources doing non-billable work
- ✓ Can't control costs
- ✓ Scope creep
- ✓ Turnover
- ✓ Assigning the wrong resources



Why do you lose re-compete?

- ✓ Under bid
- ✓ New contracting officer
- ✓ Funding was cut

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With an integrated HCM solution from one provider contractors:

- Don't have to manage multiple vendors
- Don't have to invest in developing and managing integrations
- Won't have to use Excel to keep HCM data synced
- Only have one security model to deploy
- Only go to one place for support
- Only pay one invoice
- Get a much faster return on your investment
- Get everything you need to have more complete view of your entire workforce
- Only train your end users on one solution

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Less Optimized HCM Processes



Resource Marketing



Rapid Hiring



Subcontractor Management



Recruiting Millennials



Quantifying Human Capital

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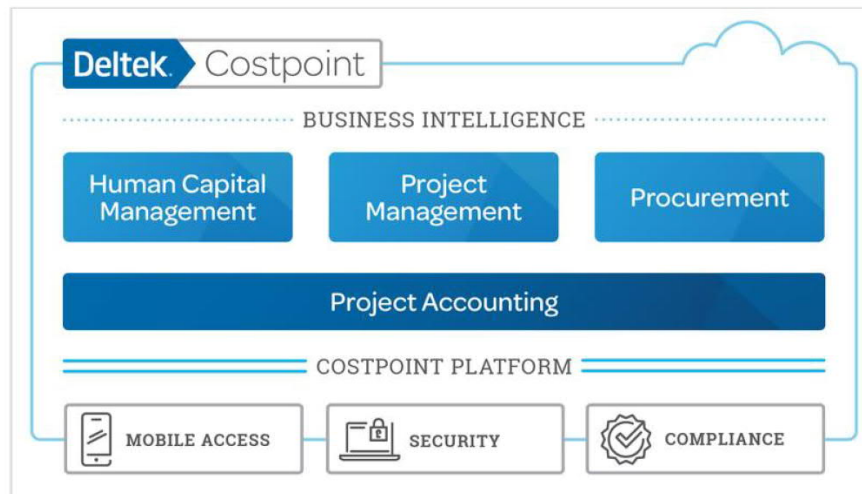
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Introducing Deltek Human Capital Management

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Deltek ERP Solutions for Government Contractors

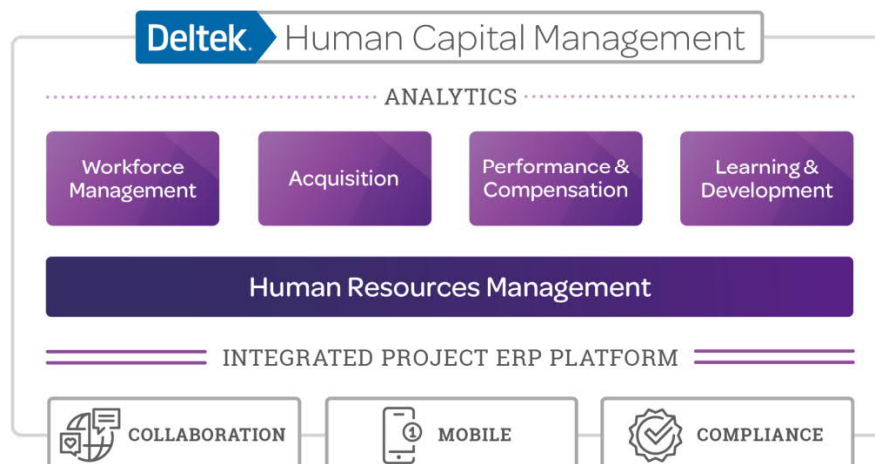


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Costpoint Human Capital Management



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What are your human capital options?

How will you
augment
your staff?

Employees

New Hire

Joint Venture

Subcontract

Temps/Interns

Required to
subcontract to
small
businesses?

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Resource Planning

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Did you know...

For every **100 employees** a **1% increase** in utilization would generate roughly an additional **\$500,000** in revenue per year with no additional costs*

*Assumption is \$250 per hour and a 2,087 hour work year

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Without a Resource Planning Solution

Under Utilized	Resources sitting "on the bench" costing you money because your resource managers don't know their skills or availability.
Over Utilized	Risk of losing your top resources because they are over scheduled.
Limited Visibility	Limited visibility into your current and future project work.
Multiple Solutions	Lack of integration to the other key tools you use to manage your projects
Manual	Resource scheduling and tracking actual hours against planned is manual or is done with multiple systems

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Plan Resources through entire project lifecycle



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Resource Planning

- ✓ Integrates Resource Management data, no Silos
- ✓ Locates the most qualified and available resources quickly
- ✓ Provides visibility into the future to plan rather than react
- ✓ Optimizes utilization
- ✓ Reduces turnover
- ✓ Integrated with Costpoint

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Deltek Resource Planning

Project View Find a project

This opportunity is inactive. [More or Delete resource assignments.](#)

Breakdown: Weeks

LEVEL/RESOURCE	2015 2/14 - 2/22	2015 2/23 - 3/1	2015 3/1 - 3/7	2015 3/8 - 3/14	2015 3/15 - 3/21	2015 3/22 - 3/28	2015 3/29 - 4/4	2015 4/5 - 4/11	2015 4/12 - 4/18
▼ DG Enterprises Orlando	58.0	60.0	58.0	60.0	62.0	62.0	60.0	62.0	58.0
▼ Pre Design	58.0	60.0	58.0	60.0	62.0	62.0	60.0	62.0	58.0
▼ Analysis 1	58.0	60.0	58.0	60.0	62.0	62.0	60.0	62.0	58.0
Christine Trifileau	18.0	8.0	18.0	8.0	18.0	18.0	8.0	18.0	18.0
Pamela Thompson									
Product Manager 1	24.0	30.0	24.0	30.0	20.0	20.0	30.0	20.0	24.0
Product Manager 2	16.0	22.0	16.0	22.0	14.0	14.0	22.0	14.0	16.0
Product Manager 3									
► Analysis 2	32.0	0.0	32.0	0.0	43.0	43.0	0.0	43.0	32.0
► Schematic Design	42.0	0.0	42.0	0.0	0.0	0.0	0.0	0.0	42.0
► Design Development	56.0	0.0	56.0	0.0	54.0	54.0	0.0	54.0	56.0

Get the right people on the right projects at the right time

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Get the Right People on the Right Project



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Subcontractor Management

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Managing subcontractors effects your whole project

FINANCE

Invoices to your customer are delayed due to reconciling subcontractor transactions which can disrupt cash flow

It's expensive and error prone to manually enter subcontractor timesheets

It's difficult to recognize revenue from subcontractors



Subcontractor procurement processes are inefficient and slow

Difficult to determine accountability

Modifying or closing out a subcontract takes a lot of time

PROCUREMENT



PROJECT MANAGEMENT

Subcontractor time is entered into the finance system too late

Subcontractors charge the wrong projects and tasks making my budgets incorrect

Subcontractors don't have the right skills, experience or security clearances



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Automating Subcontractor Management with Costpoint

Identify opportunities & the need for subcontractors

Request & Approve Vendor Quotes

Create & Approve Work Assignments

Subcontractors Enter Time or Expense

Create Subcontractor Invoice

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Subcontractor Management

- ✓ Create Master Agreements & SOWs to control rates with subcontractors
- ✓ Control “what”, “when”, and “who” can charge in Time & Expense with Work Assignments
- ✓ Automatically create subcontractor invoice based on charges from Time or other direct costs.
- ✓ Approved Subcontractor Invoice will become a PO Voucher and PO will be relieved once posted

Reduce disputes and get paid faster with subcontractor management

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Collaboration

- ✓ Collaborate with the entire project team in real-time
- ✓ Gain consensus quickly and implement efficient workflows
- ✓ Increase project efficiency
- ✓ Track ownership and completion of tasks
- ✓ Bring new project team members up to speed faster
- ✓ Get project alerts and notifications on your mobile device

Measure employee engagement and improve team collaboration

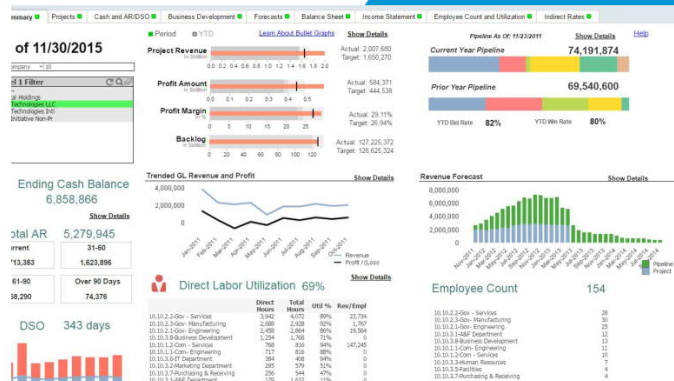
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Analytics

- ✓ Personalized dashboards for monitoring and making data driven decisions
- ✓ Analyze utilization, missing timesheets, headcount, turnover and more
- ✓ Available on any device
- ✓ Discover new trends in your data to help support your human capital strategy



Easily monitor important metrics and make data driven decisions

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Best practices



- Include your HR executive in long term, strategic planning
- Map resources needs to your backlog and pipeline not just active work each quarter
- Be creative in offering perks to your highest utilized resources to prevent burnout and separation
- Reward and recognize whole project teams , not just individuals
- Modernize your workplace to attract millennials
- Develop better business intelligence to monitor the entire workforce not just FTEs
- Invest more in your project managers and your brand to attract the best talent



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How do I optimize my workforce?

- Stop relying on spreadsheets and other 'shadow systems'
- Get ahead of the business using analytics and planning solutions
- Constantly build candidate pools
- Integrate subcontractors into your project accounting solution
- Rethink your people brand and let technology power it
- Stop wasting money on custom built integrations
- Leverage the cloud for more access

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Why Deltek Human Capital Management?

- Comprehensive solution from one vendor
- Integrated with the leading accounting solution for Government Contractors
- Project centric approach to HCM found no where else
- Analyze and manage your entire workforce
- Provided the information you need to develop, refine or strengthen your human capital strategy

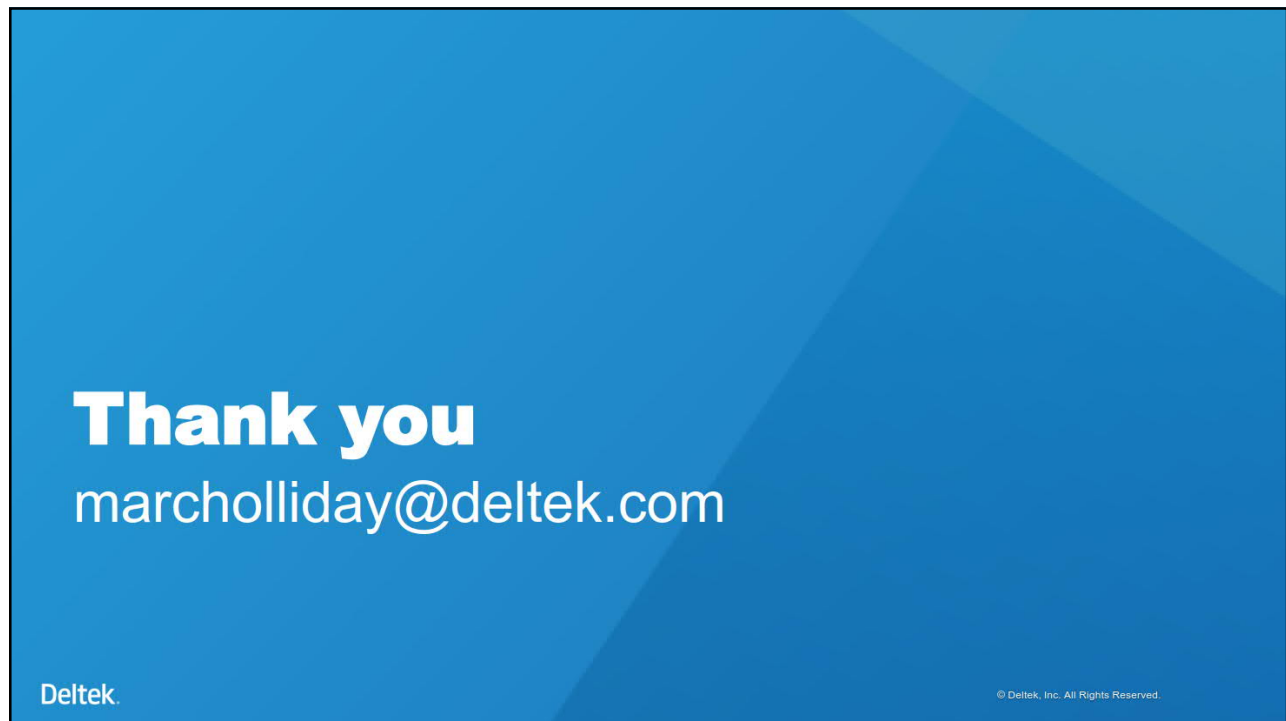
"We hired almost 750 employees in 3 weeks using Deltek Human Capital Management solutions and Costpoint."

– Cathy Henry, Director , VSE Corporation

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HR UPDATE

Redstone Edge Conference

September 21, 2017

Sheri Buchanan
Senior HR Consultant

Jamie M. Brabston
Senior Legal Consultant



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FAIR LABOR STANDARDS ACT

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Fair Labor Standards Act – Status of the Regulations

➤ May 2016 –DOL issued final regulations

- More than doubling the minimum salary requirement for the major white-collar exemptions under the FLSA from \$455 per week to \$913 per week (\$23,660 / \$47,476 per year)
- Amending the salary basis test to allow employers to use nondiscretionary bonuses and incentive payments (including commissions) to satisfy up to 10% of the new standard salary level.
- Original effective date - December 1, 2016.

➤ November 22, 2016

- Judge Amos L. Mazzant III, a federal judge for the Eastern District of Texas, issued a temporary injunction blocking implementation of the regulations.
- Obama administration filed an appeal.

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Fair Labor Standards Act – What Now?

- One of the issues on appeal - *Does the DOL have the authority to set a salary level as one of its tests for the white-collar exemptions?*
- June 30, 2017 - The Trump administration filed a Reply Brief asking the Fifth Circuit to uphold its right to use a salary test, BUT, also asking the Court NOT to address the validity of the \$913 threshold (because the DOL intends to revisit that threshold through new rulemaking)
- July 26, 2017 - DOL published a Request for Information in the Federal Register seeking comments in response to 11 sets of questions related to both the salary and duties tests for the white-collar exemptions. The comment period ends on September 25, 2017
- October 2, 2017 - Oral argument tentatively set

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Fair Labor Standards Act – What Now?

- On August 31, 2017, Judge Mazzant issued an order permanently blocking the Obama DOL's rule and holding that the DOL does not have the authority to raise the salary threshold so high that it effectively eliminates the duties test. In his Order, Mazzant held that the overtime rule "essentially makes an employee's duties, functions or tasks irrelevant if the employee's salary falls below the new minimum salary level." Mazzant also found that a provision that would have provided for automatic adjustments to the threshold every three years was unlawful.
- The August 31st ruling was a final decision on all the issues before the judge in Texas, and it is NOT anticipated that the DOL under President Trump's administration will appeal the order.

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Request for Information

- The DOL is already working on a new rule and has asked the public to submit comments. The DOL's questions in its Request for Information(RFI) indicate that the department is open to considering the reasons people were critical of the Obama DOL's rule and it is possible that the department might address more than just the salary threshold in a new proposal. Some of their questions are:
 - Should changes be made to the duties test and should the salary test be eliminated in favor of a duties-only test for exemption?
 - Should there be multiple salary levels to account for geography, employer size or some other difference?
 - How should bonuses and incentive payments be treated?
 - Should there be different salary levels for different exemptions?

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SERVICE CONTRACT ACT

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Application of the SCA


The McNamara-O'Hara Service Contract Act (SCA) applies to every contract entered into by the United States or the District of Columbia, the principal purpose of which is to furnish **services** to the United States through the use of **service employees**.

The SCA requires contractors and subcontractors performing services on covered federal or District of Columbia contracts in excess of \$2,500 to pay service employees in various classes no less than the monetary wage rates and to furnish fringe benefits found prevailing in the locality, or the rates (including prospective increases) contained in a predecessor contractor's collective bargaining agreement. Safety and health standards also apply to such contracts.

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Major SCA Provisions

- Prevailing minimum wage and fringe benefit compensation standards for service employees working on contracts over \$2,500
- FLSA minimum wages for contracts of \$2,500 or less
- Record keeping and posting requirements
- Safety and health protection

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Who is a “Service Employee”?

- “...any person engaged in performance of contract, except employees who qualify for *exemption as bona fide executive, administrative or professional employees under the FLSA* (29 C.F.R. Part 541).”
- See 29 C.F.R. 4.113
- Think “*non-exempt employees*”
- Apply FLSA Duties tests

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EXECUTIVE EXEMPTION

To qualify for the **EXECUTIVE EXEMPTION**, ALL of the following tests must be met:

- The employee must be compensated on a salary basis (as defined in the regulations) at a rate not less than \$455 per week;
- The employee's primary duty must be managing the enterprise, or managing a customarily recognized department or subdivision of the enterprise;
- The employee must customarily and regularly direct the work of at least two or more other full-time employees or their equivalent; **AND**
- The employee must have the authority to hire OR fire other employees, OR the employee's suggestions and recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees must be given particular weight
- 29 C.F.R. § 541.100

ADMINISTRATIVE EXEMPTION

To qualify for the **ADMINISTRATIVE EXEMPTION**, ALL of the following tests must be met:

The employee must be compensated on a salary basis (as defined in the regulations) at a rate not less than \$455 per week;

- The employee's primary duty must be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; **AND**
- The employee's primary duty includes the exercise of discretion and independent judgment with respect to matters of significance. 29 C.F.R. § 541.200
- The administrative work must **NOT** be of a routine or clerical nature, and must be of substantial importance to the management or operation of the business. 29 C.F.R. § 541.205

PROFESSIONAL EXEMPTION

Employees who work in a “bona fide professional capacity” and meet the salary basis test (currently \$455 / week) are exempt.

The Professional Exemption is broken down into two categories:

1. The Learned Professional and
2. The Creative Professional

Wage Determinations

- Wage determination must be issued for each contract requiring the use of more than five (5) service employees.
- Although not required to do so, Wage and Hour may issue a wage determination on contracts having five or less service employees.
- Sets minimum wages and fringe benefits.
- New determination required for each new contract; at least once each two years.

15



Wage Determination

- The contracting agency must request a wage determination for every covered contract in excess of \$2,500 regardless of the number of employees expected to be employed on the contract.
- If the contract involves more than five service employees, the Department of Labor must issue a wage determination; however, this does not limit the contracting agency's obligation to request a wage determination for all contracts in excess of \$2,500.

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Prevailing Rates

- The information used most frequently to establish prevailing rates is the Bureau of Labor Statistics (BLS) survey data.
- Based on BLS survey data the Department of Labor must issue rates which are represented in the survey as prevailing.
- Therefore, rates could actually decrease if surveys show that a lower rate is actually prevailing.

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Dual Work Capacities

- If an employee during a workweek works in different capacities in the performance of the contract, the employee must be paid the highest of the wage rates for all hours worked in the workweek unless the employer segregates the hours worked in each capacity and pays accordingly.
- However, working in different capacities applies only to work in different job classifications, not levels within the same job classification.

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18



Classification Of Employees

- Employees are classified based on the job descriptions listed in the SCA Directory of Occupations.

The Directory of Service Contract Act Occupations

<http://www.dol.gov/whd/regs/compliance/wage/SCADirV5>

- It is ***essential*** that an employer have access to the job descriptions for the various classes of employees.

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Wage Determination/Classification/Conformance

Any class of service employee not listed in the wage determination must be classified by the contractor to provide a reasonable relationship (i.e. appropriate level of skill comparison) between the unlisted classifications and the classifications listed in the wage determination.

- Conformance must be initiated by the contractor prior to the performance of contract work.
- Must have approval of employee.
- Submit to Contracting Officer SF-1444.
- Approval by Wage and Hour

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Conformance Procedure

- The awarded **Contractor** initiates the request by preparing an **SF1444**, Request for Authorization of Additional Classification and Rate, at the time of employment of the unlisted classification. (*Reference FAR 22.1019 and 52.222-41(c), and Title 29 CFR Part 4.6(b)(2)*). The contractor completes blocks 2 through 15 on the form. Request may be submitted to DOL without the form, but must contain the required information.
- **Employees**, if present, or their designated representative **must sign block 16** noting their concurrence or disagreement with the contractor's proposed wage and benefit rate. If the employee indicates disagreement with the contractor's proposal, he must provide a statement supporting a recommendation for different rates. ("Designated representative" is generally a union. It cannot be the contractor's personnel officer or other contractor representative.)

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Conformances

The conformance procedure for the unlisted class must be submitted by the contractor to the contracting officer no later than 30 days after the unlisted class of employee performs any contract work.

The contracting officer then reviews the proposed action and submits the conformance with their concurrence, and/or comments to the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, for approval. The Wage and Hour Division will approve, modify, or disapprove the action or render a final determination in the event of disagreement within 30 days of receipt or will notify the contracting officer within 30 days of receipt that additional time is necessary.

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Conformances

If approved, the wage and fringe benefits must be paid to all employees performing in the classification from the first day the contract work is performed.

Regardless of whether the contracting officer agrees or disagrees, they must submit the conformance request to the Department of Labor for determination.

However, the contracting officer can annotate that they disagree with the conformance request.

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Checklist for Conformances

- The classification must be appropriate for the contract work.
- The contractor cannot propose a new classification by combining job duties from two or more existing classifications on the wage determination, or propose a new classification that performs only part of the duties of an existing classification.
- The proposed classification cannot be a "trainee" or a "helper."
- The proposed wage rate for the new classification should generally be no lower than the wage rate of the lowest skilled classification on the determination.

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Checklist for Conformances

Conformance requests should not be submitted for exempt classifications (project managers, full-time supervisors, professionals such as engineers).

The proposed rate should bear a reasonable relationship to the wage rates listed on the wage determination. The proposed fringe benefits should be the same as listed on the wage determination.

The **contractor must** attach a brief job description to each SF1444 request submitted for classifications not included in DOL's Service Contract Act Directory of Occupations. The description **must** include the federal wage grade equivalent. The contractor should include all pertinent documentation supporting his request.

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Fringe Benefits

Every covered contract in excess of \$2,500 contains a provision specifying the fringe benefits to be furnished to service employees and must be paid in addition to the minimum wage – it is a SEPARATE requirement.

The fringe benefit amount is listed in the wage determination.

SCA makes no distinction, with respect to its compensation provisions, between temporary, part-time, and full-time employees.

- However, temporary and part-time employees are only entitled to an amount of the fringe benefits specified in an applicable determination which is proportionate to the amount of time spent in covered work.

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Fringe Benefits

- As provided in section 2(a)(2) of the SCA, fringe benefits include:

[M]edical or hospital care, pensions on retirement or death, compensation for injuries or illness resulting from occupational activity, or insurance to provide any of the foregoing, unemployment benefits, life insurance, disability and sickness insurance, accident insurance, vacation and holiday pay, costs of apprenticeship or other similar programs and other bona fide fringe benefits not otherwise required by Federal, State, or local law to be provided by the contractor or subcontractor. 29 C.F.R. § 4.162.

- Fringe benefits listed above are illustrative of those that may be furnished.

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Fringe Benefits

- Fringe benefits are required to be provided separate from and in addition to the specified minimum hourly rate provided on the wage determination and contractors must be able to provide separate records showing the amounts paid for each.
- Health and Welfare payments are to be calculated per the “Average Cost” or “Fixed Cost” method as specified by the Wage Determination.
 - Odd numbered WD are Fixed Cost (29 CFR 4.175(a))
 - Even numbered WD are Average Cost (29 CFR 4.175(b))

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Payment in Lieu

- Fringe benefit obligations may be discharged by paying to the employee on his/her regular payday, in addition to the monetary wage required, a cash amount per hour in lieu of the specified fringe benefits, provided such amount is equivalent to the cost of the fringe benefits required.
- Records must be kept separately showing the amounts to be paid for fringe benefits.

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The *Amount* Of Fringe Benefits Required



- Varies depending on when the contract was bid.
- Whether or not a Collective Bargaining Agreement (CBA) is applicable
- Rate is based on the Employer Cost Index that is based on data collected by the Bureau of Labor Statistics.

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30

H & W Rates



- Rates in effect for contracts issued since June 30, 2015 are \$4.27 per hour.
- **July 25, 2017, DOL issued a new H & W rate of \$4.41 per hour which is required in all government contract bids or other service contracts awarded on or after August 1, 2017.**
- *However, if Executive Order 13706 (Paid Sick Leave) is applicable, DOL set a new H&W rate of \$4.13 (\$1.63 in Hawaii) which is good news for employers with contracts covered by the SCA and the paid sick leave requirement.*

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30

Executive Order 13706 – Paid Sick Leave

- Applies to certain categories of contracts that are “new” after January 1, 2017
- Applies to employees performing work covered by contracts governed by SCA & DBA or (or other specific types of government contracts), including employees who qualify for an exemption.
- Employees earn 1 hour of sick leave for every 30 hours worked, up to 56 hours / year – accrual basis OR all provided in a lump sum at the beginning of each “year”
- There are specific provisions on how/when sick leave may be used.

32

Vacation

- Vacation fringe benefits can be determined from the language of the fringe benefit provision in the wage determination.
- Two factors must be considered for vacation benefits under this wage determination requirement:
 - The total length of time an employee has been in the employer's service, both performing commercial work and performing on the federal contract, and
 - The total length of time an employee has been employed in any capacity in the continuous service of any predecessor contractor(s) who carried out similar contract functions at the same federal facility.

Vacation Requirements

- Vacation is due to the employee in one lump sum on the employee's contract anniversary date.
- In other words, the employee's vacation is VESTED on the employee's anniversary date.
- Vacation must be used or paid out by following anniversary date or termination date, whichever occurs first

34

Vacation - Successor Obligations

- **If an employee was employed by the predecessor contractor and hired by the successor, does the vacation time earned with the predecessor contractor continue, stop, or does the employee start accruing new vacation time with the new contractor?**
- The vacation time continues, as long as there is no break in service. The contractor by whom a worker is employed at the time the vacation right vests (i.e. on the employee's anniversary date of employment) must provide the full benefit required by the wage determination which is applicable on that date, whether or not it is the predecessor or the successor contractor.
- See, Title 29, Part 4 of the Code of Federal Regulations, Section 4.173.

35



Holiday Pay

- An employee's entitlement to holiday pay vests by working in the workweek in which the named holiday occurs, or is on paid sick leave or vacation leave. 29 C.F.R. §§ 4.174(a)(1) – (2).
- Unless there is a provision in the wage determination to the contrary, an employee must receive the holiday fringe benefits even though he/she worked only part of the week in which the holiday occurred.
- An employee need not be paid for a holiday that occurs earlier in the workweek prior to his/her hiring, provided the holiday does not occur during the first week of the contract. 29 C.F.R. § 4.174(b).
- A contractor need not provide holiday pay to any employee who does not perform any work in the workweek in which the holiday occurred provided that the employer did not lay off the employee during that workweek to avoid having to pay for the holiday. 29 C.F.R. § 4.174(a)(2).

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35

36



Enforcement

The SCA provides authority to withhold contract funds to reimburse underpaid employees, terminate the contract, hold the contractor liable for associated costs to the government, and debar from future government contracts for a period of three years any persons or firms who have violated the SCA.

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36

Enforcement

- SCA is enforced solely by DOL
- Contracting agencies have certain responsibilities but NO authority.
- If contract is subject to SCA but agency does not specify SCA in contract, DOL will notify agency to insert SCA contract clauses & applicable Wage Determinations.
- Reliance on advice from contracting agency officials is not a defense against a contractor's back wages under the Act (29 CFR 4.187(e)(5)).

38

Typical SCA Problems

- (1) Underpayment of service workers due to misclassification.
- (2) Erroneously considering workers as exempt without regard to 29 C.F.R. Part 541 rules.
- (3) Failure to make timely payment of wages or fringe benefit contributions.
- (4) Lack of proper recordkeeping when cash payments are made to satisfy fringe benefit requirements.
- (5) Failure to administer vacation properly

39



Typical Problems

(6) Failure to notify service employees of the applicable wage and fringe benefit requirements, or failure to post the “Notice to Employees Working on Government Contracts” at a prominent and accessible place at the worksite.

(7) Failure to use the conformance procedure for unlisted classes of employees.

(8) Failure to segregate and keep records on hours spent on contract work and non-contract work for employees who do both.

(9) Failure to implement rate increases (if any) in a new wage determination in a multi-year contract subject to annual appropriations.

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39



AFFORDABLE CARE ACT

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40

Congress Attempts to Repeal and Replace ACA

- May 4, 2017 – The House passed the American Health Care Act
- July 2017 – The Senate voted 3 bills, and all failed to pass:
 1. Repeal and Replace (The “Better Care Reconciliation Act “)
 - Procedural vote failed
 2. Partial Repeal (“Obamacare Repeal and Reconciliation Act”)
 - Vote failed
 3. Skinny Repeal Amendment (“Healthcare Freedom Act”)
 - Vote failed

Senate Makes a “Last Ditch Effort”

- Senators Graham and Cassidy have introduced a bill with a fundamentally different approach to the other measures Senate Republicans attempted - and failed to achieve - this year.
- Under this plan, Obamacare money that pays for an expansion of Medicaid and that subsidizes coverage for many of those who buy insurance on the exchanges would be pooled and instead given to states as block grants. The states would then tailor the money to their own health care plans and determine how plans will be sold to residents, as well as how consumers would be helped to afford such coverage.
- The individual and employer mandates would be repealed. The bill would allow states to waive most of the law's insurance regulations but continue its ban on insurers refusing to cover people with preexisting medical conditions. It also scraps the 2010 law's tax on medical device sales.

- The plan would end the premium tax credits that the ACA provides to Americans who currently have health plans through marketplaces created under the law, and it would eliminate cost-sharing discounts the ACA provides to lower-income consumers with marketplace plans. State could decide whether to create new forms of financial help for buying insurance.
- The bill's main components would start in 2020, and the funding it envisions would last until 2026, limited by the 10-year budget window. The amount of money each state would receive as a block grant would hinge on how many residents fall roughly within the income groups eligible for Medicaid under an expansion of that program that about three-fifths of the states have adopted under the ACA. States would decide whether to preserve, or begin, the expansion of Medicaid.

Time is running out

- September 1, 2017 - The Senate parliamentarian ruled that the end of the fiscal year on September 30 would mean the end of the party's ability to pass a bill with a simple majority.
- GOP Senators say they could fit hearings into the tight schedule, gather the support they need, the CBO score they need and move through the committee process before the deadline.
- "This is the only thing standing between you and single-payer health care," said Graham.
- **September 13, 2017** – Bernie Sanders released the "Medicare for All Act of 2017" – single payer

IMMIGRATION / I-9 REQUIREMENTS

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45

New I-9 Form

- The U.S. Citizenship and Immigration Services (USCIS) first published the form in July, 2017 and it has an expiration date of Aug. 31, 2019.
- Only applies to new hires. Employers should not complete new forms for current employees.
- Current storage and retention rules have not changed.
- Subtle changes to the form's instructions and additions to the list of acceptable documents
- The new version renumbers all List "C" documents except the Social Security card, and streamlines the certification process for certain foreign nationals.
- List C is updated to reflect the most current version of the certification or report of birth issued by the U.S. State Department.

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46

I-9 / E-Verify

- Employers completing the Form I-9 on a computer can now select the newly added Consular Report of Birth Abroad Form FS-240, which is issued to certain individuals born overseas to a U.S. citizen.
- E-Verify users are able to select Form FS-240 when creating a case for an employee who has presented this document for employment eligibility verification.
- All birth certificates issued by the State Department (Form FS-545, Form DS-1350 & Form FS-240) are now compiled into selection C#2 in List C.
- Although the changes to the Form I-9 are minimal, failure to use the new form can result in significant fines.
- The new I-9 does not change an employer's obligations in those states that require the use of the e-Verify program within three days after the employee's first day of work.

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47

Equal Employment Opportunity Commission

- **EEO-1** - The revised EEO-1 form would have gone into effect March 31, 2018, and would have required employers with 100 or more employees to report W-2 wage information and total hours worked for all employees by race, ethnicity and sex within 12 proposed pay bands.
- **August 29, 2017** - The White House Office of Management and Budget (OMB) initiated a review and immediate stay of the effective date of the pay-data collection provisions of the revised EEO-1 form in order to review the appropriateness of the revisions under the Paperwork Reduction Act (PRA).
- August 29, 2017, Victoria Lipnic, acting chair of the U.S. Equal Employment Opportunity Commission (EEOC), announced that "the EEOC remains committed to strong enforcement of our federal equal pay laws," and she further expressed the hope that "this decision will prompt a discussion of other more effective solutions to encourage employers to review their compensation practices to ensure equal pay and close the wage gap."
- Further action on this issue is expected. For now, existing EEO-1 obligations have not changed.

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48

EEO-1 Deadline

- Due to expanded pay-data reporting requirements that had been anticipated, the EEO-1 filing deadline of September 30, 2017, was moved to March 31, 2018 (with reports due on March 31 every subsequent year). The EEOC said that it will leave the March 31 EEO-1 reporting deadline in place.
- Employers can continue to observe the March 31 deadline, and can use the latest version of the EEO-1 form but can leave the salary information portion blank," while reporting the traditional EEO-1 information (the number of employees by race, sex, and ethnicity in each of the 10 EEO-1 categories).

EEOC /OFCCP – Other Potential Changes

- Enforcement and Litigation decisions are likely to shift.
- Lipnic was one of 2 commissioners who voted against the EEOC's 2015 decision that discrimination based on sexual orientation and gender orientation is prohibited by Title VII.
- President Trump's proposed budget proposes the merger of the EEOC & the OFCCP. The EEOC has more than triple the budget of the OFCCP yet has a backlog of over 75,000 Charges of Discrimination.
 - The proposed merger has many pros and cons and has led to much debate among the business community.

JOINT EMPLOYER ISSUES

In its 2015 *Browning-Ferris* decision, the NLRB drastically changed the standard for determining who is an “employer” under the National Labor Relations Act (NLRA). In the decision, the NLRB replaced its “direct and immediate” control standard for a broader standard based on “indirect” control..

Up until *Browning-Ferris*, the NLRB used a “direct and immediate” control standard for determining joint employer status. If two separate businesses had actual authority over terms and conditions of employment and day-to-day supervision, they would be classified as a joint employer.

Under the *Browning-Ferris* standard, a business could be found to be a joint employer even if it only had indirect or reserved control over essential working terms and conditions, but never even exercised such control.

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51

Joint Employer – Trump Admin to Return to Old Standard

June 7, 2017 – DOL said that it would roll back the Obama administration’s policy and return to the “direct control” standard for determining joint employer status.

July 27m 2017 - House members of the Education and the Workforce Committee introduced the “Save Local Business Act.” If passed, the act would roll back the expanded reach of the joint employer standard set by the NLRB under Obama. Hopefully this bill will pass and provide clarity to the joint employer issue by allowing businesses to understand their roles and responsibilities.

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52



Trump Repeals “Blacklisting Rule”

- March 2017 - President Trump signed a Congressional Review Act resolution rolling back the Fair Pay and Safe Workplaces rule, which required bidders for federal contracts to disclose their labor law violations,.
- The signing makes permanent a preliminary injunction blocking the enforcement of the rule’s new reporting requirements on federal contractors and subcontractors, which had been set to take effect in October.
- “The rule violated the due process rights of contractors by forcing them to report mere allegations of misconduct — which are often frivolous and filed with nefarious intentions by special interest groups,” said Ben Brubeck, vice president of regulatory affairs at the Associated Builders and Contractors.

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53



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54

