

As we draw to a close on 2014, we want to take some time to reflect on where we have been and where we are going. There are some exciting changes and new directions in store here at ReliAscent. In addition, we will continue to offer the services we have offered in the past and strive to always improve on our services. Our goal is not to just satisfy our clients but to continually exceed their expectations and help their businesses succeed.

The first new change that will be obvious on January 1<sup>st</sup> is that Brian Sperry is stepping down from his CEO role. Grant Baseman, who many of you know since he has been our COO, will be assuming the CEO role. We are sorry to see Brian step down, but he will still be working with clients at ReliAscent. At the same time, we welcome Grant and his vision for ReliAscent. If you haven't met Grant yet, please give us a call and introduce yourself. In addition, ReliAscent will be consolidating our offices in early 2015. We will be moving the Denver and Boulder offices to a new, single location in Westminster, CO. We are excited about the move and think this will translate immediately into more efficient operations and thus better service to our clients.

We are also excited about the informative webinar series we have planned for 2015. As we grow and learn how to produce these webi-

nars, we will be adding more and more topics to the agenda. ReliAscent has over 200 years of collective experience related to dealing with government awards and by sharing this information, we expect to create a better community and industry.

The area we are really excited about in 2015 is with some of our recently formed partnerships. Partnerships with the Colorado Procurement Technical Assistance Center (PTAC), Dawnbreaker Inc. and the Pleasant Valley Business Solutions LLC (PVBS) company are the cornerstones to this program. The Colorado PTAC group is part of a large organization sponsored in part by the department of defense and offers free assistance to local government contractors. We will assist the PTAC by providing some informative live seminars, free of charge to local companies. Our arrangement with Dawnbreaker focuses on work with the DoD, NSF and DoE agencies related to the SBIR/STTR programs. This includes informative webinars and complimentary budget and rates preparation to participants in the program.



*ReliAscent's New Location in Westminster, CO*

PVBS is a software provider that has an “out of the box” DCAA compliant accounting software that is a Microsoft product. We firmly believe that as a small business grows, it needs to look to the next level for a DCAA compatible software and the PVBS solution is one of the best on the market for government contractors of all types.

As you can see, we are looking for a very busy and productive year in 2015. We hope that you can find value in some of these programs and participate with us. We also are open to any feedback that you may have. It might be a suggestion for a training topic or webinar or it could be a comment on how we might improve our service to you. We welcome all of your input as we see this as a way for us to grow and constantly improve our services to our clients and prospects. Have a safe and happy holiday season and a Merry Christmas. We look forward to seeing you in 2015.

# Why Capped Rates are Dangerous to Government Contractors

Indirect rates are the financial engine that operates the company. For small businesses, choosing indirect rates that balances costs in a particular competitive environment with spending to enhance growth takes skilled effort. Bid at indirect rates that are too low, you go out of business. Bid too high, you could lose work to your competitors.

Add to that the threat of default rates and “capped” rates. Unless limitations are written into legislation and appropriation bills, government programs usually don’t come with a statutory limit on indirect rates. Some agencies, particularly grant agencies, use either a soft cap on indirect rates or a hard cap, again usually with no basis from a regulatory standpoint.

A hard cap suggests that you as a bidder can estimate no more than a certain percentage of indirect rate based on some basis, such as total wages. This approach is arbitrary and usually imposes an indirect rate that limits a contractor’s recovery of otherwise allowable indirect costs.

In particular, for a small research and development firm, a hard cap makes it difficult to purchase lab equipment, specialty software, or have a robust bid and proposal or marketing budget – essential lifeblood of small R&D startups.

A soft cap is where a solicitation may state a preferred limit for an indirect rate, but if a bidder exceeds the limit, they must provide mounds of data or evidence of an approved rate from a federal entity. Newcomers to government acquisition might be tempted to take the soft cap (or default rate) to avoid the hassle of defending indirect rates. As with hard caps, the default rates are arbitrary and potentially harm a small business’s ability to

sustain its success. In still other cases involving cost type contracts, the government, even after examining an indirect rate proposal from a contractor, may insist on capping indirect rates at the negotiated rate. Government negotiators may justify this approach by suggesting the contractor is new and inexperienced with managing indirect rates. They may also suggest the data behind a contractor’s calculations are unreliable or the contractor may have failed an accounting system audit in the past.

Capped rates are a government risk mitigating device that is unneeded and shouldn’t be agreed to.

Here are a few reasons why:

- With capped rates, there is no incentive for the contractor to manage rates.
- Capped rates tilt the cost risk to the contractor, even if indirect rates increase due to actions of the government, such as funding gaps or shutdowns.
- Cost limits on the contract already provide the government a risk mitigation device, along with a resurgence of extreme scrutiny placed on contractors by the DCAA.
- Most contracting officers won’t increase the contract cost ceiling based on indirect rates alone. You would have to have a compelling reason your indirect rates went over budget.
- Capping rates conditions contractors to increase indirect rates on the next solicitation.
- Capped rates wreak havoc to a job cost accounting system.

To conclude, default and capped indirect rates are counterproductive in a competitive contracting and grant environment. Until the government can become a reliable funding partner, small businesses should steer clear and resist this practice.

-Contributed by Dave Donley, Account Executive at ReliAscent

## Important Dates to Remember:

### SBIR/STTR Solicitation Dates

- January 14 - NOAA SBIR Closes
- January 15 - DoD SBIR/STTR 2015.1/A Begins Accepting Proposals
- January 21 - DHS SBIR 2015.1 Closes
- January 28 - NASA SBIR/STTR Closes
- February 3 - DoE SBIR/STTR (R2) Closes
- April 24 - DoD SBIR/STTR 2015.2/B Releases Proposals

### ReliAscent Seminars & Webinars

- **Late January** - ReliAscent/ DawnBreaker DoE Webinar presented by Dave Donley. Visit the ReliAscent website for details starting January 5th.
- **Late February** - ReliAscent/ DawnBreaker NAVY SBIR Ph. 2.5 Webinar. Presented by Mike Anderson. Visit our website for details.
- **Early March** - ReliAscent/ DawnBreaker NSF Webinar: Accounting Requirements and Negotiating a Ph. 2 Proposal” Visit our website for details.