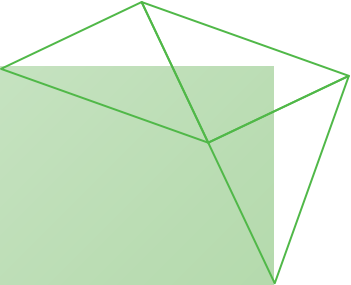




Essential Finance Strategies for GovCon Small Business

Laura Davis

- 
01. Cost Management
 02. Project Management
 03. Importance of Strong Financial Management
 04. Cash Flow Management
 05. DCAA Interaction

Cost Management – Company Level

Company Level

- Understanding Financial Statements
 - Revenue
 - Gross Margin
 - Net Margin
 - Unallowable Costs
 - Ratios
- Monitor Trends
- Accurate and Timely Reporting
- Budgeting

Cost Management

Project

- Tracking Actual Costs Against Proposed/Budgeted
 - Hours Incurred
 - Employee Pay Rates
 - Direct Costs
 - Travel
 - Subcontractor
 - Materials
 - Other



Cost Management

Indirect

- Indirect Rates/Multiplier/Wrap Rate
- Details of Indirect Rates
 - Ability to manage at account level
 - Trend reporting
 - Comparing against budget
- Impacts of New Project or Ending Project
- Other Impacts
 - Increases in Health Insurance Premiums
 - Changes to Facility Costs
 - Contractor Site vs Customer Site



Indirect Rate Management



Actual Performance against proposed rates



Impact of Rate Variance by Contract Type

Fixed Price

T&M

Cost Plus



DCAA Compliance

Cost Management

Unallowable Costs

- FAR 31.201
- Examples of Unallowable Costs
 - Interest, Fines/Penalties
 - Charitable Contributions
 - Some Legal Fees
 - Unreasonable Costs (Travel, Labor, etc)
- Not Recoverable, Impacts Net Income
- Importance of monitoring

Project Management

- Direct Cost
 - Understand Timing of Costs Incurred
 - Employee Hours & Pay Rate
 - Supply Chain Issues
- Schedule
- Deliverables
- Performance
- Indirect Rates



Cost Management

Ratio/Metrics

- Gross Margin
- Multiplier/Wrap Rate
- Unallowable Costs to Revenue
- Current Ratio
- Debt to Equity Ratio
- EBITDA
- Days Sales Outstanding
- Employee Turnover



Importance of Strong Financial Management

- Overall Company Health
- Decision Making
- Project Performance
- Indirect Rate Variances
- Possibility of Claim
- Banking Relationships



Tools To Assist With Financial/Project Management

- Accounting System
 - Labor Tracking
 - Burn Rate
 - Labor Costs
 - Project Reporting
 - Indirect Rate Calculations
 - Budget Comparisons
- Project Management
- Cash Flow Management



Cash Flow Management

- Meeting Obligations
- Reducing Debt
 - Lower Interest Expense
- New Contract Startup
 - Day 1 - Contract Award
 - Day 30 – 1st Invoice (net 30)
 - Day 30 - 1st Payroll
 - Day 45 – 2nd Payroll
 - Day 60 – 1st Payment & 2nd Invoice
 - Day 60 - 3rd Payroll
 - You will need 3 payrolls of cash on hand to finance a new award



Financing Options

- Invoicing Cycle
- Line of Credit
- Small Business Loans
- Credit Cards – Beware of Interest
- Factoring – Beware of Fees/Interest



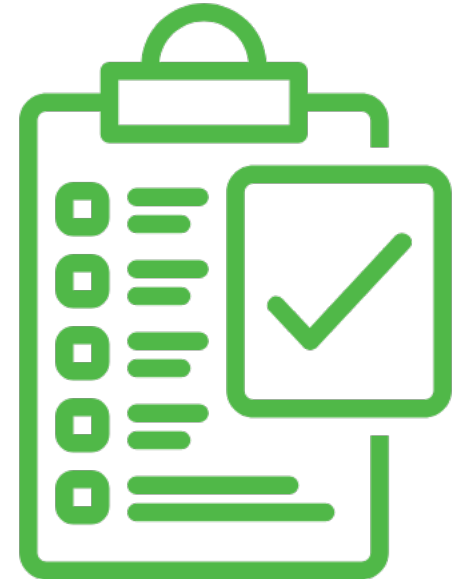
Cash Flow Planning

- Timing of Customer Payments
- Timing of Major Cash Outflows
- Determine Borrowing Needs
- Determine Possible Payments on Debt
- Determine Possible Adjustments in Spending



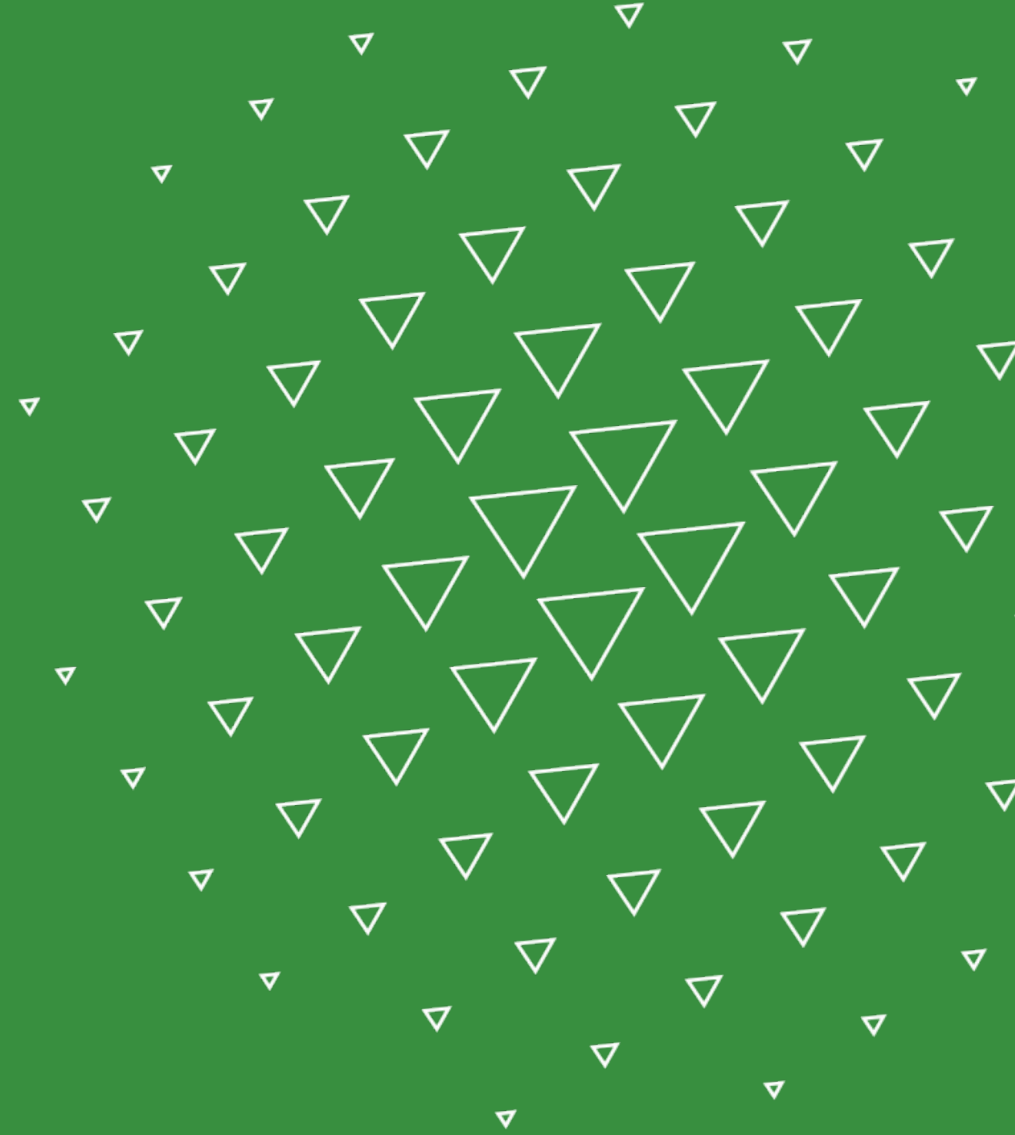
DCAA Compliance

- Basic Elements of Compliant Accounting System
 - Segregation of Costs
 - Direct from Indirect
 - Indirect by Cost Pool
 - Direct by Project (based on contract requirements)
 - Unallowable Expenses
- Labor Tracking
- Indirect Rate Management
- Contract/Funded Value Tracking



Conclusion

- Timely, Accurate Monthly Reporting is Critical
- Budgeting
- Trend Reporting
- Indirect Rates
- Metrics
- Cash Flow



Q&A

Contact us at info@pci.us for more information!