



Microsoft Dynamics NAV for Government Contractors

Introduction

Small to midsize companies that do business with the federal government have unique challenges not typically faced by companies that exclusively sell to commercial enterprises. The federal government requires specific reporting and cost accounting procedures to ensure that these companies are properly accounting for the business that they do. This document overviews the challenges government contractors face and provides insight into how a powerful and comprehensive solution from Microsoft Dynamics can give you a real-time view of your entire business, helping you to make fast and informed decisions.

Microsoft Dynamics NAV is quick to implement, easy-to-use enterprise resource planning (ERP) software that helps more than 100,000 companies worldwide manage their accounting and finances, supply chain, and operations. It is part of a complete solution for business from Microsoft that helps you work and grow efficiently.

Microsoft Dynamics NAV for Government Contractors

An ERP solution for government contractors must support DCAA (Defense Contract Audit Agency), FAR (Federal Acquisition Regulations), and CAS (Contract Accounting Standard) from a compliance perspective. From a business performance and agility perspective, it also needs to offer features that help the company with the following:

- Optimize contract utilization.
- Deliver actionable information to a wide range of audiences.
- Integrate what's needed for holistic financial management, project accounting, and business intelligence in one scalable solution.

Microsoft Dynamics NAV helps growing mid-market government contractors meet these needs while giving them the information that can transform business relationships with their government customers. While Microsoft Dynamics NAV has native capabilities that small and midsize businesses need to be successful, independent software vendors (ISVs) have added critical functionality to expand its capabilities and add value to companies that work with the federal government. The majority of the needed functionality is native to the product; however features pertaining to indirect cost pools and allocation, as well as the compliance requirements noted above, are typically enabled through extensions to the base product.

With these ISV functional extensions, Microsoft Dynamics NAV addresses the needs of companies that provide services, distribute or sell products, and manufacture prototypes, or any combination of the above for the U.S. federal government. A Microsoft Dynamics NAV solution provides powerful project accounting and indirect rate management capabilities to meet the unique needs of government contractors while maintaining ease of use and integration with other widely used Microsoft applications.

By far the largest hurdle for government contractors to overcome is the requirement to provide comprehensive details about the expenses associated with every item billed to the government in fulfillment of specific contract awards. The need for reliable, accessible, and traceable data that reconciles internal billing information with federal contracts and with annual estimates of expenses is of paramount importance. This is of critical importance to government contractors who do business with the Department of Defense (DoD) and other agencies.

For all of these reasons, government contractors are increasingly turning to broader enterprise resource planning (ERP) solutions, such as Microsoft Dynamics NAV. A strong financial management platform can provide government contractors with clear visibility into all costs associated with each contract, to help them manage indirect rates, track funding, and improve profitability.

Deep integration across Microsoft technologies is very attractive to government contractors. Use of established and familiar applications helps accelerate adoption among end users and better business decisions can be made. For example, in Microsoft Dynamics NAV there is strong Microsoft SharePoint integration which helps project teams, finance organizations, and C-Suite leadership collaborate and share information more effectively. Web client integration and the ability to create a project portal utilizing data directly from Microsoft Dynamics NAV gives users access to essential information and business processes from virtually any device that supports a web browser. In addition, pervasive Microsoft Excel integration enables data mining and presentation via the application most widely-used by accounting and finance teams today.

Microsoft Dynamics NAV solutions extend beyond what's historically been available to government contractors. They include expected capabilities that government contractors need to manage the financial side of their business while also helping company management and program managers truly understand contract status and direct activities accordingly. Built-in analytics and reporting services, available on premise or online, add to the solution's expansive value. The Microsoft role-tailored approach is adaptable to the needs of workers, allowing firms to specify function-specific variation in user experience while also maintaining a desired level of consistency company-wide.

With Microsoft Dynamics NAV solutions for government contractors, small to midsize businesses can take advantage of capabilities for the following:

- Analytics
- Business intelligence
- Earned value management
- Financial management
- Fulfillment
- Human Resources and Payroll
- Inventory control
- Order processing
- Project accounting
- Project manufacturing
- Sales and marketing
- Warehouse management
- Web-based time and expense

Government Contractors Who Rely on Microsoft Dynamics NAV

Microsoft Dynamics NAV satisfies the needs of the diverse types of companies that work with the federal government. These types of companies may have a singular focus or combine a number of business models:

- Professional Services Firms
- Emerging Government Contractors
- Product Distributors

Professional Services Firms

Government contractors that provide professional services to the government, such as billable hour and fee-based services, need to ensure that they are optimizing contract utilization. These contracts may be firm-fixed price, cost-plus, indefinite delivery indefinite quantity (IDIQ), or time and materials (T&M). Their ERP solution must be able to support these different types of contracts and to provide information that will help multiple audiences understand where project funding and utilization stands at any given time. For example, it is important to know if a project is nearing its funding ceiling earlier than expected, and if so, the ERP solution must be able to generate alerts that communicate this to the critical personnel on the team.

The solution must be comprehensive and fully capable to help the firm manage its financials. Other capabilities could include:

- Forecasting and budgeting
- Reporting and visualization on the financials, projects, and resources
- Incorporating spending and cost management

And it must have a variety of ways to report the information, so that all audiences receive the information they need to make the best business decisions.

Emerging Government Contractors

Emerging government contractors face many daunting times as they struggle to manage growth and new customer requirements. There is competition on multiple fronts as larger government contractors come downstream and same-sized competitors fight for fewer contracts. Cash flow and income needs to be managed very carefully. Project management skills must be flawless to help ensure that contracts are utilized and that costs are in line with projections. Data must be turned into useable information to help the company make midcourse corrections as needed. The ability to do so effectively is what usually separates success from trouble at this stage.

These fast-growing government contractors use Microsoft Dynamics NAV to help identify where to drive costs out of the business. Multiple reporting capabilities, including executive dashboards, help leaders make better business decisions. It also helps make project leaders accountable to the company as they now have a crisp set of tools to truly understand contract status at any given time.

Product Distributors

Companies that resell or distribute products to the Federal Government find that Microsoft Dynamics NAV can help them significantly improve their financial management. It does not matter what types of contracts they hold, including GSA Schedules, agency-specific contracts such as SEWP, or any other type of government-wide acquisition vehicle. The quoting, purchasing, and distribution processes are streamlined when drop shipping products to the Federal Government. Companies that sell to commercial enterprises as well as the federal government benefit significantly. In this case, they don't need to have multiple accounting solutions to handle their services and product resale businesses.

By eliminating the need for multiple accounting solutions, government resellers can increase procurement efficiency and productivity. Users of Microsoft products will be familiar with the product's user interface which requires little incremental training and gives your team simultaneous access to data from a single screen. Microsoft Dynamics NAV can help distributors reduce lead times, increase responsiveness, and better collaborate with their suppliers and customers. Ultimately, it helps offer distributors more competitive pricing thanks to their new, lower operational costs.

Benefits of Microsoft Dynamics NAV for Government Contractors

Project Accounting

With functionality added by Microsoft partners with specific expertise in government contracting, the project accounting components enable detailed planning and accounting for all costs and billings for a project or job. It lets government contractors create income statements for each project in order to look at the contract from an overall perspective and at a very granular level as well.

- Program managers can drill down for detailed job costing and labor utilization.
- Executive users can easily spot trends with contract profitability and indirect rate management.
- Program managers can make decisions now that would be in the best interest of the program.

With the additional functionality built by Microsoft partners, the solution accomplishes the following:

- Segregates direct costs from indirect costs
- Accumulates costs under general ledger control
- Provides project cost ledgers that summarize incurred direct and indirect costs by cost element
- Identifies and segregates unallowable costs from billed costs to government

The additional functionality added to Microsoft Dynamics NAV provides the capability to manage multiple invoicing requirements and automate the billing process. This helps government contractors take control of growth, cash flow, operations, and profits. Whether billing fixed price, time & materials, or cost plus contracts, the finance and accounting teams can systematically generate invoices and record these transactions for future detailed review.

Financial Management

Microsoft Dynamics NAV tightly integrates the critical financial management components government contractors need to manage their business. The key financial management workflows that government contractors require, such as general ledger, budgeting, reporting, business analytics, and project accounting all operate from within the solution without the need for third party add-on components; government contractors can spot trends and gain insight into contract activities all from within one application.

The financial information is easily accessible and presented so that the team can quickly act and make business adjustments as appropriate. Accounting and finance professionals select Microsoft Dynamics NAV because it's intuitive and built around the processes that they typically perform. Operations professionals value Microsoft Dynamics NAV because it effectively integrates accounting, operations, contract management, project development, and sales. And C-level executives choose the solution because they can view the status of the business from many different viewpoints and act accordingly.

Within the system, budgeting, and forecasting processes can also be completed and viewed at the department or corporate level. Microsoft Excel, which is highly favored among finance professionals, seamlessly integrates with the overall system. Multiple departments can create their own budgets and have them roll up into one corporate consolidated budget. The ease of tying in the budgeting process provides another avenue for business reporting.

Multiple Ways to Report

The native reporting capabilities in the product, combined with additional functionality built by Microsoft partners with government contracting expertise, help government contractors monitor contract funding status in real time. Smart reporting functionality helps government contracting executives make decisions related to potential cost overruns without having to wait weeks for reports. Plus, the solution's flexibility makes it easy to create contract-specific invoices and reports to meet the diverse deliverable requirements of each agency or customer.

Drill down into performance by having real time reports available at the right time in the right format and accessible to the right people. It's a flexible solution with a large library of robust canned reports, some developed by independent software vendors with specialized understanding of government contracting. The exceptional reporting flexibility and integrated business analytics provide the entire organization with the answers they need in real time.

Within Microsoft Dynamics NAV, there are many options for reporting business information including online capabilities that allow remote users to have access to critical government contract information. The solution also takes advantage of built-in SQL Server reporting services. Many users like the fact that they can generate a management report and then email it to key constituents and have the confidence that the entire process has been secure.

Business Analytics

Business Analytics helps government contractor executives gain business insight and make smarter decisions, while equipping key employees to contribute to contract and revenue growth. Business Analytics helps government contractors spot trends and potential problems, and turn them into opportunities.

Government contractors use the built-in analytics to analyze labor hours, indirect rates, project profitability, and sub-contractor detailed information, for example. Working within a graphical interface that is similar to Microsoft Outlook, users can gain a 360-degree view of business performance and quickly set up and review graphical displays and reports. To arrive at a deeper understanding, users can perform targeted analysis of detailed information. Instead of waiting for the busy IT department to generate a report of sales for a particular product in a specific region, reports are generated instantly. Rather than waiting for the end of the month to analyze project performance, for example, you can generate effective analytical views at any time.

Deeper Functionality from ISVs

While Microsoft Dynamics NAV has the capabilities that a government contractor would need to be successful, independent software vendors have added critical functionality to expand its capabilities. For example, the web time and expense entry solution, built and supported by the ISV partner, considers all applicable DCAA requirements for automated timekeeping systems. It provides for the accurate and current recording of labor hours by authorized employees, and has appropriate controls to ensure corrections to labor charges are accurate and authorized. It includes a verifiable audit trail process that collects all initial entries and subsequent changes. Time and Expense ensures that proper and reliable direct or indirect labor costs are billed to the customer via a system of accurate, timely, and complete postings.

Timekeeping is critical for government contractors. The solution integrates job costing and timekeeping systems exceptionally well. It identifies labor charges by direct or indirect cost objective. Billed costs are taken from or reconcilable to accounting system records and subsidiary ledgers. Direct costs are identified and traceable by cost element. The system is completely integrated with the project accounting features such as invoicing, billing, and reporting, which provides everything a government contractor needs to report and do business with the government. Differences between billed costs and costs supported by accounting records/job cost ledgers should readily reconcile.

Conclusion

Companies that do business with the federal government have found that Microsoft Dynamics NAV is a wide-ranging and comprehensive ERP, project accounting, and financial management solution. With additional industry-specific features supplied by Microsoft ISV partners with significant domain expertise in government contracting, government contractors now have a modern, feature-rich offering that will help them optimize their government contracts, improve profitability, and more effectively manage their business. The solution is particularly strong for companies with multiple business lines, such as professional services, product resale or distribution, or a combination of models. Let Microsoft Dynamics NAV help you get up and running quickly, drive business efficiency, and turn data into actionable insight.

Get Started with Microsoft Dynamics

Visit us to speak with a Microsoft representative, find a partner, and learn more about our Microsoft Dynamics NAV solutions for government contractors for small and mid-sized businesses. Call 1-888-477-7989 to speak directly to a Microsoft representative. www.microsoft.com/dynamics/govcon/