Oracle Projects Suite

Helping Address the Unique Challenges for DOD Services Companies

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Oracle Applications Precision

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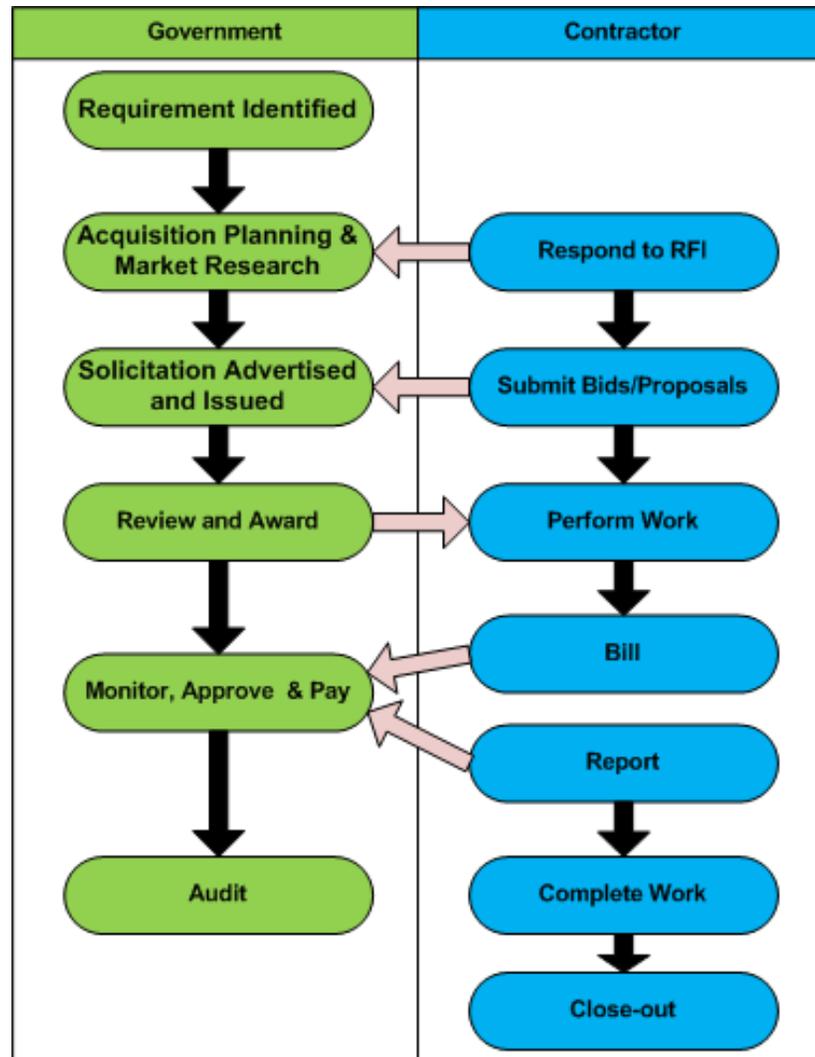
Government Contracting - Overview

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The High Level Process

Government	Contractor
Requirement Identified	
↓	
Acquisition Planning & Market Research ←	**Respond to RFI**
↓	↓
Solicitation Advertised and Issued ←	**Submit Bids/Proposals**
↓	↓
Review and Award →	**Perform Work**
↓	↓
Monitor, Approve & Pay ←	**Bill**
	↓
←	**Report**
↓	↓
Audit	**Complete Work**
	↓
	Close-out

The Major Players

Office of Management and Budget (OMB):

Primarily group responsible for outlining the President's Budget each year, also defines and enforces procurement regulations.

General Services Administration (GSA):

Independent agency responsible for helping the government procure goods and services, maintain GSA Schedules and manage the acquisition, use and disposal of real estate.

Program Office (PO): ✓ ORACLE®

This is the "customer" to which government contractors are selling their goods and services.   Also known as Issuing Agency.

The Major Players

Defense Contract Management Agency (DCMA): ✓ ORACLE

Responsible for ensuring that contractors deliver goods and services to the Department of Defense on time, at cost, and in a sufficient manner. Also responsible for approving billing rates.

Contracting Officer (CO): ✓ ORACLE

This is the "buyer" who assists in the execution of contracts, making sure that all the laws are followed and that the PO is getting the best value from the contracts it purchases.

Defense Finance and Accounting Service (DFAS) : ✓ ORACLE

Pays all DoD military and civilian personnel as well as major DoD contractors and vendors. Also known as Payment Agency.

The Major Players

Inspector General (IG):

Leads an organization charged with examining the actions of a government agency, military organization, or military contractor as a general auditor of their operations to ensure they are operating in compliance with generally established policies of the government.

Defense Contract Audit Agency (DCAA):

Performs all necessary contract audits for the Department of Defense, also provides accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration.

The Customers (PO)

- ➢ Armed Services (Army, Navy, Air Force)
- ➢ Defense Intelligence Agency
- ➢ National Security Agency
- ➢ National Geospatial-Intelligence Agency
- ➢ Missile Defense Agency
- ➢ Defense Information Systems Agency
- ➢ Defense Logistics Agency

The Rules

Federal Acquisition Regulation (FAR): √ ORACLE

The "code" for federal procurement.

Main principles include meeting the buyer's needs in terms of cost, quality, and timeliness; minimizing administrative operating costs; ensuring integrity, fairness, and openness; and fulfilling other public policy objectives.

Defense Federal Acquisition Regulation Supplement (DFARS):

The "supplement" for DoD   √ ORACLE

Contains requirements of law, DoD-wide policies, delegations of FAR authorities, deviations from FAR requirements, and policies/procedures that have a significant effect on the public.

√ **Project Contracts standard articles.**

The Rules

Cost Accounting Standards (CAS): √ ORACLE

Standards established to drive consistency between contractors' cost accounting practices.   Unlike FAR, CAS is applicability is determined on a contract basis.

Disclosure Statement: Describes Contractors accounting practices and procedures.

- ✓ General information
- ✓ Direct costs
- ✓ Indirect costs
- ✓ Depreciation and use allowances
- ✓ Other costs and credits
- ✓ Deferred compensation and insurance
- ✓ Home office expenses

√ CAS applicability tracked using an header attribute within Project Contracts.

The Types of Contracts

Firm Fixed Price (FFP): √ ORACLE

Fixed Cost for providing products, services or supplies.

Cost Plus Fixed Fee (CPFF): √ ORACLE

Reimbursement of actual cost plus a fixed fee.

Cost Plus Award Fee (CPAF): √ ORACLE

Reimbursement of actual cost plus a base fee plus and award fee earned.

Cost Plus Incentive Fee (CPIF): √ ORACLE

Reimbursement of actual cost plus a fee adjusted based on a target cost formula.

Time and Material (T&M): √ ORACLE

Direct labor hours billed at negotiated rates plus material

√ Requirements met through the use of billing extensions in Oracle Projects for all but FFP. FFP can be handled with standard functionality.

Popular Contracting Vehicles

Indefinite Delivery/Indefinite Quantity (IDIQ) √ ORACLE®

Limits to supplies and services during a fixed period of time, without setting a specific quantity as an end result.

Government Wide Acquisition Contracts (GWAC): √ ORACLE®

Multi-award IDIQ contracts offering federal agencies the ability to buy cost effective, innovative solutions for (IT) needs.

GSA Multiple Award Schedules √ ORACLE®

IDIQ contracts offering federal agencies the ability to buy commercial supplies and services.

√ **Schedule information tracked in user defined fields in Project Contracts. Reports can be built to calculate fees. e.g. (IFF, CAF)**

√ **Master Agreement Field in Project Contracts used to track schedule numbers.**

Accounting Challenges

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Classification of Costs

Direct vs. Indirect √ ORACLE

A direct cost is any cost that can be identified as benefiting one, but only one, contract or element of a contract. (Direct Labor, Material & Travel).

An indirect cost any cost that not classified as direct cost related. (Overhead, Fringe, G&A costs, Materials and Subcontracting burdens).

Allowable vs. Unallowable √ ORACLE

An allowable cost means it's billable to the government. Several requirements need to be met before a cost is considered allowable.

- ✓ FAR limitations
- ✓ Terms of the contract
  - ▪ Reasonable and Allocable

√ Costs are easily classified, tracked and reported within Oracle Projects. Project types can be used to identify Direct and Indirect. Unallowable cost can be charged to an unallowable project or an unallowable task.

Segregation of Indirect Costs

➤ Indirect costs are collected in various pools, the totals of which are allocated or spread to contracts through the application of indirect rates. √ **ORACLE**

- Fringe – multiple pools to support various groups of employees (Full-time, Part-time, Reduced Benefit)

   √ **Labor is identified and segregated by employee type (Benefit Class) allowing Oracle Projects to apply the appropriate fringe rate.**

- Overhead – Company or Client site pools to reflect where work is being performed

   √ **Employee are assigned to home departments which role up to cost Company or Client pools allowing Oracle Projects to apply the appropriate overhead rate.**

Labor Costing

➢ Total Time Reporting- Employees, managers and executives enter all hours worked toward the company's cost objectives, direct or indirect √ **ORACLE**

➢ Shift Premiums & Overtime – Additional payments provided to employees for shift differentials √ **ORACLE**

➢ Location Premiums – additional payments for Hazard, Hardship and location √ **ORACLE**

➢ SCA / Davis Bacon Labor Laws - Requirement to pay prevailing wages and benefits √ **ORACLE**

√ **Requirements can be met by using a combination of custom objects and the labor costing extension within Oracle Projects.**

√ **12.2 release will include delivered functionality to address Location Premiums & Davis Bacon/SCA**

Billing Challenges

Billing

PLC Billing for T&M Contracts: √ ORACLE

>   T&M contracts will specify PLC's (Project Labor Categories) and hourly rates to be used for billing purposes. The rates are date effective (e.g. rate escalation by option year).

√ **Requirement can be met by using a combination of custom objects, transaction controls and billing extensions with Oracle Projects.**

√ **Solution also needs to extend into Oracle Time and Labor, Accounts Payable and Purchasing.**

Billing

Billing Fees: √ ORACLE®

> Contracts frequently contain provisions for fees to be billed. Fees are typically based on cost categories (e.g. labor, travel, etc.) or hours. In other cases, fees are based on all costs except certain cost categories (e.g. 5% fee on all costs except project material).

√ Requirement can be met by using billing extensions to calculate billing fees based on a rate schedule attached to a project or an hourly rate entered on a project.

Consolidate Billing: √ ORACLE®

> In some cases, multiple project invoices must be combined for presentation to the customer.

√ Requirement can be met by utilizing delivered consolidated billing functionality in AR and a billing extension in Oracle projects.

Billing

Billing Formats and Supporting Schedules: √ ORACLE

The contract billing method or unique customer requirements will define which billing format(s) and supporting schedules will be used. In most cases, billing is processed electronically via Wide Area Workflow (WAWF). However the billing formats and supporting schedules are required to support invoice approval and audit.

Fixed price contracts are typically billed via form DD250 (Material Inspection and Receiving Report).

Cost Plus invoices are typically billed via SF1034 (Public Voucher) and SF1035 (Continuation Sheet) and will disclose billing rates.

T&M invoices will reference hours by labor category, rate and timecard date. Labor supporting schedules provide further details by resource. Non-labor supporting schedules provide details by vendor or employee expense report.

√ Oracle BI Publisher can be used to generate all billing formats and supporting schedules.

Billing

Billing by CLIN/ACRN: √ **ORACLE**

> All contract types (Fixed Price, Cost, and T&M) typically contain requirements to bill by CLIN (Contract Line) and/or ACRN (Accounting Classification Reference Number). ACRN is a code used by DFAS to identify the source of funds for the contract.

√ Standard functionality within Oracle Project Contracts and Oracle Projects supports billing at the CLIN level.

√ A billing extension can be used to allocate billed amounts to ACRN funding balances within each CLIN.

Compliance Challenges

Compliance

Roles and Responsibilities: √ ORACLE®

Government contractors are subject to various system audits and must demonstrate segregation of duties enforced by role-based security.

√ Oracle System Administration provides a method to define function security by responsibility.

√ Oracle Multiple Organization architecture provides a method to secure data by operating unit. This is necessary in a shared services environment.

√ Oracle Preventive Controls Governor provides features to control user ability to view and edit data within standard forms.

Compliance

Charging Controls: √ ORACLE

Government contractors must demonstrate that incurred expenditures and adjustments are properly authorized and approved.

Contractors must demonstrate that expenditures are traceable to final cost objectives.

√ **Chargeable tasks contain start and end dates to control the period of performance specified on the contract.**

√ **Oracle Projects transaction controls can be used to limit charges or automatically flag expenditures as non-billable.**

√ **Oracle Projects transaction controls extension can be used to implement additional rules specified by the client.**

√ **Oracle Workflow is used extensively within Project Contracts to facilitate the review and approval of contract awards and modifications entered into the system.**

√ **Project Contracts contains extensive versioning capability, including the ability to compare changes between versions.**

Compliance

Funding: √ ORACLE

Government contractors must track funded amounts by CLIN.

On Cost Type contracts, funding must be tracked by funded cost vs. funded fee. Contractors are not allowed to bill in excess of funded amounts.

√ Oracle Project Contracts includes a funding workbench for entering funding amounts by funding type.

√Billing extensions can be used to generate funding limitations that reduce billed amounts to the funded amount.

Compliance

Contract Brief: √ ORACLE

Contractors must be able to generate a Contract Brief report to support audit requests. A Contract Brief includes details such as: contract number, contract parties, billing method(s), funding, CLIN's, FAR/DFAR clauses, etc.

√ Oracle BI Publisher can be used to build a Contract Brief sourcing attributes from both Projects and Project Contracts.

Questions

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Industry Perspective

Increased cost pressures for '13 and '14 due to reduced and/or delayed order activity

➢ **Renewed focus on shared services & systems consolidations**

✓ **Master Data Management**

Increased DCAA audit activity and scrutiny

➢ Preparing for or currently underway with billing and accounting systems audits

➢ Automation of Incurred Cost reporting

✓ **Governance, Risk, and Compliance, OBIEE & Analytics**

Glossary

Glossary of Terms

- **ACRN (Accounting Classification Reference Number):** Prefix used for tracking expenditures against contract line items.

- **Backlog:** The remaining amount of a contract's current funding or total potential value.

- **Billing rate:** An indirect cost rate established temporarily for interim reimbursement of incurred indirect costs and adjusted as necessary pending settlement of a final indirect cost rate. Also known as target rate. (FAR 42.701)

- **B&P (bid and proposal):** The costs incurred in preparing bids and proposals on potential government contracts.

- **CAGE Code (Contractor and Government Entity Code):** Required five-character number assigned to a company in order to work with the government.

- **CAS (Cost Accounting Standards):** Regulations applicable to select contractors to address the measurement, assignment, and allocation of costs to government contracts.

- **CLIN (Contract Line Item Number):** A specific unit of work to be performed by the contractor.

- **CPAF (Cost-Plus-Award-Fee**): Reimburses the contractor **for** allowable costs and adds a fee consisting of a base fee (which may be zero) and an award fee, determined at periodic milestones set forth in the contract.

Glossary of Terms

- **CPAF (Cost-Plus-Award-Fee):** Reimburses the contractor for allowable costs and adds a fee consisting of a base fee (which may be zero) and an award fee, determined at periodic milestones set forth in the contract.

- **CPFF (Cost-Plus-Fixed-Fee):** Reimburses the contractor for costs and adds a negotiated fee.

- **CPIF (Cost-Plus-Incentive-Fee):** Reimburses the contractor for costs and adds a negotiated fee, which is adjusted by a formula based on target costs, providing an incentive to keep costs low.

- **DCAA (Defense Contract Audit Agency):** Performs all necessary contract audits for the Department of Defense and provides accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. Also utilized by other agencies to conduct audits.

- **DCMA (Defense Contract Management Agency): Responsible** for ensuring that contractors deliver goods and services to the Department of Defense on time, at cost, and in a sufficient manner. Also responsible for approving billing rates.

- **DFARS (Defense Federal Acquisition Regulation Supplement):** A FAR supplement issued by the Department of Defense.

- **EAC (Estimate at Completion):** The total estimated cost of a project at completion.

Glossary of Terms

- **ETC (Estimate to Complete):** The work remaining to complete an activity, in hours or dollars.

- **FAR (Federal Acquisition Regulations):** The primary set of rules used by agencies when purchasing goods and services

- **FFP (Firm-Fixed Price):** A contract where the price is set and fixed by unit of product or measure. FFP contracts impose the maximum risk on the contractor and minimum administrative burden on the customer.

- **FPI (Fixed-Price Incentive):** A fixed-price contract that provides for adjusting profit and establishing the final contract price by application of a formula based on the total target cost.

- **G&A (General and Administrative):** An indirect cost pool that collects costs related to the overall operation of the business.

- **GSA (General Services Administration):** Independent agency responsible for helping the government procure goods and services, maintain GSA Schedules and manage the acquisition, use and disposal of real estate.

- **GWAC (Government Wide Acquisition Contract**): Multi-award IDIQ contracts offering federal agencies the ability to buy cost effective, innovative solutions for IT needs.

- **ICE (Incurred Cost Electronically model):** Electronic version of the incurred cost submission, designed to aid contractors in preparing an adequate incurred cost proposal.

Glossary of Terms

- **IDIQ (Indefinite Delivery Indefinite Quantity):** An IDIQ is a type of procurement vehicle. The government allots a certain amount of money for purchases it will make with specified vendors, but leaves open the dates the purchases will be made and the exact quantity of each item that will be bought.

- **OMB (Office of Management and Budget):** Part of the Executive Office of the President; oversees preparation of the federal budget.

- **PO (Program Office): The office within the awarding agency** with primary interest in, and responsibility for, the contract.

- **Prime Contract:** A contract awarded directly by the government.

- **RFP (Request for Proposal):** RFPs are generally issued when the government wants a detailed technical proposal. With RFPs, contracts are negotiated (as opposed to low bid wins). maximum risk on the contractor and minimum administrative burden on the customer.

- **RFQ (Request for Quote):** RFQs are sometimes used for fact finding when the government is merely checking into the possibility of acquiring.

- **SBA (Small Business Administration): As the government's** small business advocate, the SBA oversees various federal procurement initiatives and serves as an information resource for small businesses looking to learn more about contracting.

Glossary of Terms

- **SDB (Small Disadvantaged Business):** The catch-all term used in federal procurement for minority-owned businesses.

- **SF (Standard Form):** Used in front of government contract template and followed by a number; for example: SF 1034.

- **SOW (Statement of Work):** Captures the activities and deliverables to be performed by the contractor.

- **Subcontract**: An agreement between a prime contractor and another organization to provide goods or services, either directly for a federal contract or for another subcontract.

- **Teaming:** An agreement by a potential prime contractor with one or more other companies in an attempt to win a contract.

- **T&M (Time and Material**): Time and Materials payments are based on hourly rates and costs of materials used.

- **WAWF (Wide Area Workflow):** An electronic invoicing and receipt system that routes documents to appropriate officials.

- **WBS (Work Breakdown Structure):** Provides a hierarchy of program elements that supports the measurement of a contract's cost and schedule performance.