



GC Newsletter

April 2007, Vol. 3, Issue 3

IN THIS ISSUE:

Fedlinx-Value-Added Resource Alliance

Executive Compensation Benchmark for 2007

Final Rule-Small Business Size Recertification

Are Changes in Government Contracting on the way?

Recovery Purchasing Expands GSA Schedule Use

Voluntary Quit Policy-Does Your Company Have One?

Careers at Gaffey & Associates, PLC

Gaffey & Associates-Your Ticket to Success

Thought for the Day

Here is the April 2007 issue of the GCNewsletter from Gaffey & Associates Government Contracting Services Group. We hope that you will find its content interesting and valuable. As we have stated previously, your feedback and suggestions for content are always welcome as we go forward. We ask you to continue visiting our website at www.GaffeyCPA.com to learn more about the government contracting services that we provide and to gain access to previous issues of the GCNewsletter, the GCAAlert and to review White Papers and presentations on various subjects of government contracting interest. We also urge you to contact our alliance members who have provided articles in this and previous GCNewsletters.

Sam Davidson, Principal
703-748-5816
Samuel.Davidson@GaffeyCPA.com

FEDLINX – VALUE-ADDED RESOURCE ALLIANCE



We are expanding our services to better provide you, our clients and potential clients, with access to the best qualified government contracting resources available. We have formed a working alliance with FedLinX, Inc. (www.fedlinx.com), one of the premier GSA consulting firms in the country and they make a perfect addition to our existing list of client-oriented, value-added services.

FedLinX, Inc., provides GSA consulting with a broad federal market perspective. Their team of industry-experienced professionals is well versed in all aspects of the Federal Government market. Collectively, their work experience includes serving in the armed forces, working for the Federal Government and for Federal Government contractors, and working for state and local governments. They

have won multimillion-dollar proposals, managed multimillion-dollar contracts, managed GSA Schedules, started Federal Government divisions, and are the creators of the only GSA compliance system on the market. They use this experience to provide the solutions and services your company needs to succeed in the Federal Government market as a GSA Schedule contractor.

Beyond just getting a contract, selling to the Federal Government via a GSA Schedule contract requires negotiating and maintaining a GSA Schedule program that is aligned with and complements a company's commercial sales program. FedLinX understands how the pieces of an organization's GSA Schedule program and commercial program should align with each other to maximize profit and minimize non-compliance. They are your GSA compliance manager.

FedLinX offers the following GSA Schedule Support Services: Solicitation Preparation,



7918 Jones Branch Drive Suite 750
McLean, VA 22102
Telephone: 703-748-5808
Fax: 703-226-1122
www.GaffeyCPA.com

Contract Maintenance, GSA Systems Analysis (Compliance Review), GSA Compliance Program Development, Mergers & Acquisitions Due Diligence, GSA Compliance Manager Software and GSA Training.

You can contact them through Sam Davidson at samuel.davidson@gaffeycpa.com or directly by emailing Dr. Tomi Bryan at tbryan@fedlinx.com or Linda Rodden at lrodde@fedlinx.com.

EXECUTIVE COMPENSATION BENCHMARK FOR 2007

The benchmark compensation amount for contractors' Fiscal Year 2007 is \$597,912. The data used to establish this amount represents the median (50th percentile) amount of compensation accrued over a recent twelve month period for the top highest paid executives of publicly traded companies with annual sales over \$50 million. This amount, which is allowable under government contracts, reflects a 9.4% increase over the FY2006 benchmark of \$546,689, does not limit the compensation that an executive may otherwise receive.

This notification can be found in the Federal Register, March 27, 2007 (Volume 72, Number 58), Page 14300.

FINAL RULE - SMALL BUSINESS SIZE RECERTIFICATION

The goal of many small businesses to work hard, be successful and then become wealthy by merging with or being acquired by a larger company may be a dream of the past. Or at least a lot harder to attain.

Effective June 30, 2007 government agencies must request a size recertification before the start of the 6th year of a long-term contract (GWAC, GSA MAS and multi-agency contracts of 5 years or more); upon the establishment of a joint venture; in the event of a merger, acquisition or novation; or the straight-forward purchase of one company by another. A recertification is also required when there is a change

in controlling interest in a publicly traded company, when 51% of small company is purchased by a single buyer or when there is a change of hands in a controlling minority interest.

The result of this final rule designed to correct/improve Federal agency small business reporting deficiencies will cause a significant decrease in small business acquisition values as potential buyers think twice about the certainties of future revenue streams associated with small businesses. Businesses that recently bought a small business may have overpaid and some small businesses are going to be caught short.

This final rule does not affect subcontractors or subcontract arrangements or individual task orders already negotiated under a long-term contract.

To reduce the impact of this new regulation it is suggested that small businesses: (1) develop strong relationships with their target agencies to become a preferred vendor; (2) create a niche that other companies cannot or have a hard time filling; (3) enter into mentor/protégé relationships with potential contractors; and (4) continue to pursue long-term contracts where the benefits outweigh the decision not to pursue.

More information can be found on the SBA website at www.sba.gov or in the Federal Register/Vol.71, No. 220/Wednesday, November 15, 2006/Rules and Regulations/Pages 66434-66443.

ARE CHANGED IN GOVERNMENT CONTRACTING ON THE WAY?

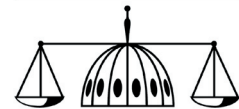
What's going down in Congress efforts to increase transparency and restore accountability and integrity to federal contracting? Here is a list of some of the suggested congressional initiatives being considered. Fortunately they won't all become law but it gives us a flavor of the current congressional regulatory environment. If you are concerned about these initiatives we urge you to contact your congress person.

- Limit no-bid contracts issued in times of

emergency to one year and \$1M.

- Agencies are to rely on noncompetitive contracts for only about eight months before replacing them with a competitively awarded contract.
- Require government agencies to report to Congress within 14 days to explain why a competition wasn't held for any sole-source contracts.
- Require agencies to publicly announce large sole source contracts shortly after they are awarded.
- Order any inappropriate or questioned costs or cost overruns of \$10M or more to be reported to Congress on a quarterly basis.
- Encourage agencies to use fixed-price contracts and limit non-competitive, sole-source and cost-reimbursement type contracts.
- Requires companies with deals worth more than \$5M to have a written code of conduct and a compliance plan that includes employee ethics training.
- Provide Congress with copies of contracts worth more than \$5M for work in Iraq and Afghanistan.
- Require Congress to report on disciplinary actions against contractors.
- War profiteers (not defined) would be subject to up to 20 years in prison and fines up to \$1B.

Proud Member of



The Coalition
for Government
Procurement

 **FAIRFAX COUNTY**
CHAMBER OF COMMERCE

Member
Northern Virginia
Technical Council

- Require a study of the government's increasing use of contractors to manage large programs.
- Allow challenges of large task order and delivery awards under umbrella contracts.
- Limit the value of task and delivery orders for services under larger contracts to \$100M.
- Require that prime contractors subcontract no more than 65% of the work on any given contract.
- Under "letter contracts" if the terms are not set before 180 days have passed or 40% of the work is completed, the government would have the power to unilaterally set the missing terms.
- Require greater analysis of government purchase card use to weed out fraud and identify savings.
- Require pre-award congressional notification of contracts that might be awarded to companies based in countries that sponsor terrorism.
- Establish personal financial interest restrictions and one prohibiting contracts to educational institutions not supporting U.S. defense efforts.

RECOVERY PURCHASING EXPANDS GSA SCHEDULE USE

The General Services Administration (GSA) issued interim rules on Thursday, February 1, 2007, making all GSA Schedule contracts available to State and Local governments for Recovery Purchases related to disaster recovery and planning. This significantly expands "cooperative purchasing" under the GSA Schedules program, which in the past had only been available for IT products and services. However, purchasing is limited to products and services in support of disaster recovery.

Under this new rule, State and Local governments will enjoy the ease of use of the GSA contracts and benefits of federal prices, which are already deemed fair and reasonable. Of particular significance is

a provision of the GSA rule that provides for "advanced purchasing" whereby State and Local governments could acquire products and services even before a disaster or terrorist attack takes place.

Mass modifications are being issued now by GSA to invite your company to include Recovery Purchasing in its contract. There are, however, rules and compliance issues that should be addressed before you jump into this expanded market. Separate reporting and ordering requirements will be specified by GSA. These separate reports will be required even if your company is already signed up for cooperative purchasing under the IT schedule. In addition, electing Recovery Purchasing is an all or none option. Unlike the IT schedule, you cannot select which SINs you want to include. As your company contemplates participating in this new opportunity, be sure to consider whether ordering and compliance systems are in place and ready for the additional tracking and reporting responsibilities.

For those of you who are history buffs, what follows is a short synopsis of how recovery purchasing for State and Local governments was enacted. On October 17, 2006, President Bush signed the John Warner National Defense Authorization Act of 2007 (Public Law 109-364). Section 833 of this law authorizes GSA to allow state and local governments to use the Schedules Program to acquire products and services that facilitate recovery from a major disaster, terrorism, or nuclear, biological, chemical, or radiological attack.

The interim GSA rule became effective on February 1, 2007. The rule implements the Defense Authorization Act and permits state and local governments to use the Federal Supply Schedules for the acquisition of products and services that could be used to facilitate recovery from a major disaster elected by the President. The rule also permits the use of Federal Supply Schedules for the recovery of products and services needed to recover from terrorism or nuclear, biological, chemical, or radiological attack. The Department of Homeland Security has determined that all of the goods and services available on GSA Schedules could potentially be used for this purpose. There will be a

60-day public comment period for the interim rule change. After GSA receives comments, it may revise the rule before it becomes final.

This article was provided by Linda Rodden, Director GSA Compliance at FedLinX (www.FedLinX.com). FedLinX is a GSA consulting company providing contract administration services with an emphasis on compliance and a new alliance partner with Gaffey & Associates. Linda can be contacted at lrodden@fedlinx.com.

Thought for the Day

"We don't accomplish anything in the world alone...and whatever happens is the result of the whole tapestry of one's life and all the weavings of individual threads from one to another that creates something." – Aristotle

Confidence · Direction · Capability



VOLUNTARY QUIT POLICY – DOES YOUR COMPANY HAVE ONE?

When does your company determine when an employee has quit, if he or she fails to notify you? Uncertainty as to an employee's employment status can cause difficulties. If once let go for lack of attendance can he or she claim unemployment? Will they have legal recourse for unjustified firing?

To protect your company you should have a documented voluntary quit policies that is read and acknowledged by the employee when hired. An example of such a policy is as follows:

"Any staff exempt or staff non-exempt employee who fails to report for work for three (3) (period to be determined by the company) consecutive working days and who does not contact his/her supervisor with explanation of absence, or who does not return to work on the scheduled date from an approved leave of absence (without appropriate approval of extension of leave of absence), shall be considered to have voluntarily quit. The supervisor shall issue a notice of termination promptly to the employee."

CAREERS AT GAFFEY & ASSOCIATES, PLC

Our goal is to build a firm of entrepreneurial minded individuals who "partner" with clients to provide creative solutions to achieve the desired goal. Our associates need to be good listeners, responsive, caring, knowledgeable, and committed to our client's success.

Gaffey & Associate's connections and opportunistic outlook enables continued firm growth at twice the industry average. We provide a friendly, collegial, family oriented environment that fosters individual and professional growth.

The Government Contracting Services Group of Gaffey & Associates is looking for individuals interested in becoming a part of our exciting and rapidly growing consulting practice. We need people who are detail-oriented, eager to learn and advance and would be good with clients. A college degree in accounting is required. Experience in government contract cost accounting, the Federal Acquisition Regulation (FAR) and Cost Accounting Standards (CAS) is a positive. Defense Contract Audit Agency (DCAA) experience a definite plus but not required. Contact Sam Davidson at samuel.davidson@gaffeycpa.com.

GAFFEY & ASSOCIATES – YOUR TICKET TO SUCCESS

The Government Contracting Services Group provides hands-on assistance and business advisory services in most areas of government contracting and government procurement regulation compliance. Areas where our experience, knowledge and innovative thinking puts us ahead of our competition include:

- Design and preparation of indirect cost rate proposals and cost allocation plans that:
- Facilitate the management decision making process
- Maximize cost recovery and improve profitability
- Improve your competitive position
- Meet regulatory compliance requirements
- Preparation, submission and negotiation of Requests for Equitable Adjustment to your contract pricing, schedule or both.
- Establishment and maintenance of compliant business systems and effective internal controls.
- Performance of business process analysis and operations improvement reviews to identify and prioritize key business risks.

We also provide specialized assistance in the areas of:

- Accounting system design and assessment
- Business system assessment (Labor Recording, Billing, Cost Estimating and etc.)
- Compliance with the FAR, CAS and the OMB Circular requirements
- Proposal pricing and "red team" reviews
- Preparation, submission and negotiation of termination for convenience proposals
- Subcontract management
- Training seminars on an open-enrollment or in-house basis

Whatever your government contracting needs contact us and tap into a resource that can help you succeed in a very competitive marketplace.

We can be reached by contacting Sam Davidson at 703-748-5816 or via email at samuel.davidson@gaffeycpa.com.