



Association of
Procurement
Technical
Assistance
Centers

Connection

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Message from APTAC President James Gerraughty



Hey hey from central PA! We have had our false Spring, then some more snow, then our normal 3 days of Spring, so now it's Summer – Just in time for the Summer Quarterly newsletter!

A lot of PTACers hold volunteer positions...Who knew that you could have other things going on outside of the PTAC?!? Some of these positions are school year-

or seasonal-based; others are year-round obligations. I think that people that volunteer get an intrinsic motivation to better their community or region.

I've been volunteering with one group, the Healing Patch, for about 7 years. It's a local children and families grief-counseling group. The main goal is to give the children and families the tools to work with the passing of a family member. I volunteer in the teen room, which has its own unique set of challenges facing these young people.

We do activities, typically organized by the group volunteers (our favorite is the smashed pot exercise, because you get to literally smash a clay flower pot, then rebuild it to represent healing and wabi-sabi). As our group was winding down this year, one of the volunteers from another room brought up an item she heard on NPR about the "Love is..." poem. It's an Anaphora-style poem (Author's note: I had to ask my co-counselor, an English Lit major, what the type of poem was) that starts with the phrase, "love is," and then the author (or in this case, authors) fills in the part after the ellipses with a word or phrase. The outcome of our activity in the group was pretty interesting; the students of all age groups came up with some really unique ideas on what love meant to them, oftentimes framed with the person they lost.

"What does this have to do with PTACs or PTAC activity?" you're probably asking yourself by now. I believe that every PTAC counselor and PM is motivated by something other than a paycheck to come into work and help businesses work with the government (and more often, help government work with business...). I propose a similar activity, "The PTAC is..." where you, oh faithful reader, fill in the back part of the phrase with what you believe the PTAC is, represents, means to you, or anything else that comes to mind.

I'd like to have this poem for this coming Fall conference in Washington, D.C. If the muse whispers to you (or in my case, hits you over the head with a 2x4), drop me an line at jgerraughty@sapdc.org with "PTAC is" in the subject line so I can track it in my email.

In the meantime, have a great summer and stay tuned for updates from APTAC!

James

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APTAC'S MISSION

The Association of Procurement Technical Assistance Centers (APTAC) is a membership organization comprised of and supporting Procurement Technical Assistance Centers (PTACs) and the professionals who work for them. APTAC's mission is to support the PTACs in their efforts to provide the very highest levels of government contracting assistance, thereby increasing and improving the supplier base which serves our armed forces and our government as a whole.

APTAC's function is to provide a national forum for training and to facilitate the exchange of information and ideas, to provide a national voice for the PTACs, and to otherwise work toward strengthening the PTAP and the level of services it provides.

Are you "following" APTAC? APTAC's Social Media effort is buzzing! If you're not doing so already, follow us (and "like" us!)



Tell your clients to follow us, too - and to tell their friends!

As you'll see, great procurement news is being posted all the time. It's another benefit for your clients - and it'll help spread the word about the power of the PTACs!

The Buddy System

by Scott Knapp, Kansas PTAC, Contributor



The Buddy System is something you grew up hearing maybe in scouting or when you went on a school outing. It is just as important now when you are working as a PTAC Counselor. You often need to have people with expertise to help you.

It doesn't mean that you need to travel in twos. What we are talking about is having a buddy, or hopefully several buddies that can assist you with your job.

You might need someone you can visit or call concerning a client. It might be simply to

decompress, but the most important time may be when you are processing information from the assessment research. You may run into roadblocks. If you can talk with someone else either in your PTAC or another PTAC, you might be able to get a fresh perspective.

APTACConnect is a great way to get some assistance from other counselors all over the country providing ideas from with a variety of expertise. The documents listed and FAQ system are excellent for ideas on how to become

as a new counselor.

There are other times though when you just need to talk through the issue you are facing with another person face-to-face or by phone. This has to be someone you feel you can trust. It can be someone that you work with in your own PTAC. Here in Kansas, I am lucky enough to have counselors with a variety of backgrounds. I might walk across the office to discuss an issue with another counselor in the same office. Other times I might call one of our counselors in the sub centers.

When I first moved to Kansas, in addition to Terri Bennett, our Program Manager, I was lucky enough to have Jason Porch in one of our sub centers. We had a built-in circle within our organization with a lot of knowledge. Prior to moving to Kansas, I worked with people in Nebraska, like Mike Hall and Mary Graff, who offered that same “buddy” support.

I recommend that you begin to put together a group of “buddies” from across APTAC land. When SAM first started there was a kind of loosely organized group of about five PTAC counselors from across the country that tracked issues with SAM, then passed along work arounds as we found them. The two federal agencies involved in SAM, GSA and SBA used many of the APTAC group to debug the SAM system as it evolved and changed. Bill Stuby, a semi-retired Missouri counselor, headed up that group. Today, Bill is one of the people that I consider a “buddy”. We often share information

back and forth discussing how to approach certain issues.

Don’t forget that “buddies” sometimes can be people that you would consider resource partners. Those might be small business specialists at agencies that you work with on a regular basis. It might be somebody at a place like SBA. Get to know the small business specialist in the federal agencies near you. In most cases, they know about PTAC and your

door will immediately open to their years of experience and expertise. They also may know your new client better than you can imagine. Many times, the client has already had issues with contracting in the government and they are coming to PTAC to either correct those issues or get better at bidding to those agencies.

The “buddy” system though, has to be a two way street. There are going to be times that you are the person that is being called upon to assist that other counselor. Many new counselors come to PTAC with a variety of experience and then can help with the best information available. Plus, you need to be a good sounding board. Often you can help your “buddies” by listening to them. Sometimes, just talking it out is a great way to get a new perspective.

About the Author: Scott Knapp is the Deputy Director of the Kansas PTAC. He’s been a part of the PTAC program for about 15 years. You can contact Scott at scott.knapp@wichita.edu.





Are you using the right pricing tools?



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The Impact of Lease Changes on Government Contractors

by Robert E. Jones, Left Brain Professionals, Contributor

The [Financial Accounting Standards Board \(FASB\)](#) identified [leases](#) as an item of concern on financial statements. Until recently, companies were not required to report most leases on their balance sheet which resulted in “off-balance sheet financing.” The long-term nature of leases and their use as a financing tool meant that companies have long-term commitments (liabilities), often costing tens of thousands of dollars, and lasting several years, that escaped clear reporting to investors and creditors.

Some background on GAAP, IASB, and leases

Generally Accepted Accounting Principles (GAAP) requires companies to report loans and other debt on their financial statements but, until recently, did not address many leases. This information helps investors and creditors understand the full financial picture of an organization. Failure to present all liabilities (debts) on the financial statements misleads investors and creditors to make decisions they may not otherwise make.

The FASB has worked with the International Accounting Standards Board (IASB) since 2013 to align the method of accounting for leases. Both organizations believed the balance sheet should reflect the lease obligation instead of simply disclosing it in a note. The FASB released [Accounting Standards Codification \(ASC\) 842](#) on February 25, 2016 and the IASB released [IFRS 16](#) on January 13, 2016. We're going to focus on ASC 842 since most U.S. government contractors follow U.S. GAAP.

Why Accounting for Leases has Been a Problem

Many operating leases were treated as period expenses on income statements and never presented on balance sheets. For example: Company A leases a building for \$5,000/month and would show \$60,000 in rent expense on the income statement each year. Company B decided to buy the same building would show an asset (building) and a liability (mortgage) on their financial statements. Assuming many commercial building leases last five or more years, a user of the financial statements may not know that Company A had a liability of \$300,000 or more.

Would the additional information about a company's \$300,000 lease liability ("loan") affect your decision to invest or loan them money?

For many of us, the answer is yes. At the very least, we would want to know the nature of the

the commitment (length, payment terms, renewal period, and lease break options). Creditors want to know the company has the financial strength to repay their commitments and investors want to know the company can remain solvent and provide a return (dividend).

While some of this information about the lease was presented in the notes section, mentioning the actual cost on their financial statements, it was not presented on the face of the statement and not included in related metrics or key performance indicators (KPIs) such as:

1. **Current Ratio** - reflects an organization's ability to pay all financial obligations in one year.
2. **Quick Ratio (Acid Test)** - indicates whether a business has sufficient short-term assets to cover its near-future liabilities.
3. **Debt-to-Equity Ratio** - shows how effectively a business is using their shareholder investments. A key ratio evaluated by lenders to determine the amount a company is leveraged.

New FASB & IASB Rules for Leases

Most leases must now be presented at the present value (PV) and show all future payment as assets and liabilities on the balance sheet. The asset may be the item itself or the right to use the asset. The FASB and IASB parted ways on the treatment of leases. The IASB chose to treat almost all leases as [capital leases](#) while the FASB decided on a dual approach.

The FASB's approach resulted in two types of leases - much like before, but with new names. Type A leases ("financing leases" previously called "capital leases") require a lease asset and lease liability on the balance sheet, with depreciation and interest expense (instead of rent expense) on the income statement. Type B leases ("operating leases") require a lease asset and lease liability for the present value of the lease payments on the balance sheet. [Amortization](#) of the asset and liability will be combined as one rent expense, not depreciation and interest (good news for government contractors).

You will have to record a Type A ("financing" or "capital") lease if your current lease meets one of the following criteria:

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
3. The lease term is for the major part of the remaining economic life of the underlying asset.
4. The present value of the sum of lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.
5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

Effective Date of New Rules

The new FASB rules ([ASC 842](#)) took effect for reporting periods after December 15, 2018, for all public companies and go into effect December 16, 2019 for all non-public companies. The new IASB rules ([IFRS16](#)) took effect for reporting periods beginning on or after January 1, 2019 for all public or non-public companies.

Affected Leases

All leases over 12 months, whether previously considered financing (capital) leases or operating leases. These include formal and informal lease agreements and month-to-month agreements where utilization beyond 12 months is likely or expected.

Common examples of different types of leases a government contractor may have:

- Buildings (offices, warehouses)
- Cars, trucks, and heavy equipment (tractors, dozers, forklifts)
- Manufacturing equipment (stamps, presses, lathes, ovens)
- Office equipment (computers, servers, copiers, printers)

Furniture (desks, chairs, cubicles, workstations)

Concern for Government Contractors

Luckily, for government contractors, Type B (“operating”) leases do not generate any unallowable interest expense, since interest expense is unallowable ([FAR 31.205-20.](#))

What This Means For Future Business

The new standard will increase most companies’ debt-to-equity ratios since they will now have to report the liability associated with their leases. The change, in this common key performance indicator (KPI), will cause lenders to reconsider future agreements and may affect existing debt covenants. Here are a few actionable measures you can take to look out for your future business when it comes to the new rules:

- Add a clause to existing debt agreements for the debt-to-equity ratio calculation to be based upon rules in force at the time of the original agreement instead of the new rules.
- Revisit the lease vs purchase decision for future acquisitions.

- Include a facilities cost of capital (cost of money) calculation in all future cost proposals.

Work with a CPA to provide clarity, guidance or classification relevant to your specific circumstances.

Additional Resources

BakerTilly, “[Accounting for Leases: Measurement and Re-measurement](#)”

AICPA, “[Accounting for Leases](#)”

Journal of Accountancy, “[FASB Issues 16 Minor Amendments to Lease Accounting Standard](#)”

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The Challenge of Effective Marketing

By Gloria Larkin and Cindy Gaddis, TargetGov, Contributors



Winning government contracts with a high return on the investment (ROI) of time, money, and effort requires a well-thought-out process that incorporates a targeted marketing, sales, capture, and request for proposal (RFP) response process specific to the government marketplace.

Many businesses do not have a proactive marketing process in place for any market segment and those focusing on the federal market have a tough time understanding why the federal contracting market requires a tailored marketing approach as opposed to a traditional approach.

Of the few companies selling to the federal government who do proactively market, traditional consumer or business-to-business tactics are most often used instead of federal-specific tactics, resulting in a very low ROI. Unfortunately, traditional tactics such as ad-buying, social media sales, pay-per-click, and search engine optimization (SEO) are not the best marketing fits for the federal customer.

Instead, a company that understands the value of research, planning, and effective market positioning before the RFP is released has a much higher chance of winning federal contracts.

Planning

In a recent study of the federal marketplace Hinge Research Institute stated that "...firms with high growth and high profits conduct regular research on their target clients....with those conducting frequent research (at least once per quarter) realizing a 33.3% growth and a profitability of 20%."

Ideally, this planning and research process starts well ahead of the RFP becoming public and is on-going on a year-round basis. Research may be conducted using free government resources such as FedBizOpps.gov, USASpending.gov, agency forecasts and the Federal Procurement Data System-Next Generation. Results of this research may indicate upcoming projects and recompetes contracts, past awardees, and the use of specific contract vehicles.

Planning a proactive marketing calendar is the next step to success. This calendar should include a decision-maker touch scheduled for at least once a month; incorporating a range of tactics including in-person meetings, attending conferences and matchmaking sessions, sending emails and news releases, and making phone calls.

All of these touches should be targeted to specific people involved in upcoming projects, including government small business officers, contracting and acquisition staff as well as program managers and end users. Corporate targets could include prime contractors, teaming partners, and subcontractors.

Positioning

One of the least understood factors in proactively positioning a company is developing differentiators that impress the range of decision-makers involved. Too many companies rely upon socio-economic certifications and generic statements of ability instead of developing truly unique metrics related to the services and products offered. Other ideal differentiators are patents, trademarks, measurable expertise, and capacity.

Execution of an effective marketing plan strengthens the company in the decision-makers thoughts as a capable choice with the capacity to perform.



Pursuing

Once the vendor has marketed, planned, and positioned to pursue opportunities within their target market, it is time to respond to the solicitation or RFP, plan for the win, and successfully execute the contract.

One of the greatest mistakes bidders make in the Federal market RFP response process, is asking the wrong questions. Typically, bidders download the solicitation, jump to the statement of work (SOW) or performance work statement (PWS) to see if they can do the work, say yes, and get to writing. The most important question is, “Can we WIN the bid?” While it is a simple question, it takes thought and time to answer. The most effective way to reach an answer is a quick and methodical approach.

The most important question is, “Can we WIN the bid?”

First, quickly dissect the solicitation by its major areas and review in order of importance. For example, all Federal acquisitions include these critical elements and the fastest way to get to the ‘can we win’ question is to review the following sections or elements, in this order and here is why:

Section A, the contract form, is typically the first page of the solicitation and includes critical elements such as the NAICS, size standard, set-aside, acquisition method (quote or proposal), along with the due date. If the organization does not meet the size requirement, it is important to know early on. Likewise, many companies realize they cannot submit a winning response with only a week to prepare the response.

Section L provides the instructions which explain all the requirements for bid or proposal submission; an inability to meet one or more of these instructions can quickly determine if it is possible to win.

Section M. If sections A and L didn’t present any deal breakers, the next most common place to expect one is within Section M, the evaluation criteria. The contracting officials make it clear how the bid or proposal submission will be evaluated; think, “what does one have to do to get an A” and as an alternative to getting an A, perhaps re-consider the initial bid decision and save valuable resources for something the organization can win.

Section C, the SOW or PWS, describes the actual work to be done. Every 'shall' or 'will' statement should be reviewed as a directive from the customer and, if the prime or teammate cannot explain the who, what, when, where, and how of each item AND there's simply not enough time to submit a complete, compliant, and compelling response, (see Section A for proposal response deadline) the company might consider passing on the bid.

All other Sections. While the sections above are usually where the answer to the question, "can we win" is quickly answered, all other sections of the solicitation requirements should never be overlooked. For example, if an organization isn't familiar with the federal acquisition regulation (FAR) and they are incorporated by reference, a contracts manager or other subject matter expert should review to ensure all potential 'hidden' requirements are addressed.

The proposal response will essentially become the contract and should be used as the start of the project plan during contract execution. If a company has really good ideas for how to improve the cost, quality, or schedule but did not include in their response due to proposal compliance issues, they should plan on discussing these items at the kickoff meeting. Create this project plan and use throughout the life of the contract to document every aspect of its execution.

Documenting the successful execution is the right thing to do for the customer but it also ensures the organization is credited for and validates the highest possible rating in the Contractor Performance Assessment Reporting System (CPARS). CPARS ratings are provided on each contract over a certain dollar threshold, depending on the industry and is one of the most overlooked and most critical elements to winning the next bid. Companies who know what it takes to achieve the highest possible rating for all their contracts understand and work to that end.

Gloria Larkin is President and CEO of TargetGov and a national expert in business development in the government markets. Cindy Gaddis, PMP, is a U.S. Army Veteran and Vice President of TargetGov with an expertise in RFP planning and response process. Email glorialarkinTG@targetgov.com, or cindygaddis@targetgov.com; visit www.targetgov.com or call toll-free 1-866-579-1346 x 325 for more information.

Save the date: National PTAC Day is
Wednesday, September 18, 2019



Small businesses succeed in the government marketplace
thanks to Procurement Technical Assistance Centers!

Are Your Clients Chasing Real Opportunities or Elusive Dreams?

The Value of Qualitative Market Research

By Carroll Bernard, Govology, Contributor

We often emphasize the importance of “quantitative” market research to our clients, which includes studying historical spend data from the Federal Procurement Data System and USASPENDING.GOV. When we advise and assist our clients on “quantitative” market research, we are typically looking at the numbers to develop answers to questions such as, Who buys what your client sells? Who are their potential top prospects? And how much do those prospects spend in a given fiscal year on the products and services your client sells?

This research is an excellent way of giving your clients some sense of direction on where to focus their business development efforts, but it is only half of the equation. Once they know who their top targets are, it is also essential to conduct "qualitative" market research. Sadly, most people skip this step.

Benefits of Qualitative Research

Qualitative market research requires your client to dig deeper into the numbers to gain a better understanding about what the government agencies buy, how they buy it, how often they buy it, and what they may like or not like about their current solution. It also helps your client determine where and how they can add value and be competitive in the government marketplace, which is essentially the first "go/no go" decision well before the submission of a proposal.



Besides its informational value, qualitative market research also offers an outstanding opportunity for your clients to connect and build a relationship with their prospects. Let's face it, no one likes to be sold. Thus, by engaging government prospects with great questions rather than trying to sell them, your clients do not only gain better insights but also nurture a warm list of leads to follow up with once they have a custom solution that meets the needs of their prospects.

Conducting Qualitative Market Research

Qualitative market research is not difficult to implement, but it requires your clients to get outside of their comfort zone and talk to prospective buyers. "Talking," however, does not always need to be a face-to-face interview - an email or a phone call can be just as effective. The key is to be respectful of the prospect's time and not overwhelm them with a torrent of questions. It's always best to start with a few most important questions and then follow up for any additional information.

Below are some questions your client may want to ask their prospects. As each client's offer is unique, these questions will need to be tailored for their unique product or service.

1. What product or service are you using now?
2. Do you have an annual budget for _____ product or service?
3. What is your level of satisfaction with the current product or service?
4. Are there any challenges or gaps with existing products or services utilized?
5. What do you like about the existing products or services?
6. What do you like about the current provider?
7. What would you like to see available in the marketplace?
8. Would you find value in my product, service, or concept?
9. Who are you currently buying from?
10. Would the current incumbent potentially be a good teaming partner?
11. How do you purchase _____? Is it through open market or an active contract?
12. If purchasing from an IDIQ, is it Government-Wide or Agency-Specific?
13. When will the next competitive opportunity arise?
14. Where will the solicitation for the next opportunity be posted?
15. Can I obtain a copy of the previous solicitation to learn more about the opportunity?
16. How can I get notified about an opportunity if it is not posted on FBO?
17. Would you be interested in a demo, quote, price list, unsolicited proposal?

Once your client has the needed information, they will be able to determine whether to forge ahead or turn back because the odds are overwhelmingly against them. The government market is not for everyone. If this is the case for your client, it is better to find out this at the onset rather than later, after spending countless hours and critical financial resources pursuing a marketplace that will never pan out.

Carroll Bernard is Co-Founder and CEO of Govology. As an entrepreneur and public servant, he has had the fortune to develop a unique 360 perspective on federal contracting, coaching, and training. Email cbernard@govology.com or visit www.govology.com for more information.



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