

Three Benefits from Streamlining Budgeting, Forecasting and Reporting



OVERVIEW

Superior business performance demands superior budgeting, forecasting and reporting. More than ever before, government contractors need to step up the efficiency and effectiveness of budgeting, forecasting and reporting processes. Three benefits arise from automating budgeting, forecasting and reporting.

1. Reduction of Indirect Rates 2. Implementation of Strategic Goals 3. Accountability at All Levels

Decreasing rates to win contracts is a primary focus as LPTA (Lowest Price Technically Acceptable) contracts are being awarded in increasing numbers. Reducing the number of indirect employees helps to decrease the indirect rates. Enabling Project Managers to plan and monitor their own projects as part of direct project work, without having to depend on Finance & Accounting to produce reports, moves indirect labor hours to direct labor.

Instead of building indirect rates, it is good to have target rates in mind. In that way, everything is validated in relation to strategic goals. Instead of only developing the rates bottom-up from the indirect and direct projects, a best practice is to start by identifying what indirect rates would be best, and then working downward to the indirect and direct costs while adjusting accordingly. DCMA will audit indirect rate pools and rates during incurred cost submissions, so it is critical these rates have a solid foundation.

Participation and accountability by every employee is essential in today's businesses. Access to budget and actual data by role and organization is essential to allowing employees to be accountable. Entering labor hours and direct costs requires that all employees follow DCAA guidelines. It is important to have accurate data to avoid an army of administrators (indirect labor) to correct data. Project managers need to have real-time access for project monitoring to ensure projects are completed on time and on budget. It is essential for Project Managers to see labor and other costs against their project in real-time, rather than waiting two weeks or twice a month to receive a notification from Finance that the budget has been exceeded. Past contract performance drives Federal Agencies to select the most efficient and effective government contractors.

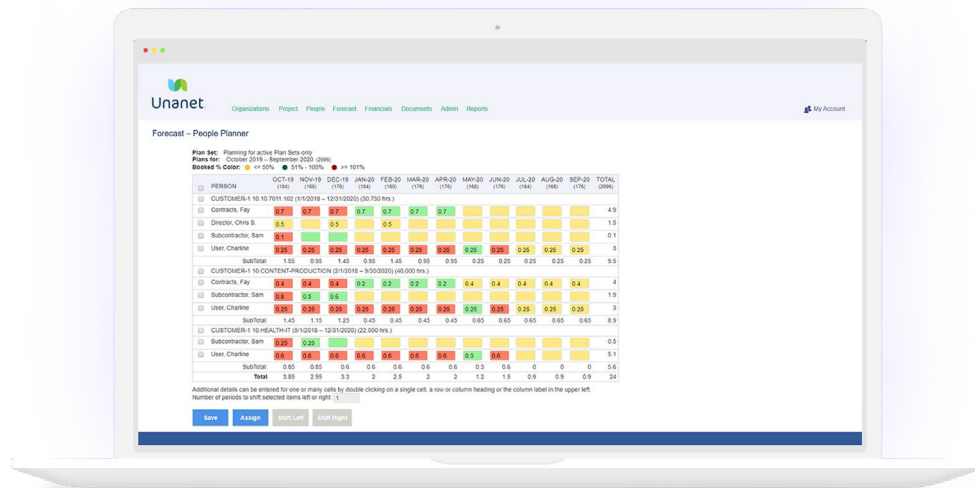
Today's software enables reduction of indirect rates, implementation of strategic goals, and accountability at all levels. Here is a simplified view

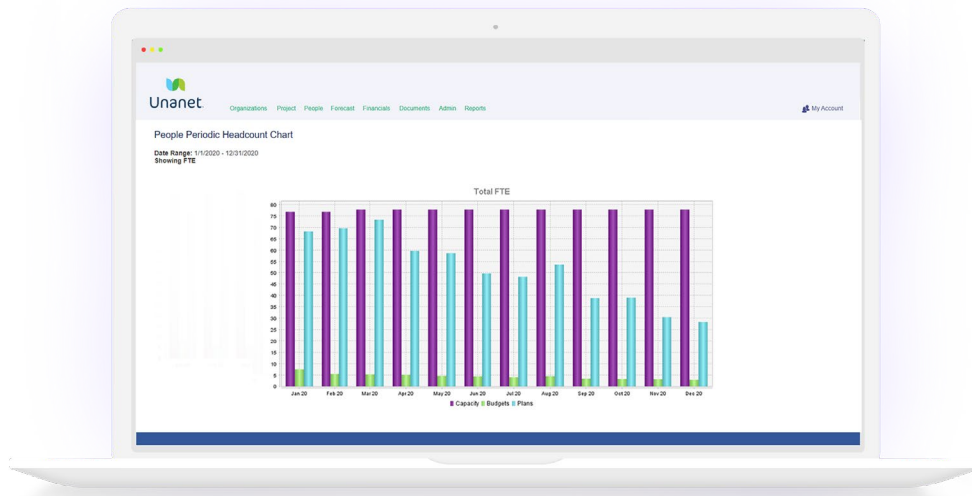
of professional services automation to achieve streamlined budgeting, forecasting, and reporting processes. The budgeting process starts by identifying current projects extending into the next year and selected new opportunities with some probability of winning. Typically, project managers and/or financial analysts plan direct and indirect labor in a grid or spreadsheet with cost data. They also plan expenses in a similar grid.

Balancing of projects with the people will determine whether more people are needed or the staff needs to be trimmed. A headcount capacity analysis can be done to analyze existing capacity, budgeted amounts and plans.

Software then calculates the indirect rates (fringe, overhead and G&A) and fees using the pools of collected cost data. The indirect rates are applied to the direct projects. Iterative scenario planning helps develop optimal indirect rates and staffing levels, both direct and indirect.

After developing plans and rates, the optimal scenario is set into project/task budgets for the coming year. The detail labor plans at the person level and expense plans are also set as budgets by person.

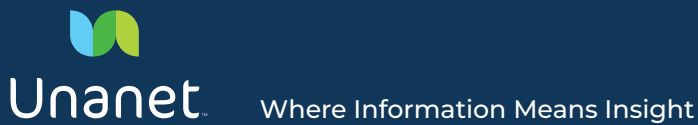




Once a budget is developed, the important thing is to monitor performance of actuals to the budget. Real time project alerts, project reports, and push reports deliver an early warning system when approaching budget limits. Integrated Earned Value Management reporting will go a long way to better manage projects. Simple graphical reports

comparing actual, planned and budgeted hours (or costs) will deliver insightful information to the project manager and the senior operations management staff.

Organizations that put effort into streamlining their budgeting, forecasting and reporting processes will be the winners.



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