



Asian American Chamber of Commerce

Gaining a Competitive Edge: Indirect Rates



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Moderator:

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Chief Executive Officer, Harmonia
Holdings Group, LLC.

Host: Reena Bhatia, ProposalHelper





ABOUT THE ASIAN-AMERICAN CHAMBER OF COMMERCE

Members receive webinar slides and
recording first.

Support AACC by being a member

The Asian American Chamber of Commerce (AACC) is dedicated to **improving the economic development for businesses in VA/DC/MD.**

Membership

Business	Membership Annual Dues
Business Size: 1-2 employees	\$220
Business Size: 3-10 employees	\$330
Business Size: 11-50 employees	\$495
Business Size: 51-100 employees	\$820
Business Size: 101-250 employees	\$1,315
Business Size: 251-500 employees	\$1,965
Business Size: 501+ employees	\$2,470
Non-Profit Organization, two years membership (Budget up to \$1 million)	\$200
Student	\$50

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Asian American
Chamber of Commerce

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Pallabi Saboo

CEO, Harmonia Holdings Group

Asian American Chamber of Commerce Board

TiE DC Board

Army Science Board

NVTC Executive Circle



Intro to Harmonia Holdings Group, LLC

- Minority/Woman-owned
- 400+ Employees
- Appraised at CMMI-DEV Level 3 (Agile/DevSecOps) & CMMI-SVC Level 3
- ISO 9001:2015 for Quality Management
- ISO 20000-1:2011 for IT Service Management
- ISO 27001:2013 for Information Security Management System

Awards

- 2020, 2019: *Virginia's Fantastic 50 Companies*
- 2018-2009: *Inc. 5000 Fastest Growing Companies*
- 2017: *USDA FSA Administrator's Award for Ent. Data Warehouse*
- 2016: *Abraham Lincoln Honor Awards, USDA Secretary*
- 2016: *USDA AMS Administrator's Award*
- 2015: *CEO is Finalist for Ernst & Young Entrepreneur of Year*
- 2015: *Woman-Owned Business Contractor of Year, USDA FSA*
- 2015: *HUBZone Contractor of Year, USDA FSIS*
- 2013 & 2007: *Tibbetts Award*
- 2013: *Featured in Forbes*

Offices



Sample Clients

Managing and Understanding Data



Cloud Architecture/Infrastructure Modernization



Enterprise Software Systems



CyberSecurity



Gaining a Competitive Edge: Indirect Rates

Donna M. Dominguez

Partner, Government Contract Services Group

Donna Dominguez is a Partner in Aronson LLC's Government Contract Services Group, where she provides a wide range of financial compliance advisory services for government contractors. She is experienced in matters related to Federal Acquisition Regulations (FAR), cost accounting standards (CAS), incurred cost submissions, DCAA/cognizant audit support, provisional billing rates, establishing/revising indirect rate structures and cost proposal support.

Donna works with contractors to help them grow their business while keeping their accounting systems adequate in the eyes of the government and their billing systems current and relevant. She is also involved in supporting the government contracting community as a frequent guest speaker on a variety of compliance topics.

Donna earned her bachelor's degree in accounting from the University Maryland and has completed additional coursework in contracts administration. She is a contributor to Aronson's Fed Point blog and has co-authored articles for NCMA Contract Management Magazine.

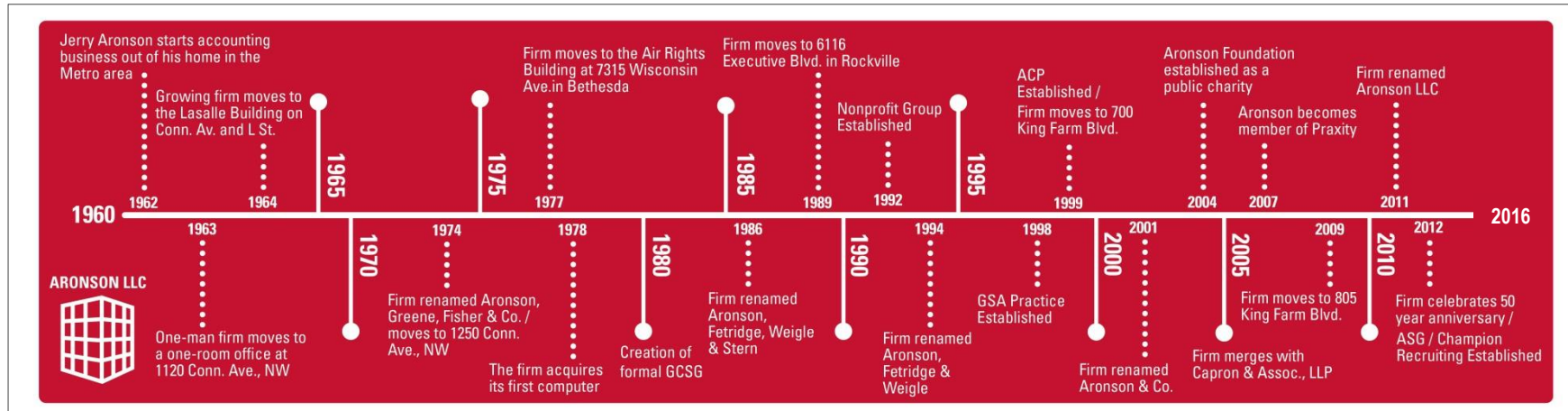


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About Aronson LLC



FOUNDED 1962

1980: Creation of Formal
Government Contract
Services Group



280 TOTAL TEAM

TOP 100

Nationally Ranked Firm

#1

Full-Service CPA Firm
Headquartered in Capital
Region (DC, VA, MD, WV & DE)

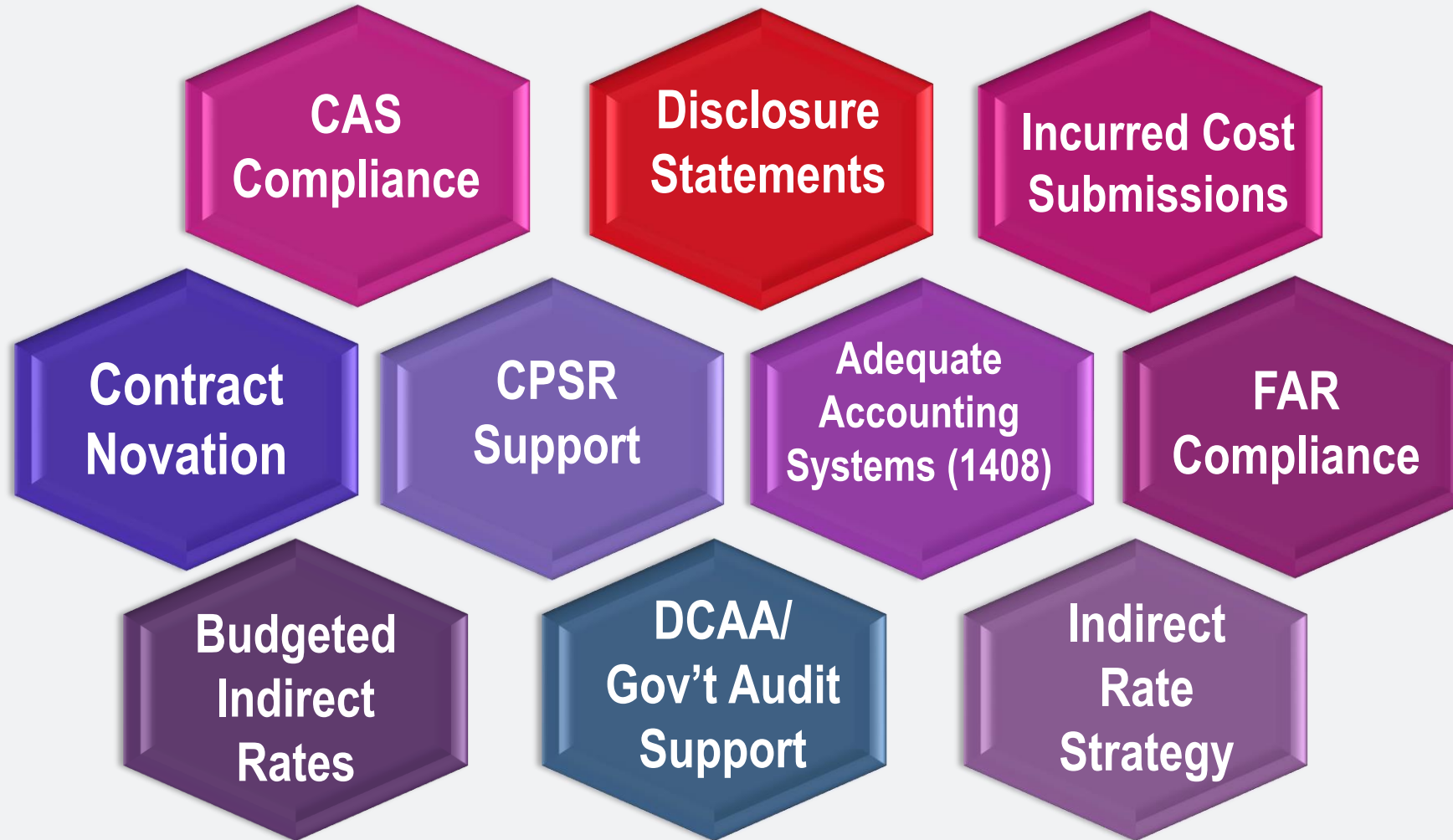
INDUSTRIES SERVED

Government Contracting,
Technology, Nonprofit, Real
Estate, & Construction

SERVICES PROVIDED

Assurance, Tax, Consulting &
Benefit Plans

The many colors of **Aronson** compliance support!



Indirect Rate Strategies – Gaining a Competitive Edge



Indirect Rate Strategies – Gaining a Competitive Edge

Questions to consider and Today's Discussion Topics!

- When is the last time you reviewed your indirect rates?
- Who is watching your bottom line?
- Who is managing the project(s)
- Do you need to have a value added or total cost input G&A base?
- When can I offer discounts and how does that impact the bottom line & billings?
- Can I change how I record certain costs and how will that impact my rates?

Indirect Rate Strategies – Gaining a Competitive Edge

Today's Objectives:



- Understanding your market space
- Aligning future goals with your indirect rates
- Wrap rates that are competitive
- Coming to the right Indirect Rate Structure
- When is the time to offer discount pricing

Indirect Rate Strategies – Gaining a Competitive Edge

Evaluating your indirect rates on a regular basis is necessary to ensure that your indirect rates reflect the company's strategic plan and that your business is recovering all the costs that are allowable.

Understanding your market space and aligning future goals and resources with your provisional budgeted rates.

Who is responsible to monitor, measure and report?

Indirect Rate Strategies – Gaining a Competitive Edge

Overall, to be **competitive** you want a **lower WRAP** rate.

How often to you rethink how your rates are being calculated?

- Do you review the costs in the pools?
- What about looking at service centers (intermediate pools)
- Is it time to go from total cost input to value add?
- Do I have the right number of Overheads or have I over complicated my rates?
- Is profitability measured at the project level? Who's responsible for monitoring that?

Investment in growth will pause your WRAP Rate...
... Win more work to lower your WRAP rates!

Indirect Rate Strategies – Gaining a Competitive Edge

How do you know what is the right rate structure for you?



Single Rate

2 Tier Rate Structure

3 Tier Rate Structure

How many Overheads should I have?

What is a reasonable G&A rate?

Let's talk about SM&H rate **or**
Sub handling and Material handling



Indirect Rate Strategies – Gaining a Competitive Edge

Discounted G&A

- Is great when you have a higher G&A rate and do not want to apply the full amount onto your subcontractor & consultant costs. For bidding and pricing strategy would be to discount the G&A on the subs when you have a TCI (Total Cost Input) G&A base
- This means you are self imposing a ceiling on your G&A rate for that award when you bill your subcontractor costs
- You can offer discounted G&A rate on any pass-through item or cost.

Indirect Rate Strategies – Gaining a Competitive Edge

Impacted G&A

- Begin with your original budgeted indirect rates and alter or update for this one effort/RFP. It was not considered in the original budgeted costs
- This could yield lower and higher rates depending on what is added in.
- Maybe this is what would trigger the need to go to a value added G&A base and create a Subcontract & Material Handling (SM&H) rate.

Indirect Rate Strategies – Gaining a Competitive Edge

- Discounted G&A
- Impacted G&A rate
 - On response to RFP be clear about what you are offering Contract by negotiations. Does a wrap rate ceiling make sense?
- Negotiate a wrap rate slightly higher than proposed budgeted rates or at a minimum higher than proposed rate

The Government's responsibility is to ensure that the contractor does not have a runaway rates.

Indirect Rate Strategies – Gaining a Competitive Edge

Tips

- **Allocation of service centers** – For those companies where people wear many hats – Think **Labor Hours!** Second preference might be Labor Dollars but it depends.
- Look at what costs are going in the **G&A Pool** – what can be reclassified?
- **Who is charging to G&A** and is that correct? **BD time for Overhead personnel** – where are you booking those costs?

Indirect Rate Strategies – Gaining a Competitive Edge

Tips

- **SM&H Pools** often struggle to meet the budgeted number – is there Facility, IT and bonus dollars that could follow that labor into the pool?
- **CAS Covered** is a consideration – may lead to cost impact analysis but **doesn't mean you can't revisit your structure**
- **Joint Venture** has a **different rate** than your entity and likely G&A pool costs coming out of your entity for the JV

Indirect Rate Strategies – Gaining a Competitive Edge

Tips

- Performanced based **Bonus dollars** – Following the labor or in the Fringe pool?
- **Recruiting Costs** – Follow the labor. This will likely lead to most of the cost in the Overhead Pool(s)
- **Be consistent when applying like costs!** Office supplies and having Facility Service Center



Thank You!