

A photograph of two men in business suits sitting at a wooden table in a modern office. They are facing each other and appear to be in a conversation. The man on the left has his hands clasped, while the man on the right is gesturing with his hands. They are positioned in front of a large window that looks out onto a city skyline with many buildings. The lighting is bright, suggesting daytime. A semi-transparent dark grey box is overlaid on the left side of the image, containing the title text.

CIO-SP4 A Roadmap to Success

July 28, 2020

Bloomberg
GOVERNMENT

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Agenda

- > **Program Background**
 - Overview and Spending Analysis
 - What's Ahead
- > **How to Prepare**
 - Contractor Teaming Arrangements
 - Small Business Subcontractor Plans & Mentor/Protégé Program
 - Contractor Business Systems
 - Cybersecurity
 - Indirect Rates & Cost Accounting Standards
 - Proposal Technical Writing Support
 - Conclusion
- > **Questions**

Program Background

Program Background

Executive Summary

- > CIO-SP3 and CIO-SP3 Small Business contract obligations
 - Agencies have reported spending obligations totaling \$15.3 billion through CIO-SP3 and CIO-SP3 SB since the vehicles began in fiscal 2012
 - CIO-SP3 and CIO-SP3 SB spending on cybersecurity, cloud services, and digital services has increased substantially since fiscal 2016
- > CIO-SP4 Details
 - The \$40 billion CIO-SP4 will eclipse both CIO-SP3 and CIO-SP3 Small Business
 - The recompetes will have a self-scoring evaluation methodology
 - Small businesses must qualify for a minimum of five or eight task areas
- > What's ahead
 - The final RFP for CIO-SP4 is expected in December
 - BGOV to find \$4.5 billion in task orders expiring in fiscal 2021 and 2022

Overview & Spending Analysis

Overview & Spending Analysis

What are CIO-SP3 and CIO-SP3 Small Business?

- > Chief Information Officer Solutions and Partners 3 (CIO-SP3) is an unrestricted indefinite-delivery/indefinite-quantity governmentwide acquisition contract focused on providing IT products and services in the health and biomedical fields
- > CIO-SP3 Small Business is the small business set-aside companion contract
- > National Institutes of Health Information Technology Acquisition and Assessment Center (NITAAC) administers the contracts
- > CIO-SP3 and CIO-SP3 SB each have a \$20 billion ceiling
- > Vehicles have 10-year periods of performance starting in 2012
- > 52 contractors have spots on CIO-SP3, 237 on CIO-SP3 SB
- > CIO-SP3 and CIO-SP3 SB are designated as best-in-class vehicles by the Office of Management and Budget

Overview & Spending Analysis

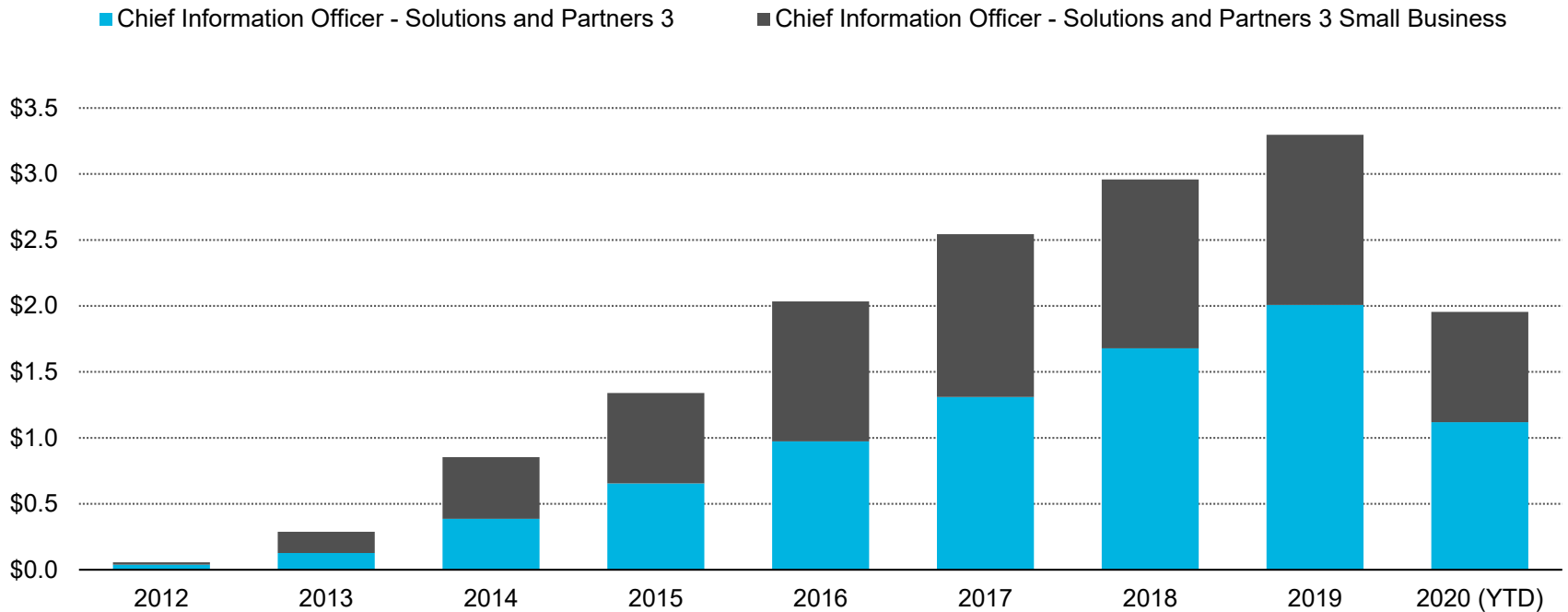
CIO-SP3 Obligations Have Steadily Increased

FY 2012 – FY 2020 YTD Totals:

CIO-SP3: \$8,294,620,659

CIO-SP3 SB: \$7,032,830,193

Contract obligations by fiscal year, dollars in billions



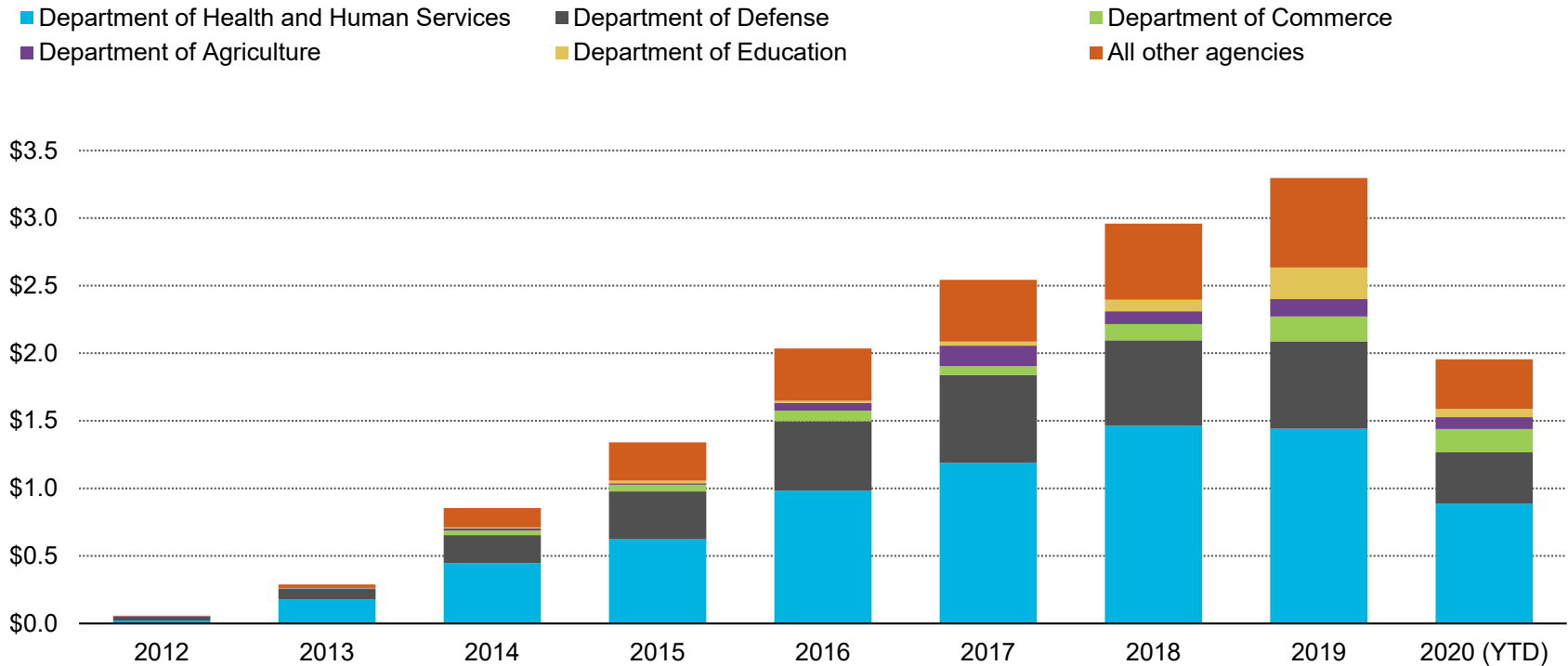
Source: Bloomberg Government data

Overview & Spending Analysis

NIH, CMS Account for the Bulk of CIO-SP3 Spend

- > The Commerce and Education departments had sizable growth in fiscal 2019
- > HHS's spending was flat in fiscal 2019

Contract obligations by fiscal year, dollars in billions

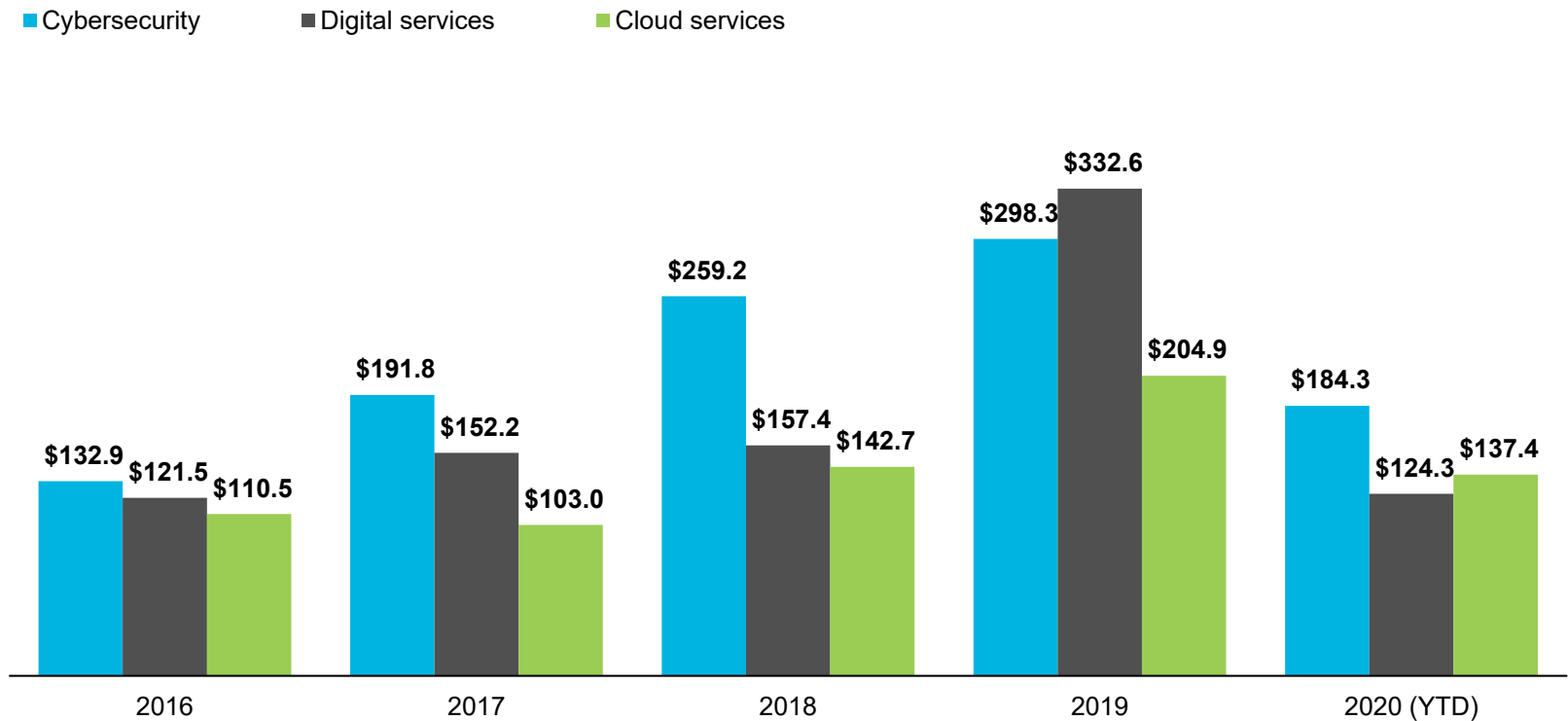


Source: Bloomberg Government data

Overview & Spending Analysis

CIO-SP3 Supports Complex IT Services

- > The top IT services buyers included HHS, DOD, and USDA
Contract obligations in key CIO-SP3 sub-markets by fiscal year, dollars in millions

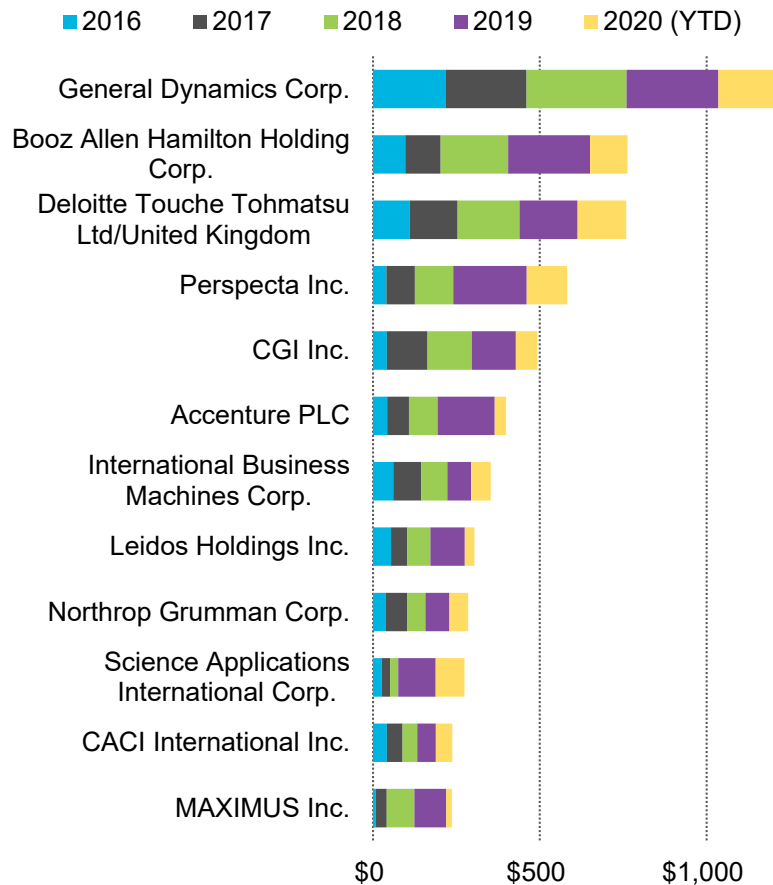


Source: Bloomberg Government data

Overview & Spending Analysis

Top CIO-SP3 Unrestricted Incumbent Vendors

CIO-SP3 obligations by fiscal year and vendor; dollars in billions



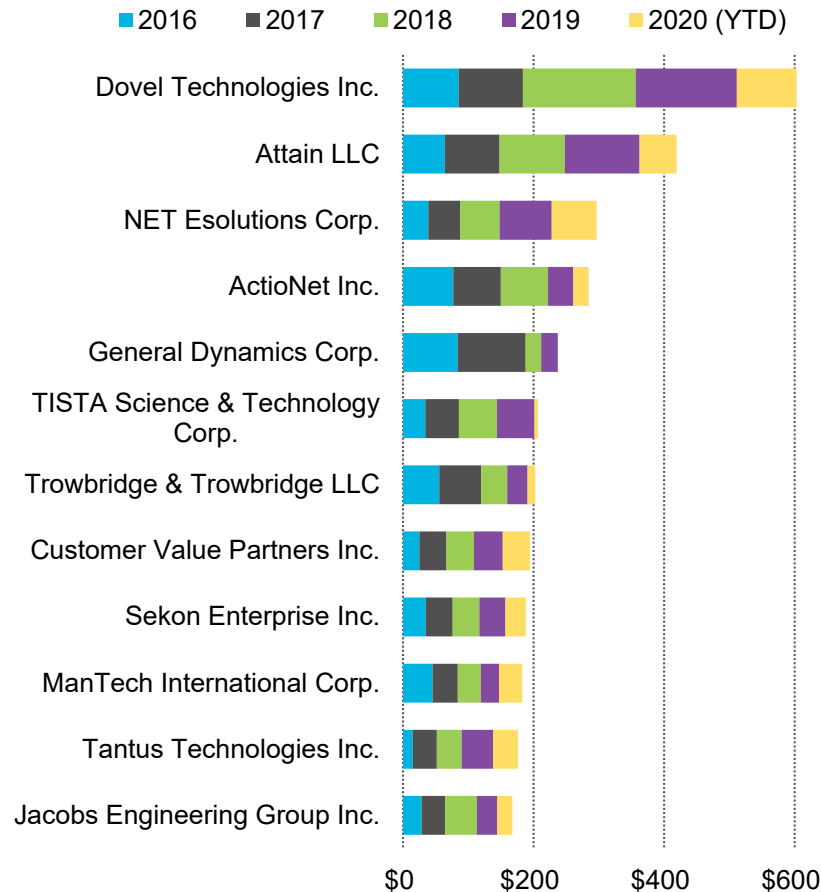
- > General Dynamics' CSRA buy gave it access to CSRA's sizeable CIO-SP3 portfolio
- > About one third of SAIC's \$258 million in obligations comes from its Unisys acquisition
- > Deloitte and General Dynamics are the top recipients of NIH obligations; Booz Allen and CGI are the top winners at CMS
- > General Dynamics is the top recipient of IT services obligations; Booz Allen and Deloitte are the top winners of professional services obligations

Source: Bloomberg Government data

Overview & Spending Analysis

Top CIO-SP3 SB Incumbent Vendors

CIO-SP3 SB obligations in fiscal years 2016 through 2020 (year to date) by vendor; dollars in billions



Source: Bloomberg Government data

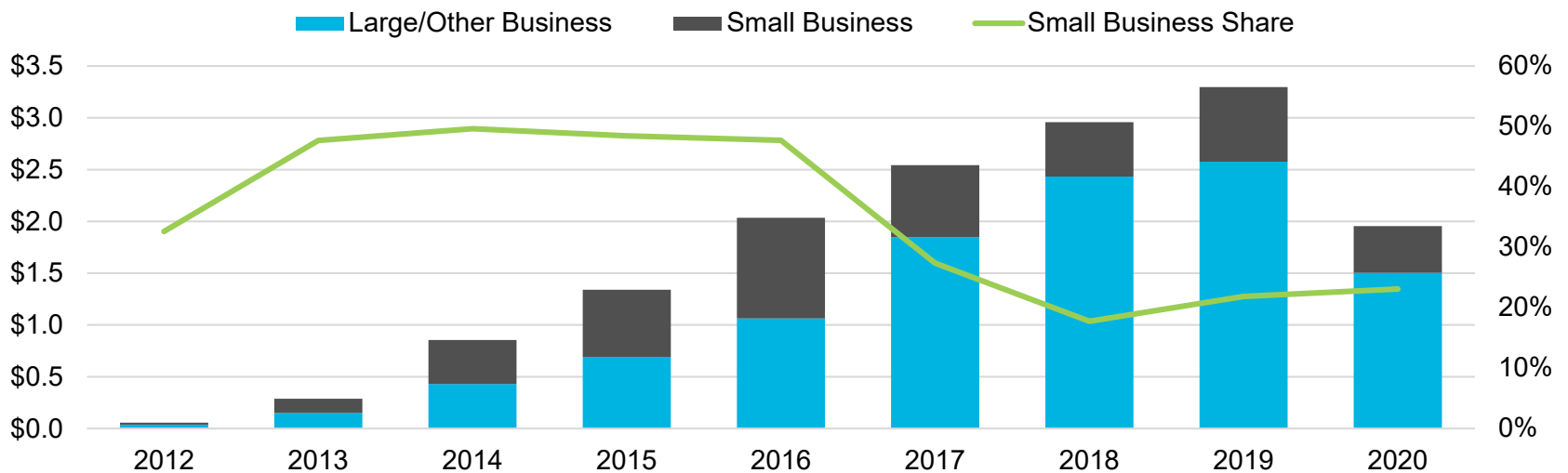
- > Total small business is the largest category of CIO-SP3 SB set asides, at 68% of obligations
 - Dovel Technologies and Attain LLC are the top total small business recipients
 - 8(a) competed and service-disabled veteran-owned SB set asides are 23% and 6% of SB obligations, respectively
- > Several CIO-SP3 SB winners have been acquired by large IT vendors
 - General Dynamics's SB obligations come from acquiring Nes Associates
 - ManTech's SB obligations come from acquiring Edaptive Systems Co.
 - Jacobs Engineering is a top SB contractor after buying Blue Canopy

Overview & Spending Analysis

CIO-SP3 Supports Complex IT Services

- > As overall CIO-SP3 program spending surged, the SB share fell dramatically
- > Incumbent growth and acquisitions have led to numerous large business re-classifications
- > 8(a), HUBZone, SDVOSB, and SB on-ramps from fiscal 2018 to 2020 boosted SB share slightly

Contract obligations in billions



Notes: Annual totals include all agency spending on CIO-SP3 Unrestricted and CIO-SP3 SB vehicles. The small business share is measured using the Contract Office Determination of Business Size company classification, which can change as companies grow or get acquired.

Source: Bloomberg Government data

Source: Bloomberg Government data

Overview & Spending Analysis

The Recompete

- > CIO-SP4 will be the follow-on for both CIO-SP3 and CIO-SP3 Small Business
 - It will have a \$40 billion ceiling, which is a combination of the \$20 billion ceilings that CIO-SP3 and CIO-SP3 Small Business each have
 - NITAAC anticipates 75-125 unrestricted awards and 200-300 small-business awards (including WOSB, HUBZone, SDVOSB firms), which will include 25-75 8(a) awards
- > CIO-SP4 will have a 15-year period of performance: five-year base period, a five-year option, and any task orders awarded on the last day of the five-year option can be performed for five more years
- > IT will maintain CIO-SP3's status as a best-in-class contract, making it a preferred contract across agencies

Overview & Spending Analysis

The Recompete

- > CIO-SP4 will include 10 task areas:
 - IT services for biomedical research, health sciences, and health care
 - Chief information officer support
 - Digital media
 - Outsourcing
 - IT operations and maintenance
 - Integration services
 - Cybersecurity
 - Digital government and cloud services
 - Enterprise resource planning
 - Software development
- > Task Area 1 is mandatory; technical experience should also include:
 - The remaining nine task areas for large businesses
 - A minimum of seven other task areas for small business or 8(a) contractors
 - A minimum of four other task areas for HUBZone, SDVOSB, or WOSB contractors

Overview & Spending Analysis

Scoring

- > Proposals will be evaluated using a self-scoring, two-phase methodology
 - NITAAC will rank bidders based on self-scoring sheets in the first phase and highest values will advance. NITAAC will evaluate proposals based on best value in phase two
- > There are five evaluation factors, each of which is evaluated as go/no-go, by the government, and/or self scoring:
 - Technical capability and understanding
 - Relevant corporate experience
 - Management approach
 - Past performance
 - Cost/price
- > Self-scoring is out of 10,000 points. Top point areas include:
 - Corporate experience in up to 10 focus areas (up to 4,500 points)
 - Leading edge technology experience (up to 1,800 points)
 - Federal and multiple award contract experience (up to 1,200 points)

Overview & Spending Analysis

Where are the Points?

Corporate Experience

4,500	
Small business	
<\$1M	30
\$1-2	60
\$2-\$4	90
\$4-\$7	120
\$7M+	150
Large business	
\$1-\$3	30
\$3-\$7	60
\$7-15	90
\$15-31	120
\$31+	150

Leading Edge Technology

1,800	
Small business	
<\$1M	120
\$1-2	240
\$2-\$4	320
\$4-\$7	480
\$7M+	600
Large business	
\$1-\$3	120
\$3-\$7	240
\$7-15	320
\$15-31	480
\$31+	600

Multiple-award Contracts

1,200	
Small business	
<\$1M	80
\$1-2	160
\$2-\$4	240
\$4-\$7	320
\$7M+	400
Large business	
\$1-\$3	80
\$3-\$7	160
\$7-15	240
\$15-31	320
\$31+	400

Remaining Categories

2,500	
Location	300
EO 13779	300
EVMS	300
Est. System	300
CMMI-2	300
ISO 9001	300
ISO 20000	200
ISO/IEC 27000	300
Clearance	200

Overview & Spending Analysis

Additional CIO-SP4 Details

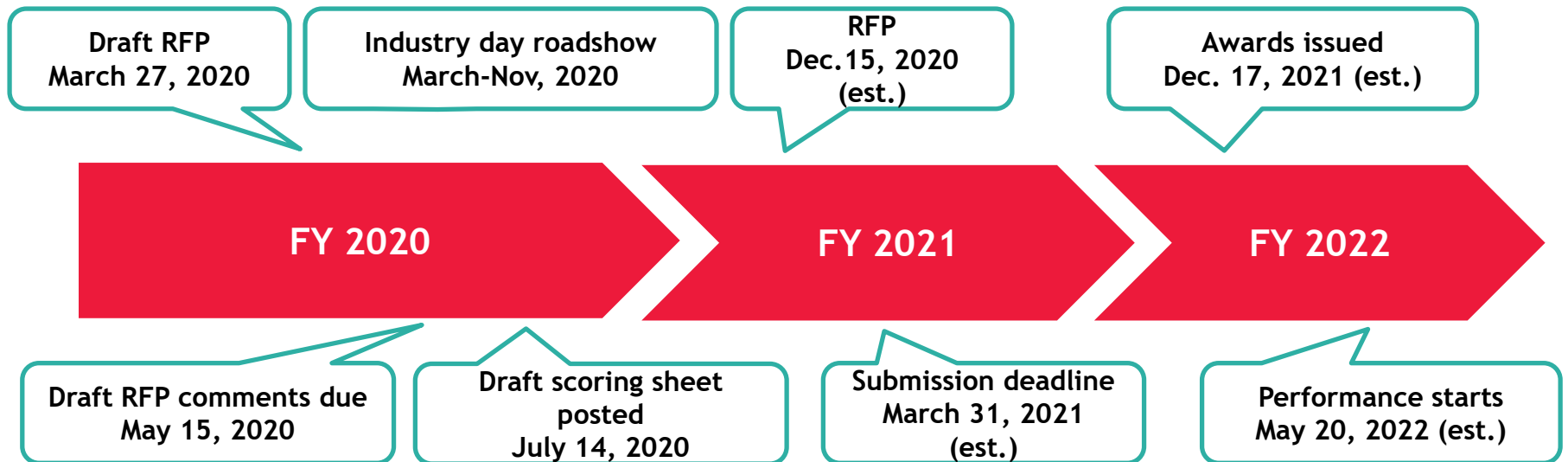
- > The contract may contain stronger off ramp language focused on contract holder participation
- > The draft RFP specifies that the Defense Department may require contractors to obtain the Cybersecurity Maturity Model Certification (CMMC) for DOD task orders
 - With the Pentagon obligating about 23% of the funding on the predecessor contracts, this provision could be very important to vendors
- > Small businesses have some concerns about the new vehicle:
 - Single contract makes anticipated awards to small business less clear without clarifications
 - Large number of task areas for small business qualification
 - Strict teaming conditions; cross-teaming not allowed
 - Terms of expansion into new task areas as companies grow undefined

What's Ahead

What's Ahead

CIO-SP4 Timeline

- > NITAAC will accept responses to the draft RFP until May 15, and responses can include self scoring recommendations
- > Events for the industry day roadshow have been hosted virtually or have been cancelled. Future events are scheduled into November

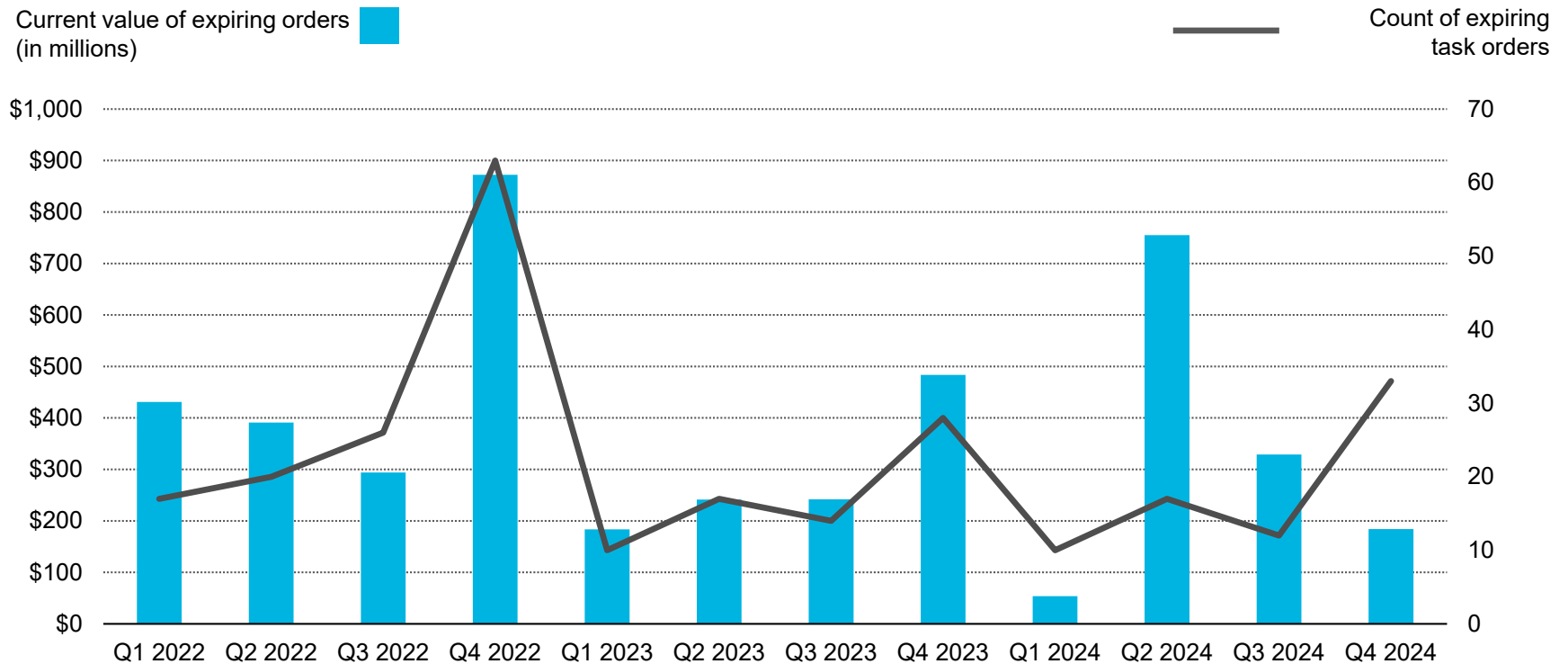


What's Ahead

Expiring Task Orders by Quarter

- > \$4.5 billion in task orders on CIO-SP3 & CIO-SP3 SB expire in fiscals 2022 through 2024

Expiring CIO-SP3 and CIO-SP3 SB task orders by fiscal year quarter, dollars in millions



Source: Bloomberg Government data

How to Prepare

Contractor Teaming Arrangements ("CTAs")

Contractor Teaming Arrangements (“CTAs”)

What are CTAs?

- > Governed by FAR Subpart 9.6 (<https://www.acquisition.gov/content/subpart-96-contractor-team-arrangements>)
- > Two scenarios:
 - (1) Two or more companies form a partnership or joint venture to act as a potential prime contractor;
or
 - (2) A potential prime contractor agrees with one or more other companies to have them act as its subcontractors under a specified Government contract or acquisition program.

Contractor Teaming Arrangements (“CTAs”)

What are the Benefits?

- > Complementary capabilities bound by legal documentation.
 - The more firm the legal standing of the relationship between parties, the less risk to the government.
 - Seek legal counsel to draft an effective, compliant TA.
- > Offers government agencies the best hybrid capabilities and past performance between two or more companies.
 - Capabilities and past performance from two companies are generally better than one.
 - The best teams complement one another with just enough overlap while maintaining unique skill sets.
 - CIO-SP4, like most GWACs of this nature, will be awarded based on an accumulation of evaluation criteria points (past performance, strong CPARS rating, TS/Secret clearance, etc). If your company cannot score enough points to meet the presumed winning points threshold, a TA may adequately enhance your P-win

Contractor Teaming Arrangements (“CTAs”)

Some limitations...

- > No matter what the Teaming Arrangement states, the Government reserves the right to:
 - Disallow teams in violation of anti-trust laws
 - Require approval of subcontracts
 - Determine the responsibility of the Prime Contractor
 - Pursue competitive bids from other parties
 - Hold the Prime Contractor fully responsible for its contract performance and that of its teammates and/or subcontractors.

Contractor Teaming Arrangements (“CTAs”)

Guidance from CIO-SP4

- > NITAAC / NIH recently indicated preference for TAs between companies that had previously worked or teamed together, rather than ‘marriages of convenience’ for CIO-SP4. This may limit vendors’ choices of potential TA partners.
 - If companies are hamstrung by this guidance, consideration may be given to passing on CIO-SP4 in favor of (8)STARS III or GSA’s Alliant II replacement.
- > CIO-SP3 Small Business Track TA participants (Primes and subs alike) must all be Small Business. This restriction is likely to continued with CIO-SP4.
- > No restrictions on contractors participating on more than one TA / Joint Venture are expected (similar to CIO-SP3).
- > Socio-economic TAs must demonstrate at least 51% of the work will be performed by the disadvantaged set-aside.

Small Business Subcontractor Plans & Mentor/Protégé Program

Small Biz Subk Plans & Mentor/Protégé Program

The All Small Mentor Protégé Program (“MPP”)

- > SBA’s All Small MPP (“ASMPP”) allows two companies to apply to formalize a legal relationship with one another - one Mentor (can be small or large by government standards), and one Protégé (must be small) for a three year term.
- > Joint Ventures (“JVs”) formed by said parties assume the full panoply of past performance from each company, as well as all of the small business set-asides (small, women, veteran, minority-owned, and HUBZone) thus creating super-powered, super-capable Small Business JVs capable of winning government contracts that Mentor and Protégé, independent of one another, may be less likely to win on their own. Additionally, MPP allows for a Mentor to invest upwards of 40% equity into their Protégé without any affiliation issues.

Small Biz Subk Plans & Mentor/Protégé Program

What are the outcomes of MPP?

- > Streamline access for small firms to federal marketplace
- > Enhance business capabilities and growth potential through mentoring with large (or small) experienced businesses
- > Increase Protégé wealth and create jobs through government contracts
- > Assist large Mentor firms develop and increase supply chain through capable small business subcontractors
- > Assist contracting officers meet federally mandated set-aside goals

Small Biz Subk Plans & Mentor/Protégé Program

Joint Ventures

- > ASMPP JVs are eligible to joint venture as a small business and assume the identity of the Protégé for any Federal government prime contract or subcontract. (13 CFR 121.103 (3)(ii)), 13 CFR 125.8, 13 CFR 124.513 (8a), 125.18(SDVOSBC), 126.616 (HUBZone), 127.506 (WOSB/EDWOSB))
- > ASMPP JVs are granted exclusion from affiliation 13 CFR 121.103 (3)(ii)
- > Procuring activities must consider work done individually by each partner to the joint venture as well as any work done by the joint venture itself. (13 CFR 125.8(e))
- > Since ASMPP began in 2016, SBA has approved +950 Mentor Protégé agreements
- > MPA approval required prior to JV bid on award
- > SBA District Offices review and approve all JVs for 8(a) contracts regardless of whether the MPA was approved via the 8(a) or ASMPP programs

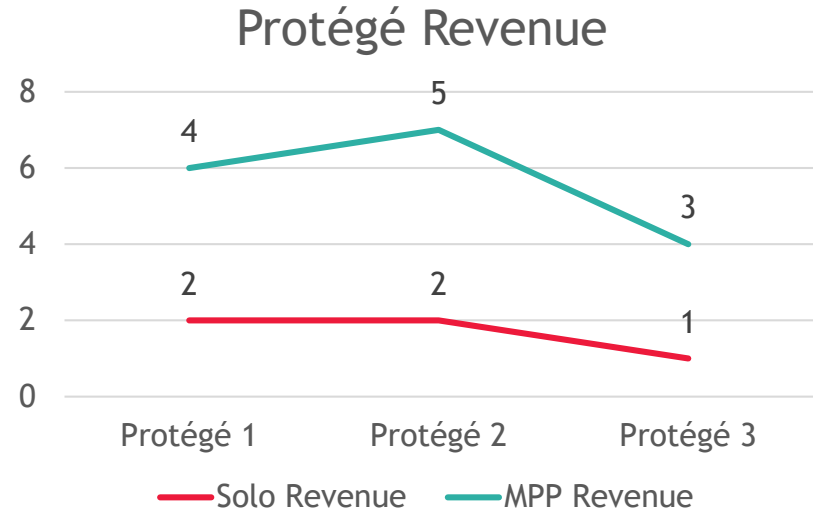
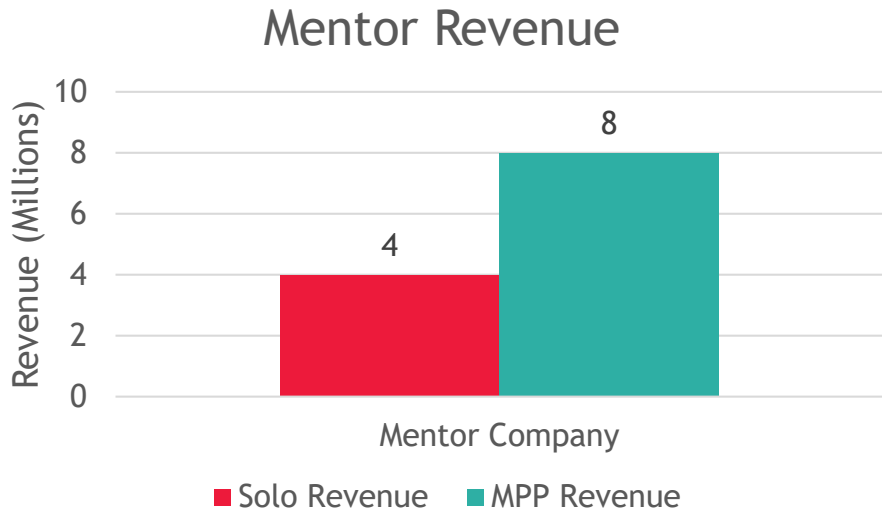
Small Biz Subk Plans & Mentor/Protégé Program

Mock Scenario

- > Mentor Company (“MC”) is a Service Disabled Veteran Owned Small Business (“SDVOSB”) in the healthcare staffing field. MC’s gross annual sales are \$20m with \$4m in Revenue. MC enrolls the maximum of three Proteges into three separate Mentor Protégé Programs. Each Protege brings unique skills, leadership, past performance, contracting vehicles and complementary set-asides.
 - Protégé 1: A Veteran Owned Small Business (“VOSB”) and Woman Owned Small Business (“WOSB”) with a focus on dental temporary services. Strong past performance at Defense Health Agency (DHA); owns a VA Federal Supply Schedule (“FSS”) medical staffing contracting vehicle.
 - Protégé 2: An 8(a) HUBZone with a focus on emergency medical technicians. Strong past performance at VHA and FEMA. Has a Blanket Purchase Agreement (“BPA”) for surge staffing with FEMA.
 - Protégé 3: A fledgling 8(a) WOSB SDVOSB led by a recently retired Army Medic Colonel. Strong reach-back to her former direct reports and recent flow of subcontracting work.

Small Biz Subk Plans & Mentor/Protégé Program

Mock Scenario



Small Biz Subk Plans & Mentor/Protégé Program

To be eligible...

> Protégés Must:

- Perform 40% of subcontracting requirements
- Submit annual reports
- Demonstrate material or developmental benefits
- Submit quarterly financial reports and Certificate of Compliance for JV's

> Mentors Must:

- Provide meaningful assistance, as described in agreement
- Not have more than 3 proteges
- Be organized as a for-profit

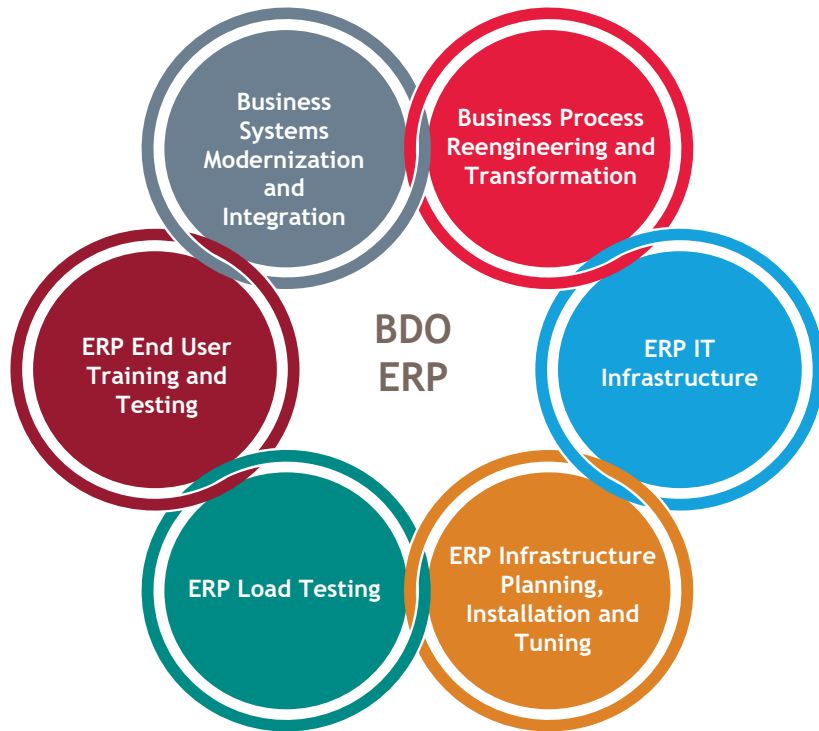
> SBA May:

- Terminate the agreement for noncompliance if the mentor hasn't provided proper assistance
- Renew the agreement for an additional three years upon expiration after the initial three years

Contractor Business Systems

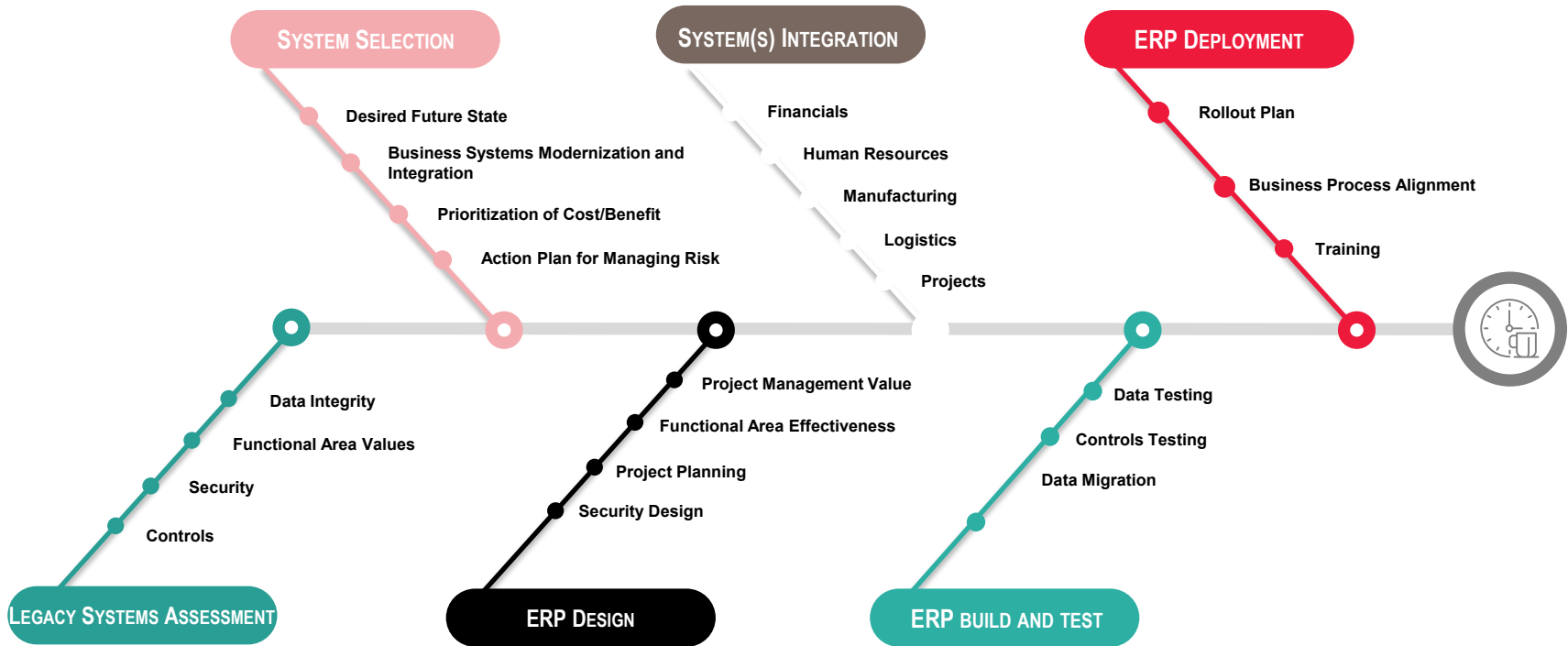
Contractor Business Systems

Enterprise Resource Planning (ERP)



- > A successful ERP offering and eventual selection and/or implementation must have a holistic approach. The offeror must be capable of fully understanding and meeting RFP criteria in the response. Their process should also include scheduling client meetings to understand current system capabilities and operating practices prior to planning the system selection and implementation.
 - Business Systems Modernization, Integration, and Transformation
 - ERP IT Infrastructure
 - ERP Software Package Selection and Implementation
 - ERP Infrastructure Planning, Installation and Tuning
 - ERP Performance Load Testing
 - ERP End User Training & Testing

Contractor Business Systems ERP Implementation Process

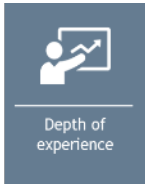


Contractor Business Systems

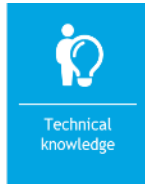
How does ERP tie into the Solicitation?



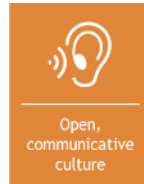
Active engagement leaders



Depth of experience



Technical knowledge



Open, communicative culture



Exceptional client service

- > It is important to not only demonstrate your abilities to design and implement the ERP solution, but to also continue to tie this back to the non-price factors in the RFP.
 - Technical Capabilities and Understanding
 - Corporate Experience
 - Management Approach
 - Past Performance
- > Provide details of experience and qualifications of all internal and external planned resources, in addition to citing examples of past clients of similar size and in similar industry to drive a “Very Acceptable” or “Highly Acceptable” rating.

Client	Project Description	PM	EVMS	Financial Management	Compliance
MERCK	BARDA Ebola Vaccine Contract Support	X	X	X	X
PFEnex	Anthrax Vaccine; EVMS Implementation and Reporting	X	X		
REGENERON <small>powered by INNOVATION</small>	UA Testing, Incurred Cost Submission and Ad-Hoc Compliance Work			X	X
ICON <small>A Symbol of Excellence</small>	Compliance and Ad-Hoc Support			X	X
NewLink GENETICS <small>Unleashing Human Potential</small>	BARDA Ebola Vaccine Contract Support	X	X	X	X
HAWAII BIOTECH	Research & Development of Vaccines and Compliance	X			X
Visterra	Acute Influenza Vaccine; EVMS Implementation and Reporting	X	X		
SABIN <small>VACCINE INSTITUTE</small>	BARDA PM and Advisory support for development of Ebola vaccines	X		X	X
RIDGEBACKBIO	BARDA Compliance and Financial Management Services	X		X	X
BioFutura	BARDA PM and Compliance Support	X		X	X
Rapidmicro <small>Analytics</small>	BARDA Sterility Testing Device			X	X
BILLE & MELINDA GATES foundation	Clinical Operations and PM Support for Lymphatic Filariasis Treatment Testing	X			X
NOVAVAX <small>Creating Tomorrow's Vaccines Today</small>	BARDA Proposal Assistance for Development of Seasonal and Pandemic Vaccines	X		X	X
janssen	Complete BARDA Incurred Cost Proposals and Compliance		X	X	X

Contractor Business Systems

ERP Quality Control & Interruption Mitigation

- > Candidates should provide a detailed plan for quality control during the entire ERP process. Offerors should describe their plan to leverage the abilities of the team personnel, as well as any error-detecting, error-correcting tools the offeror will employ.
 - What tools will show the alignment of responsibilities with resources?
 - Who will backfill PM in the event of absence?
 - What experience or tools will be utilized in system selection?
 - What expertise or experience with data quality analysis will be provided?
 - Is the offeror experienced in gap analysis?
 - Past Performance - always cite examples.
- > Provide both a mitigation and a recovery plan for data interruption. The offeror should be able to provide at least one contingency for any interruptions in location access, such as those created by Covid-19. Contingencies should also be demonstrated for data sharing during discovery, development, and implementation to prevent delays in project management.

Contractor Business Systems

CIO-SP4 Requirement for EVMS & Project Controls

- > Important Differentiator for Small Businesses
 - Many small businesses have not invested in an EVMS

- > Subfactor 3 - Management Approach, Element 2 - Quality Control Processes
 - Evidence of successful performance toward an approved Earned Value Management System (EVMS) on an ongoing project performed by the Offeror.
 - Results of a review (or evidence of a review) by a cognizant Federal Agency of successful performance toward an approved Earned Value Management System (EVMS)
 - EVMS review supporting documentation is not included the 10 page maximum for the Management Approach

Contractor Business Systems

Basics of EVMS & Project Controls

- > Earned Value Management (EVM)
 - Widely accepted project management and a performance measurement methodology that integrates scope (what) with schedule (how long) and budget (how much)
- > Earned Value Management Systems (EVMS)
 - Federal Acquisition Regulations (FAR), 34.201 EVMS - compliance with ANSI/EIA-748 EVMS Standard 32 Guidelines
- > EVM answers several important project management questions:



Contractor Business Systems

CIO-SP4 & EVMS Evaluation

- > Provide evidence of a review and approval of your Earned Value Management System (EVMS), or

- > Implement a compliant EVMS
 - Assess current financial and project management processes vs the EIA-748 EVMS standard to identify gaps
 - Implement a compliant EVMS on a current contract and produce at least 2 months of reports
 - Develop an EVM System Description document which describes the system, business processes, and responsibilities
 - Independent review of the EVMS reporting, processes, and personnel
 - Approval from CFA for current contract

Cybersecurity

Cybersecurity

General Concepts

- > Successful development of cybersecurity concepts or narratives which encompasses a variety of functional disciplines such as:
 - Critical Infrastructure Protection
 - Agency Information Assurance
 - Confidentiality, Integrity, Availability
- > Analyzing SOW/PWS requirements and development of technical approaches and solutions IAW RFP requirements is key to properly respond to proposals by aligning with current cybersecurity strategies and capabilities
- > Be mindful of IT or cybersecurity clauses in RFPs that have additional requirements not found elsewhere in the RFP:
 - FAR 52.204-21, Basic Safeguarding of Covered Contractor Information Systems
 - DFARS 252.204-7012, Safeguarding Covered Defense Information and Cyber Incident Reporting.

Cybersecurity

Leading to CMMC

- > October 2016: DFARS 252.204-7012 rule implemented
 - Outlines safeguarding covered defense information and cyber incident reporting for DoD Contractors
 - “(ii)(A) The Contractor shall implement NIST SP 800-171, as soon as practical, but not later than December 31, 2017.”

- > Incorporates NIST SP 800-171 (110 security requirements) which DoD Contractors must implement to comply with DFARS 252.204-7012

- > Soon after the issuance of the DFARS 252.204-7012 rule, the Government realized they had no mechanism for enforcement
 - Hence creation of the Cybersecurity Maturity Model Certification program

Cybersecurity

What is CMMC?

- > Framework to assess and enhance the cybersecurity posture of the Defense Industrial Base (DIB)
 - Outlines safeguarding covered defense information and cyber incident reporting for DoD Contractors
 - “(ii)(A) The Contractor shall implement NIST SP 800-171, as soon as practical, but not later than December 31, 2017.”
- > Serves as a verification mechanism to ensure appropriate levels of cybersecurity practices and processes are in place throughout the DoD supply chain
- > Requires a Certified Third-Party Assessment Organization (C3PAO) perform an assessment to achieve certification
- > CMMC is being phased into to contracts beginning FY 2021 and will be a requirement in all DoD contracts by FY2026

Cybersecurity

How to Prepare

- > For most DOD contractors, the best place to start in preparation for CMMC will be implementation of NIST SP 800-171, which governs the protection of Controlled Unclassified Information (CUI)
 - Many of the same DOD contractors who will be subject to CMMC are already subject to DFARS 252.204-7012 and should be familiar with some of the existing cybersecurity requirements

- > Leverage existing frameworks and standards such as NIST SP 800-171A, Assessing Security Requirements for Controlled Unclassified Information. NIST SP 800-171A outlines each security requirement individually, while also outlining assessment objectives and three potential assessment methods, which are examining, interviewing and testing

- > Except for CMMC Level 1, each CMMC level requires documentation. Having policies and procedures in place that are more than a regurgitation of each requirement is a reasonable starting place

Proposal Technical Writing Support

Proposal Technical Writing Support

Business System Necessities for CIO-SP4

- > Three systems explicitly referenced in the draft RFP: Accounting, Purchasing and EVMS (discussed earlier)
- > Per Article H.13, Contractors awarded cost-reimbursement task orders will be required to have and maintain an adequate cost accounting system determined adequate by their cognizant auditing agency
 - Notification requirement (in writing) if there are any changes in the status
- > Per Article H.14, Contractors with approved purchasing systems need to notify the OCO if there are any changes to the status of the approved system and provide reasons for the change
 - No indication whether an approved system is required for award of task orders

Proposal Technical Writing Support

Draft RFP Accounting System Requirements

- > Verification of an Adequate Accounting system (including each member of a Contract Team Arrangement if applicable) is needed
 - Can come from Defense Contract Audit Agency (“DCAA”), the Defense Contract Management Agency (DCMA), any federal civilian audit agency, or a third-party Certified Public Accounting (“CPA”) firm
- > No page limitation on verification documentation
 - Copies of SF1408, provisional billing rates and/or forward pricing rates should be submitted as well
- > This is a go/no-go decision and failure to submit required documentation (including CTA members) will disqualify proposals for further consideration
- > Purchasing not separately mentioned as go/no go but safe to include as part or documentation, similar to the accounting system requirements

Proposal Technical Writing Support

Accounting System 101

- > DFARS 252.242-7005, Contractor Business Systems
 - Contract clause applies to contracts subject to Cost Accounting Standards
 - The clause is self-deleting if CAS does not apply
 - Establishes a mechanism that allows the contracting officer to withhold a percentage of payments when the contractor's business system contains significant deficiencies
- > Purpose is to improve the effectiveness of DCMA and DCAA oversight
- > Accounting System implemented through DFARS 252.242-7006
- > 18 criteria that cover the following concepts:
 - Sound internal control environment
 - Segregation of direct and indirect costs
 - Identification/accumulation of direct costs by contract
 - Logical/consistent allocation of indirect costs
 - Accumulation of costs under GL control
 - Reconciliation of subsidiary ledgers and cost objectives to GL
 - Approval and documentation of adjusting entries
 - Periodic monitoring of system
 - Timekeeping system with time by intermediate or final cost objective
 - Labor distribution system that charges direct and indirect labor to proper cost objectives

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Accounting System 101, Cont'd

- > Post award audits more detailed and cumbersome and opines on adequacy of the accounting system
- > SF1408 is a recommendation that the prospective contractor's accounting system is acceptable for award of contracts
- > Common misconception:
 - “I passed my Pre-award Survey (SF1408); therefore, I have an adequate accounting system.”
- > A pre-award audit involves the evaluation of the design effectiveness, not the operating effectiveness of the accounting system.
 - It involves NO detailed testing of transactions or re-performance of controls and, therefore, CANNOT be relied upon to determine adequacy. There is no opinion issued.

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General Information on Pricing

- > This is an Indefinite Quantity contract as contemplated by FAR 16.504
- > The Government will issue Task Orders based on the work described in the RFP and other necessary schedules (such as the Labor Rate tables)
- > Task Orders may use all types of Fixed-Price, Cost Reimbursement, Incentive, and Time-and Materials (“T&M”) pricing arrangements, as provided in FAR Part 16
- > Cost and price reasonableness must be established, as such certified cost or pricing data may be requested IAW FAR 15.403-4
- > Offerors must provide clear and concise explanations of their pricing methodology and their labor and burden estimating practice and are cautioned against unbalanced and unrealistic pricing
 - Proposals need to address the methodology for determining salary ranges, direct labor rate composite, fringe benefits, overhead, and other direct costs (i.e., subcontracts, materials, and travel), and fee proposed
- > Best value procurement, Price is Factor 5 of evaluation criteria
- > The Government strongly discourages use of commercially available proposal templates for preparation of a response to this solicitation.
 - May be interpreted as a lack of understanding of the requirements of the solicitation, and therefore, may be determined to be unacceptable

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TINA and Cost or Pricing Data

- > Truth in Negotiations Act (“TINA”) invoked when contract actions (i.e., award, modifications, etc.) are above a certain dollar threshold (currently \$2M) and doesn’t meet any other exemptions
- > Purpose of TINA is to level the playing field between Government and Contractors by providing access to cost/price information via the submission of cost or pricing data
- > Failure to properly provide cost or pricing data (i.e. “defective pricing”) may lead to contract price reduction and other sanctions
- > Cost or Pricing data could be certified or not and is submitted in a format dictated by the CO; types include data on:
 - Vendor quotations;
 - Changes to CBA;
 - Nonrecurring costs;
 - Information on changes in production methods and in production or purchasing volume;
 - Data supporting projections of business prospects and objectives and related operations costs;
 - Unit-cost trends such as those associated with labor efficiency;
 - Make-or-buy decisions;
 - Estimated resources to attain business goals; and
 - Information on management decisions that could have a significant bearing on costs.

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TINA and Cost or Pricing Data, Cont'd

- > Offerors need to include the following statement in their proposals:
 - By submitting this proposal, we grant the PCO and authorized representative(s) the right to examine, at any time before award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the proposed price in accordance with FAR 15.403-3.

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Labor Rate Pricing Guidance on T&M, FFP and LH TO's

- > Labor rates need to be priced IAW schedules set forth in Section J, Attachment J.1 Labor Rates
- > These tables contain onsite and off-site hourly labor rates for each year of the contract for work to be performed within CONUS
- > Can be used on Firm Fixed Price, Time and Materials, and Labor-Hour type task orders
- > The rates proposed will be ceilings and Contractors may, at their discretion, elect to propose lower hourly rates when responding to a request for a task order proposal
- > Factors such as complexity of work, geographic locations and security clearances will be factored into loaded labor rate negotiations
- > Contractors need to explain in their task order proposals any Loaded Hourly Labor Rates that exceed the rates in the GWAC or for new proposed labor categories
- > Government reserves the right to request supporting documentation, which may include a cost element breakdown of each component factor
- > Contractors are required to propose on all labor categories

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Cost Reimbursable Task Order Pricing Guidance

- > Contractors need to identify all applicable direct and indirect costs in performance of each task order
- > All supporting schedules need to be completed and provided to the Government
- > Those Contractors with Government-approved rates should submit the most recently approved provisional indirect billing and actual rates for both direct and indirect costs
- > Contractors without audited rates need to propose indirect rates in accordance with FAR Part 31
- > Fee/profit will be negotiated for each task order consistent with statutory limitations
 - If CPAF or CPIF, the fixed portion of fee and the award or incentive portion will be clearly differentiated
- > Government reserves the right to renegotiate rates, no more frequently than every two years (section B.4.1)

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Pricing Guidance on Direct Costs

- > Direct Labor pricing methodology needs to support compensation levels
 - Could include factors such as recognized national and regional compensation surveys and studies of professional, public and private organizations used in establishing the total compensation structure
 - Should reflect a clear understanding of work to be performed and indicate the capability to obtain and keep suitably qualified personnel to meet mission objectives and take into account differences in skills, the complexity of various disciplines, and professional job difficulty
- > Labor rate escalations need to be adequately explained over the entire period of performance
- > On/off-site rates derivations should be explained
- > Offeror's policy on uncompensated overtime needs to be described and IAW FAR 52.237-10
- > Travel will be reimbursed at actual cost and as limited in FAR 31.205.46
- > Contractors may apply indirect costs to travel if a part of the Contractor's usual accounting practices and consistent with FAR 31.2
- > Travel and Other Direct Costs (ODCs) will be estimated for each task order
- > Cost element funding cannot be used to subsidize others
- > Profit on travel and ODCs is not allowable under Time and Material task orders

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NIH Contract Access Fee (“NCAF”)

- > NCAF is a required NIH fee that is fixed at TDB% to reimburse the cost of operating and administering the CIO-SP4 contract.
- > This fee is not a negotiable element between the Contractor and ordering agency
- > The NCAF is charged against all task orders and applied to the total obligated (funded) value for Contractor performance
- > Total award value is all inclusive of labor, fees (including award fees and incentive pools), and ODCs (including travel)
- > The formula is: $\text{Total NCAF} = \text{Total Obligated Award Value} * \text{NCAF Percentage}$
- > May be capped at a set amount to be determined by the NITAAC Program Office
- > More information can be found at <http://nitaac.nih.gov/nitaac/>
- > Offers need to segregate NCAF as a separate CLIN regardless of pricing arrangements used
- > NCAF is not subject to downward adjustment
- > NIH reserves the unilateral right to adjust the NCAF should it experience a major change in the cost of operating its GWAC Program

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Price Evaluation

- > Price is the 5th evaluation factor in the solicitation
- > The Government will determine the degree to which the proposed labor category rates are complete and reasonable for the period of performance of the GWAC
- > The Government will ensure that the labor rates are fair, reasonable, and predictable for the anticipated work under the contract and that the labor rates represent a Price/Cost to the Government that a prudent person would pay when consideration is given to prices in the market
- > Normally, price reasonableness would be established through adequate price competition, but the Government may also determine price reasonableness through use of cost and price analysis techniques as described in FAR 15.404
- > Pursuant to FAR 15.404-1(g), an offer may be rejected if the Government determines unbalanced pricing posing an unacceptable risk to the Government
- > Proposals that include unrealistically low or unrealistically high labor rates, or that do not otherwise demonstrate price realism may indicate a lack of complete understanding of the requirements, propose a high-risk approach to performance, and/or demonstrate an inability to attract and retain a high-quality workforce

Indirect Rates & Cost Accounting Standards ("CAS")

Indirect Rates & CAS

What's Important

- > Type and sheer size of task order awards may trigger additional cost accounting requirements and/or considerations
- > All types of task orders anticipated underneath CIO-SP4 per the draft RFP
 - Fixed-price, Cost Reimbursable (“CR”), Time and Materials (“T&M”)
- > Cost accounting techniques must be in accordance with FAR Part 31, at a minimum
- > In Article G.5.2 Task Order Issuance, CR task orders can use either DCAA-approved rates or negotiated pricing rates if the contractor doesn’t have established rates
 - Recommended that contractors have current forward pricing or provisional rates to ensure seamless procurement
- > Allowable Cost and Payment Clause included as part of flexibly priced Task Orders - imposing the Incurred Cost Proposal (“ICP”) Requirement (FAR 52.216-7)
- > Cost Accounting Standards may be triggered if exemptions are not met

Indirect Rates & CAS

Indirect Rate Basics

- > For smaller contractors or those new to Federal contracting, indirect rates could be a new concept
- > In essence, for certain contract types or procurements, the Gov't allows reimbursement of the company's indirect expenses on a dollar for dollar basis if the costs meet the criteria in FAR Part 31
- > Costs must be allowable, allocable and reasonable in order to claim
- > Indirect rates may be structured in any way that is compliant and that makes sense for the business
- > Certain administrative requirements come along with indirect rates that establish, monitor and finalize throughout the contracting lifecycle (FAR Part 42)
 - Forward Pricing Rates, Provisional Billing Rates, Final Indirect Cost Rates (via ICPs)

Indirect Rates & CAS

What is CAS?

- > CAS was created to promote consistency and uniformity in the allocation of costs to Government contracts, reduce disputes and improve administration.
- > CAS is law, failure to comply represents breach of contract (refer to clauses).
- > Different timelines and contract values could affect the type of CAS coverage (exempt, modified, full).
- > Full coverage is subject to all 19 standards plus Disclosure Statement (Form DS-1) requirement.
- > Modified coverage is subject to a subset and may or may not require D/S.
- > Allocation standards are significant in the performance of contracts.
- > DS-1 is crucial in determining whether practices are adequate and compliant.
- > When applicable, CAS applies to contracts from all agencies
- > FAR regulates cost allowability & allocability whereas CAS regulates cost allocation, assignment & measurement

Indirect Rates & CAS

Administrative Requirements

- > Forward Pricing Rate Agreements are typically submitted for 3-5 years increments or sooner if cost experience changes
- > Final Indirect Cost Rates are established through procedures in FAR 42.7, and through the Incurred Cost Proposal
 - Needs to be submitted within 6 months of contractor's fiscal year end
- > Provisional Billing Rates should be established annually
- > Cost Accounting Standards may require a disclosure statement, which needs monitoring and potential cost impact calculations from accounting practice changes

Conclusion

Conclusion

Tying It All Together

- > The \$40 billion CIO-SP4 will eclipse both CIO-SP3 and CIO-SP3 Small Business
- > The re-compete will have a self-scoring evaluation methodology
- > Small businesses must qualify for a minimum of five or eight task areas
- > The final RFP for CIO-SP4 is expected in December
- > Take the time to strategize the capture effort (CTAs, JVs, etc.)
- > Heavy emphasis on business systems (go/no-go decision)
- > Get ready for CMMC!
- > Recommended to play offense with Indirect Rate submissions (PBRs & FPRPs)
- > Additional compliance burdens may be triggered (TINA, CAS, ICPs)
- > Follow all instructions and use required templates, formats and level of detailed information in the RFP!

Questions?

Today's Speakers - Bloomberg Government



Dan Snyder is Bloomberg Government's director of government contracting analysis. Prior to joining Bloomberg, he served as an analyst focusing on GSA/VA Federal Supply Schedule consulting. He holds a Master of Business Administration and an M.S. in government contracts and from The George Washington University and an undergraduate degree from Siena College.

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Keith Colbath is a Director in BDO's ISSG practice and is an experienced corporate controller with industry experience in government contracting, government grants, information technology, manufacturing, and professional services. He has 15+ years of experience implementing, operating, and administering Deltek systems including Vision, GCS, and Costpoint. Keith has an undergraduate degree from The University of Massachusetts and an MBA from Suffolk University.

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Tim Trickett is the CTO of BDO Public Sector and leads Public Sector's Technology Office. He is responsible for the overall strategic and technological management of BDO Public Sector. He is also responsible for BDO Public Sector's IT infrastructure which support Federal, State, Local, and Non-Profit organizations. Tim is a service-disabled veteran with seventeen years of specialized experience in cybersecurity, information technology, compliance, and risk management.

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Today's Speakers - BDO



Nate Garrison is a Senior Manager in BDO's Industry Specialty Services practice and has over 10 years of experience within the Government contracting industry. He began his career at a large defense contractor and then transitioned into the Consulting industry shortly thereafter. His experience includes assisting clients with a collection of Federal compliance issues including, the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS) and Cost Accounting Standards (CAS). The client profile that he has consulted is diverse, and ranges from Federal contractors graduating from Small Businesses to Nonprofits holding Federal contracts and traditional defense contractors. This experience has provided him a unique perspective in the Federal contracting space. He holds a Bachelor's degree in Finance and Information Technology from George Mason University.

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