Mastering government contracting challenges with an ERP

Unanet™

The power of ERP for efficient project management

Government contracting (GovCon) has undergone a radical shift in the last several years. For many teams, gone are the days of paper-based processes and minimal technological integration. Today's GovCon environment demands agility, heightened cybersecurity measures, and adept navigation of a complex regulatory terrain to stay competitive on a global scale.

Enterprise resource planning (ERP) systems have become indispensable tools for successful government contracting teams, providing a centralized platform that spans departments and functions to streamline operations and facilitate seamless data entry, analysis, and reporting.

Spending on ERP by Government Contractors is expected to exceed $1B in 2024.

Today there are myriad ERP solutions for all kinds of business operations. However, government contractors need a solution that is tailored to their business, with special considerations for project-based operations and strict accounting compliance and reporting needs.

The right ERP solution will be meticulously crafted to work with GovCons and the intricacies of government contracting while having the flexibility to seamlessly integrate with and accommodate the dynamic requirements of business operations. An ERP solution bespoke for GovCon becomes a strategic asset to optimize processes and enhance overall efficiency within the unique context of government contracting.

The GovCon evolution to a tech-forward industry

The scope of government contracting continues to grow as federal agencies increase contract spending, presenting greater opportunities for companies.

The intricate nature of government contracts demands a comprehensive approach to managing operations efficiently. Various businesses and industries within GovCon have distinct requirements, from seamless communication to adherence to audits and regulations.

The growing list of requirements makes ERP systems crucial in streamlining processes and ensuring compliance. ERP software simplifies and automates critical tasks from budget management to tracking labor and material costs, leading to heightened efficiency and reduced errors. GovCons who embrace ERP technology optimize their operations and gain a strategic advantage in the competitive landscape.

In FY 2023, the US Federal Government awarded $765B in contracts, a 9% increase over 2022.[1]

[1] "A Snapshot of Government-Wide Contracting for FY 2022." U.S. Government Accountability Office. GAO.gov.

GovCon's unique challenges and requirements

Operating in an environment characterized by stringent regulations, complex project structures, and the need for transparency, government contractors can turn to ERP solutions tailored to the intricacies of government contracting.

Project-Based ERP

The project-based ERP is organized based on specific or individual projects, rather than the overall organization. An integrated project-based ERP aligns with the project-centric nature of GovCon operations and has every element you need at your fingertips. In a market saturated with options, consider a solution that includes the following elements:

- **Opportunity Pipeline** – visualizes and measures potential projects or contracts, allowing you to forecast your business growth, needs, and create overall strategy.

- **Resource Management** – making sure you have all the resources you need for a project. Resource management involves all functional groups, project teams, and human resources, and continues throughout the lifecycle of the project.

- **Budgeting, Planning, and Forecasting** – to establish the baseline for project performance, and forecast what will happen in the future.

- **Time and Expense** – the cost of the project, and depending on the contract, how much is billed. Expense tracking can be time-consuming and overlooked without the right tools.

- **Project Accounting** – totaling every cost or transaction associated with each project.

- **Billing & Revenue Recognition** – this tool must comply with Generally Accepted Accounting Principles (GAAP) regulations.

- **Financials** – includes the general ledger, accounts receivable, accounts payable, and cost pool allocations, providing insight into project performance at any time.

- **Payroll** – the actual cost of every employee for profit calculations.

- **Purchasing** – tracking procurement of products and/or labor.

- **Real-Time Reporting, Analytics and Dashboards** – real-time data and visuals, showing what's happening with the project and allowing for course correction.

- **Project Management Command Center** – a repository of real-time information, providing the project manager and team with the ability to see where they're at and project where they're going.

Government compliance standards

Ensuring transparency, accountability, and accuracy in financial practices is not only a legal obligation for government contractors but a crucial aspect of maintaining a successful partnership with government entities. ERP systems help businesses navigate the complex landscape of government compliance.

Federal Acquisition Regulation (FAR) and Cost Accounting Standards (CAS)

The FAR and CAS serve as foundational frameworks for government contracts, guiding procurement processes and cost accounting practices. ERP systems provide an integrated approach to aligning with FAR and CAS requirements.

Audits

Audits serve as a mechanism to validate compliance with established standards. ERP systems empower organizations to proactively prepare for audits by maintaining an organized and transparent record of financial transactions, project costs, approvals, and procurement activities, while detailed reports and on-demand documentation facilitate a smoother audit process.

Defense Contract Audit Agency (DCAA)

The DCAA stands as the principal auditing organization for the Department of Defense (DoD) and plays a central role in ensuring that government contractors comply with applicable regulations.

ERP systems provide a comprehensive framework for organizations to align with DCAA requirements, from real-time tracking of incurred cost submissions to managing labor distribution. The ERP streamlines the entire project lifecycle and aids contractors in maintaining detailed records that withstand the scrutiny of DCAA audits while minimizing the risk of audit findings.

The integration of ERP systems in government contracting allows companies to position themselves not only to meet current compliance standards but also to adapt seamlessly to future regulatory changes.

One-size-fits-all ERPs actually don't

While ERPs have proven invaluable in streamlining operations across various industries, not every solution can meet the specific needs of individual teams or of government contractors as a whole.

Broad-use ERPs abound, but focus on accounts and departments, rather than projects. Other challenges of generic ERPs for GovCon include:

Lack of industry-specific features

GovCon operations involve intricate regulatory frameworks, stringent compliance requirements, and unique project management demands. Generic ERP systems designed for product-based or software businesses lack the tailored functionality government contractors need.

Difficulty in project management

Government contracts often include multifaceted projects with numerous interconnected tasks, milestones, and dependencies. With a generic ERP system, GovCons won't get the detailed project management capabilities they need and will have a fragmented view of projects, hindering effective planning, execution, and monitoring. These challenges often flow down to subcontractors because it is common practice for the primary contract holder (the "prime") to make all the same contractual requirements they face apply to all subcontractors. The payments and reporting fall under the same guidelines no matter who does them, but added complexity is passed to financial reporting because of this.

Compliance gaps and risks

Generic ERPs aren't designed to address the framework of strict government regulations and compliance standards and may fall short in addressing requirements, resulting in compliance gaps and increasing the risk of penalties and contractual disputes.

Focus on the account or department, not the project

Traditional ERP systems that emphasize account or department-centric views make it challenging for project-centric government contracting professionals to gain a holistic understanding of project status, resource allocation, and compliance adherence.

What to look for in an ERP

Various technological advances have led to more efficient, easier-to-use ERP systems that provide more data for users. Contractors evaluating ERP options must take into account a range of factors, such as:

Integration with emerging technologies

As government contractors recognize the limitations of generic ERP systems, the sector is shifting towards ERP solutions that integrate emerging technologies such as artificial intelligence (AI) and machine learning. These technologies play pivotal roles in enhancing data analysis, forecasting, and decision-making processes, helping GovCons gain deeper insights into project performance, optimize resource allocation, and improve operational efficiency.

Migrating towards cloud-based ERP solutions

Public and private sectors are increasingly adopting cloud-based ERP solutions, and GovCon is no exception. Cloud-based systems offer scalability, flexibility, and accessibility that are crucial for government contracting's dynamic nature. However, government contracting has specific security concerns that require a different cloud than most commercial applications due to the sensitive nature of much of the work for national security.

These systems enable government contractors to access real-time data, collaborate seamlessly across the organization, and adapt swiftly to changing project requirements.

The limitations of generic ERP systems in the specialized world of government contracting make them inefficent. The future of technology for GovCon is marked by a strategic embrace of emerging technologies and a continued shift toward cloud-based solutions, empowering government contractors to navigate challenges and elevate their operational capabilities.

Why GovCons should use a specialized ERP

Government contractors face unique needs and challenges; they require features that simply aren't available in many conventional ERP systems.

Tailored functionality

An ERP tailored for GovCon focuses on the elements of a project's lifecycle and provides a single source of truth for each project, allowing companies to concentrate on elements, including:

- **Addressing industry-specific needs**
  A specialized ERP is designed to comprehend and meet the distinct requirements of government contracting, from complex procurement processes to intricate project management.

- **Focus on the project**
  The ERP allows businesses to concentrate on project features, planning and performance monitoring.

- **Improved project management capabilities**
  Tailored ERP solutions provide robust project management tools such as scheduling, resource allocation, and progress tracking to ensure projects stay on course and within budget.

- **Pipeline management**
  Successful government contracting involves a continuous cycle of bidding and securing contracts, and a specialized ERP aids in effective pipeline management by organizing all steps so the organization is well-positioned to secure lucrative contracts.

- **Resource management**
  Advanced resource management capabilities let organizations optimize workforce and equipment allocation for maximum efficiency.

- **Compliant operations and reporting**
  Whether it is correctly tracking timesheets and expenses, or allocating indirect costs, GovCons need an accounting system that ensures their activities are meeting all goverment requirements. Having this built into the ERP automates tasks and reduces any errors.

Cloud-Based ERP is the superior choice for GovCons

The advantages of cloud-based ERP solutions further amplify the benefits for government contractors.

Private sector cloud spending is forecast to reach $600 billion in 2023, up from $410.9 billion in 2021. [4]

Public sector cloud spending reached $12.3 billion in FY 2022, up from $10 billion in FY 2021.[5]

Cost
Cloud-based ERPs reduce the burden of upfront infrastructure costs with scalable pay-as-you-go models, ensuring efficient resource use without unnecessary expenses.

Functionality and always up-to-date
They provide seamless updates, ensuring that the system is always equipped with the latest features and security enhancements without the hassle of manual updates.

Security
Cloud-based ERPs have encryption, access controls, and continuous monitoring to safeguard sensitive government data and ensure compliance with security protocols.

Real-Time data
Cloud-based data means real-time access and facilitates informed decision-making, crucial in the dynamic landscape of government contracting where timely insights can influence project outcomes and compliance.

Scalability
Cloud-based solutions are scalable and easily accommodate government contractors' growing needs, whether it's expanding operations or handling a larger project portfolio.

[4] "Gartner Forecasts Worldwide Public Cloud End-User Spending to Reach Nearly $500 Billion in 2022." Gartner. Gartner.com. April 19,

[5] Rossino, Alex. "Federal Cloud Spending, FY 2020-2022." GovWin IQ. IQ.govwin.com.

Compliance and regulatory alignment

Government contractors operate in a heavily regulated environment, making compliance a cornerstone of success.

Ensuring adherence to government regulations

Specialized ERP systems align with government regulations, ensuring that every aspect of the business, from financial transactions to procurement processes, complies with applicable regulations.

Mitigating audit risks

The audit trail functionality in specialized ERP systems provides a comprehensive record of all activities, aiding in internal monitoring and serving as a valuable tool during audits, while reducing the risk of non-compliance and associated penalties.

Turning compliance into a competitive edge

In this highly regulated market, GovCons can distinguish themselves from other firms with a proven compliance record, as distinguished by using an approved business system.

GAUGE Report

The 2022 edition of the GAUGE Report, the annual GovCon benchmarking study from Unanet and CohnReznick, includes insights that hint at how compliance gives firms extra competitive traction:

64% **of solicitations "frequently or always required" adequate accounting systems.**

"Indirect rates" **ranked as the top audit challenge.**

Firms that demonstrate they have adequate business systems in six defined business systems relevant to the audit process — accounting, estimating, material management and accounting systems, purchasing, government property and earned value — may have a built-in advantage over the competition in the bid process. [6]

[6] "2024 GAUGE Report: Balancing Compliance and Efficiencies with AI." Unanet and CohnReznick, Unanet.com

Improved reporting and visibility

Accurate reporting and visibility are crucial for effective decision-making and financial management in government contracting. With timely insights, managers have the information they need to monitor project profitability, ensure optimal staffing levels and resource usage, and correct course when needed based on new data coming in.

- **Project accounting to monitor profitability**
  Specialized ERP systems enable government contractors to monitor the profitability of individual projects. This level of detail is essential for strategic decision-making and resource allocation.

- **Project management**
  Enhanced project management functionalities in specialized ERPs provide a holistic view of project progress, timelines, and potential challenges. This visibility is instrumental in ensuring that projects stay on track and meet contractual obligations.

- **Real-Time insights for better decision-making**
  Timely access to real-time data empowers government contractors to make informed decisions swiftly, and allows for its adjusting project timelines, reallocating resources, or modifying procurement strategies on the fly.

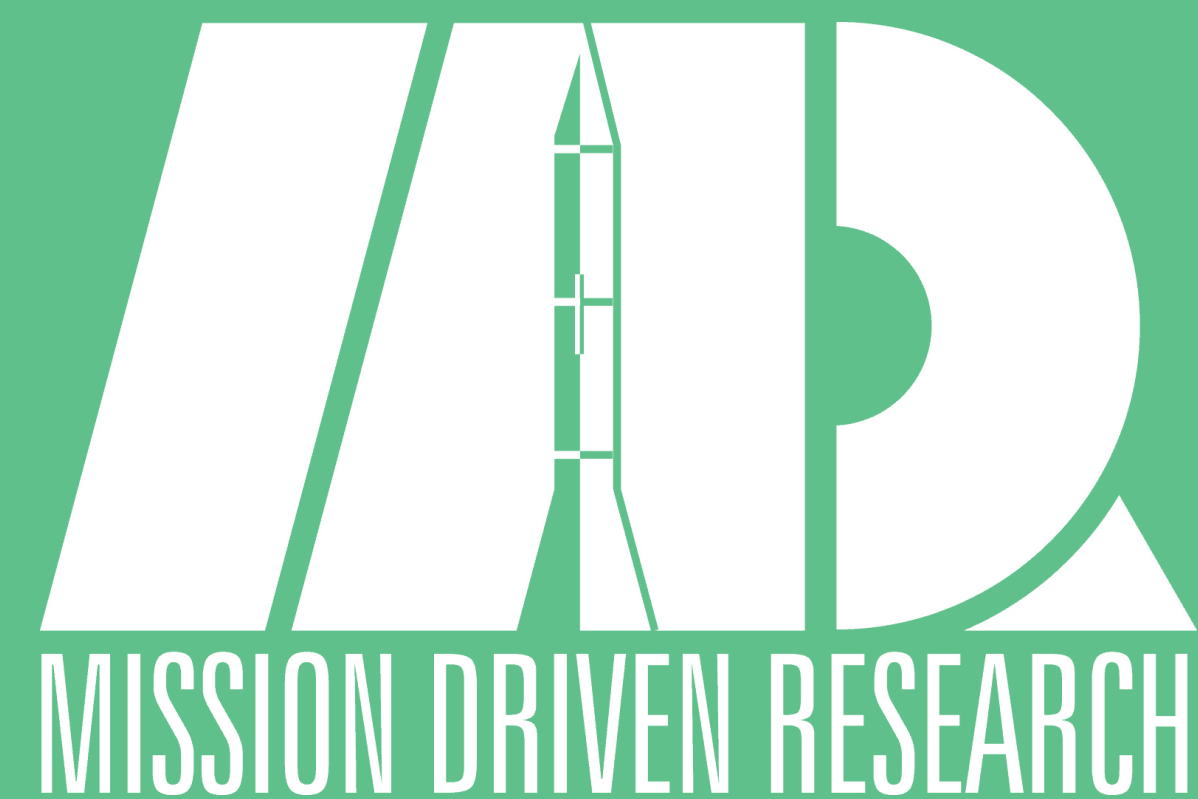- **Customized reporting to meet government requirements**
  Specialized ERP systems can generate customized reports tailored to meet specific government reporting requirements, streamlining the reporting process, reducing the risk of errors, and ensuring the timely submission of accurate information.

Subcontractor management

Effective collaboration with subcontractors is a key aspect of government contracting, and specialized ERP systems facilitate seamless coordination.

■ **Streamlining subcontractor collaboration**
Specialized ERP systems offer features that streamline communication and collaboration with subcontracted (SubK) labor. This includes integrated communication channels, document sharing, and real-time updates, ensuring that all stakeholders are on the same page.

■ **Ensuring compliance down the supply chain**
Compliance requirements extend beyond the primary contractor to subcontractors. Specialized ERP systems enable the enforcement of compliance standards throughout the supply chain, reducing the risk of non-compliance and associated penalties.

Mission Driven Research (MDR)[7] provides technical service support to the U.S. Government and has doubled its workforce since 2021. When the company's legacy ERP no longer performed for the company, it chose Unanet GovCon ERP.

With a quick and effective implementation and active support from Unanet, Mission Driven was able to introduce a new solution mid-year, instead of living with its legacy system for another nine months. Users across the company were delighted with the user-friendly interface. Other highlights include:

- ▫ Streamlined reporting, reducing the time to compile labor reports from days to a mere 20 minutes.

- ▫ Improved dashboard, making it easy to view month-end close reports.

- ▫ Enhanced customer support from Unanet, making MDR feel valued.

Managers also gained access to real-time monthly data, advanced reporting features, and payroll collaboration, allowing them to make informed decisions.

7 [7]"Mission Driven Research Overcomes Legacy ERP Challenges by Jumping to Unanet." Unanet. Unanet.com.

Evans Consulting

Evans Consulting provides IT services and consulting to Healthcare agencies and others. They had multiple legacy systems and acquisitions and making reports took days or weeks.

> " Having information flowing back and forth between Unanet CRM and ERP was a main selling point for us. It is a snowball effect for our growth team now they know how to use the CRM tools in Outlook and on Mobile to not only track pipeline, make informed decisions, but also see the full history of contacts and activity for every opportunity.
>
> – CFO, Evans Consulting

G2OPS *Smarter Intelligence.*

G2 Ops helps clients stay ahead of cybercrime and IT threats by identifying and remediating weaknesses before they occur. As the company grew and expanded its government contracting, it needed a robust ERP to support its operations.

The company chose Unanet and experienced dramatic results. It saved over $100,000 in potential labor needs, and received an honorable mention for accuracy in accounting and cost control in its Contractor Performance Assessment Reporting System (CPARS) review. It also decreased the overhead burden for data review and validation by **15%, reduced the number of errors by 27%, and increased bi-weekly labor efficiency by 33%.**

A look ahead

Staying ahead of the curve is essential for efficiency, transparency, and overall success. Two prominent emerging trends are set to revolutionize the way government contractors operate within their ERP systems:

AI-powered ERP systems

AI is a transformative force in all industries, including government contracting. Integrating AI into ERP systems brings a new dimension to decision-making, resource allocation, and overall operational efficiency with the ability to analyze vast datasets, identify patterns, and provide actionable insights in real-time.

- **AI-driven ERP systems** can leverage predictive analytics to forecast future trends, enabling government contractors to proactively address potential challenges and seize opportunities.

- **Routine and repetitive tasks,** such as data entry and document processing, can be automated through AI integration, reducing the risk of human error and freeing up valuable human resources to focus on more strategic and complex tasks.

- **AI can bolster the security protocols within ERP systems,** helping to detect and prevent potential cybersecurity threats. Continuously monitoring user activities and identifying anomalous patterns provides a proactive defense strategy against cyber threats, ensuring the integrity and confidentiality of sensitive government data.

Unanet benefits and strategic advantages for GovCons

Government contractors don't have to cobble together a generic ERP and multiple add-ons to get the solution they want. Unanet's Cloud ERP platform offers a single source of truth designed exclusively for GovCon, giving them everything they need to plan, track, and manage projects.

Unanet is built around compliance, allowing GovCons to meet the strictest government compliance standards, while also streamlining operations, automating business processes, and scaling their business. Our web-based ERP software allows you to manage projects and people from a single database. Improve productivity, meet all audit goals, and ensure data accuracy.

If you're concerned about compliance, struggling to scale, or are just frustrated with balancing spreadsheets to track data, it's time to look at a better solution.

→ **Contact us today to request a demo.**

Unanet

Unanet is a leading provider of project-based ERP and CRM solutions purpose-built for Government Contractors, AEC, and Professional Services. More than 4,100 project-driven organizations depend on Unanet to turn their information into actionable insights, drive better decision-making, and accelerate business growth. All backed by a people-centered team invested in the success of your projects, people, and financials.