

**HOW TO SELL
SERVICES**

**TO THE
GOVERNMENT
Vol. 2**



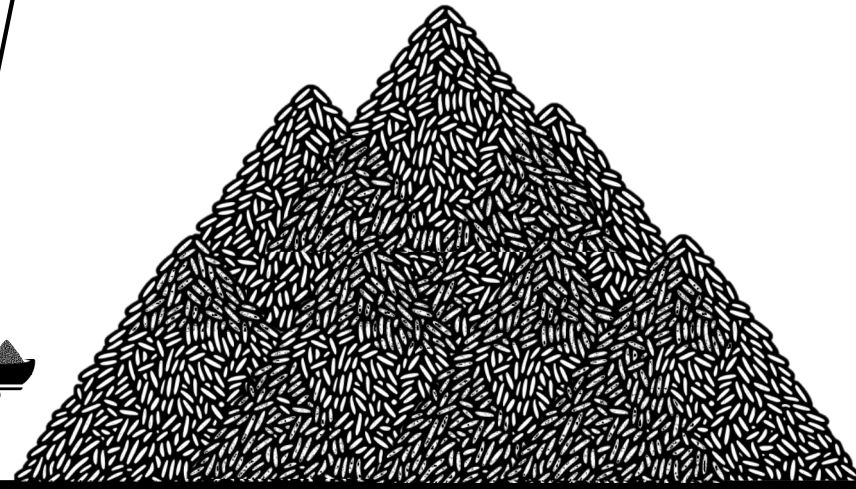
So, how do I get started filling my rice bowl?

Well, typically it starts with you

Yeah! Entrepreneurial spirit!

No...I mean like, you're the product

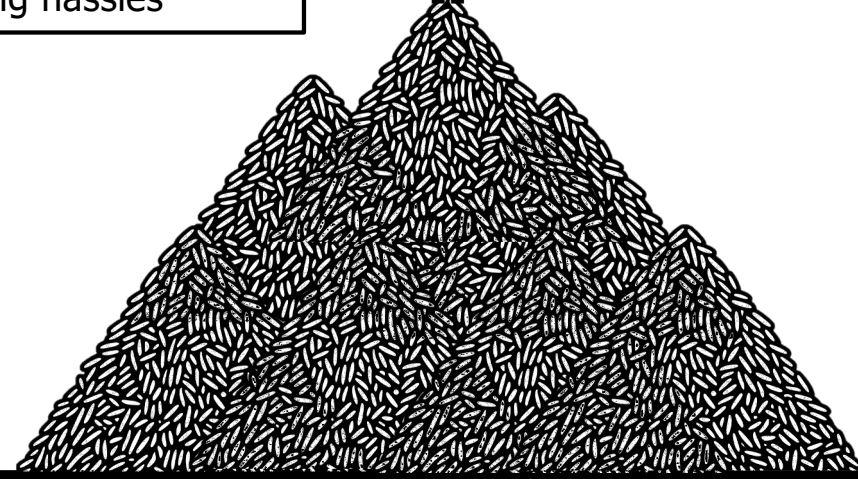
Oh...that sounds less fun...





Step 1 is usually you, all by your lonesome.
You have a relationship with a customer and they want you to help them.
They're willing to "suggest" to a prime that the prime give you a subk.
Your first grain of rice is usually you...

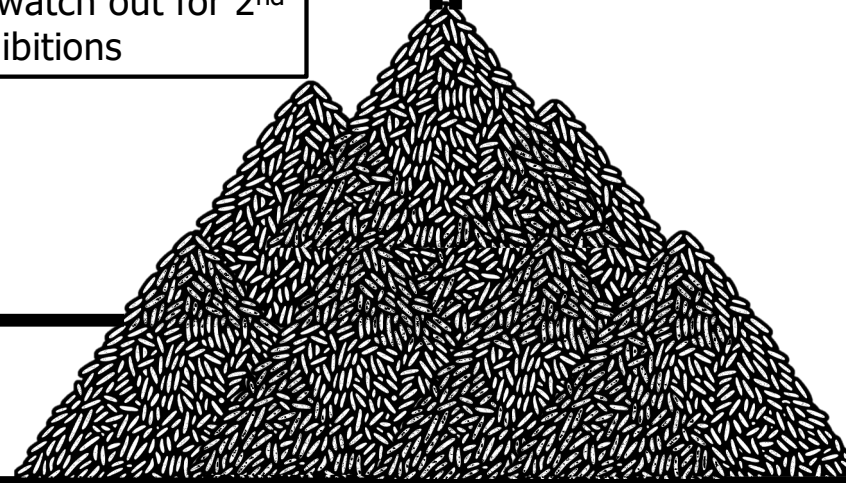
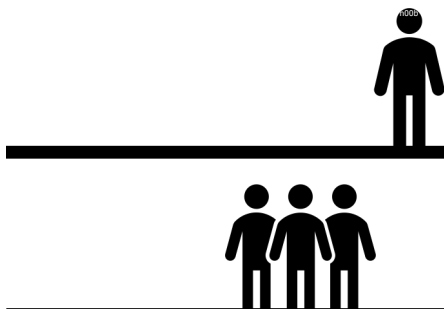
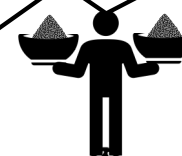
You'll want to set up an LLC and run your
company on QuickBooks
You can 1099, sure but the tax and scaling
benefits of setting up an LLC are definitely
worth the accounting hassles





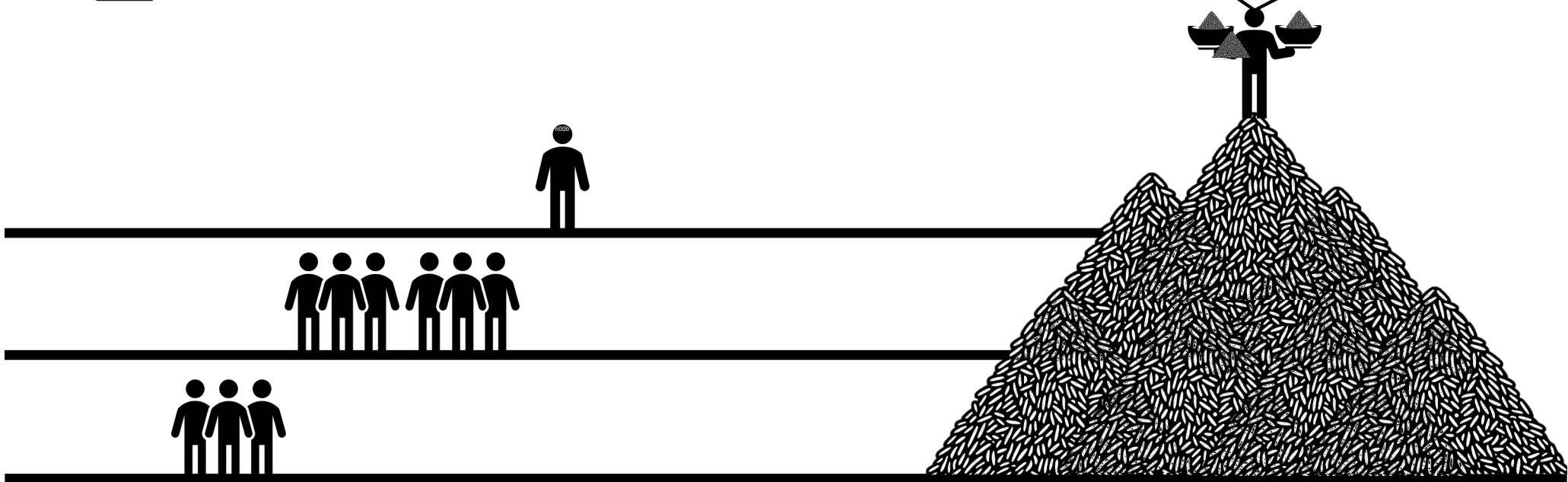
Step 2 is usually finding some other folks to work for you. Sometime the primes will send you requirements for billet fills. Sometimes you'll have to find the billets that need filling and find the perfect folks for the billet.

This largely depends on the contract and your prime. Also, depending on the contract, the folks you put under you could be 1099's, which will be easier for you. But watch out for 2nd tier subbing prohibitions



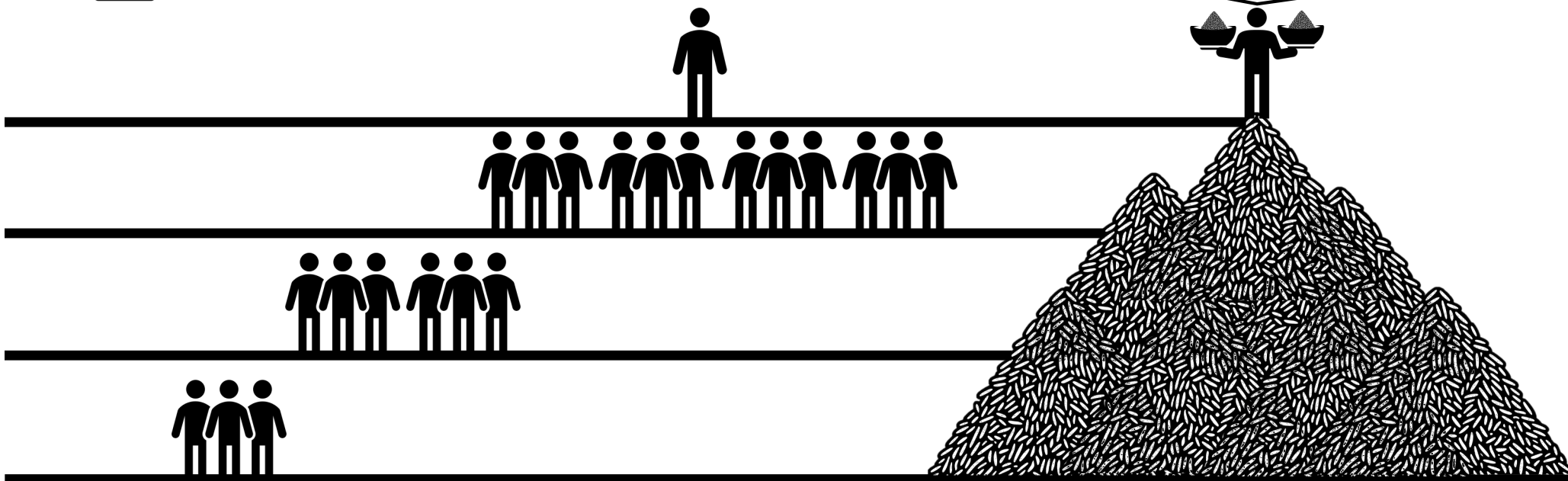


Step 3 you'll probably want to start teaming on bids. Develop relationships with larger companies who are bidding on contracts. This way you will have a teaming agreement and you can negotiate "work share" i.e. you get x% of the billets on a bid win





Step 4 you'll probably want to start bidding as a prime.
Now, this usually requires a lot more merit badges, accounting system audits, facility security clearances, if you have more than 11 people then your compliance requirements go up, etc.
But you get to keep all of the bids you win

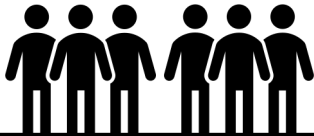
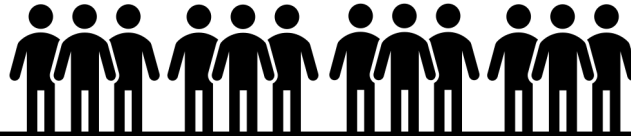




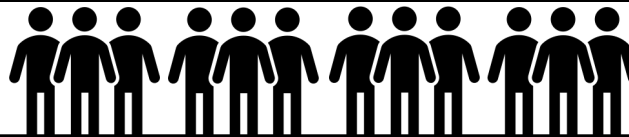
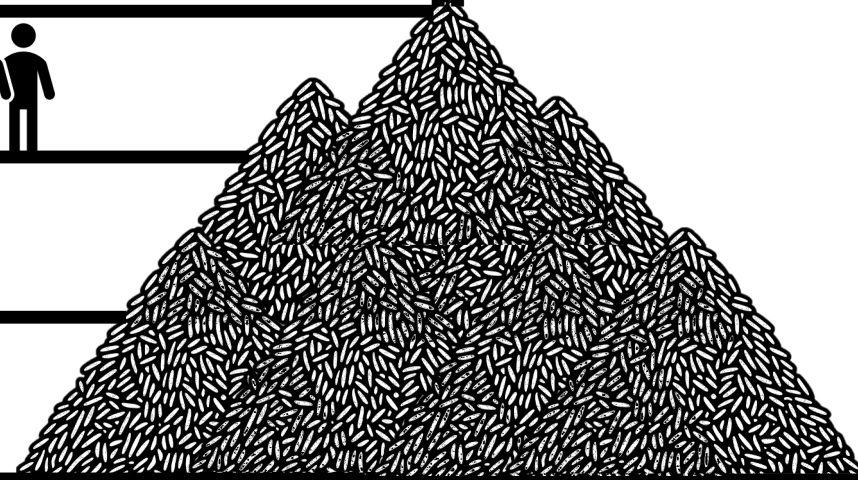
Step 5 you'll probably want to start bidding as a prime with subs. Now, this requires a lot more merit badges, accounting systems, maybe purchasing system, your overhead grows a lot too

Why would I want to share...?

Listen kid, pigs get fat,
hogs get slaughtered



← Your Sub



← Your Sub's company



Ok...well I know who I can get to buy my time, I guess
I just tell them what salary I need to get paid?

WHAT? Boy are you dense, you charge
them your rate, the government buys time
by the hour

Oh, like a lawyer, ok I can do that...
But what rate do I charge them?

Wraps, all about the wraps

Oh, are we getting gyros?



No.
Wrap rate turn your "base rate" into a "fully burdened rate"
The FBR is what you bill the government.
Step 1: your base rate, which is your salary / 2080
What do you make?

\$150,000

Cool, I love round numbers

$(\$150,000 / 2080)$



Now, your fringe benefits
Things like health insurance, 401k, vacation, sick leave, gym membership, whatever

Gosh...I dunno...

This is my surprised face, most hourly jobs take their benefits for granted, let's assume \$20k for health, 160 hours of leave is another \$11.5k, let's say you max out your 401k at 23k, we'll just leave it at that, so \$54,500 that's about 36% for fringe

$$(\$150,000 / 2080) * 1.36$$



Now, you'll probably have to do some things outside of only doing work on the contract, think of things like writing monthly status reports, any sort of paperwork associated with having a specific contract but not actually doing the contract work for the government, this is all "overhead"
Down the road this might be your company project manager for that contract.
For now lets say this is about 8 hours per month, so about 5%

$$(\$150,000 / 2080) * 1.36 * 1.05)$$



Ok...



Now, for a big one, general and administrative expenses. This is a big bucket, this is the time you spend doing accounting and invoicing, any time you spend on IT, security, and business development. Go to a conference – that's G&A time. You also put things like computers and office supplies in there, anything you need to run your company goes in this "pool" Let's say you'll spend about 8 hours a week taking care of stuff, working on new business and such, and another \$20k per year in expenses, so that's...31.8%

$$(\$150,000 / 2080) * 1.36) * 1.05) * 1.37)$$



Ok...



$$(\$150,000 / 2080) * 1.36) * 1.05) * 1.37) * 1.08)$$

8%!!!

Welcome to Services
contracts

Last but not least, your
fee, or profit as normal
people call it, lets set
that at 8%



$$=\text{sum}((((\$150,000 / 2080)*1.36)*1.05)*1.37)*1.08)$$

So your direct labor rate is \$72.11, but you're gonna charge the government \$152.37 per hour

But...that also means I'm working like 50-60 hours a week...

Welcome to small business Services contracts

