Scientific Firm Grows Government Business More Than 100 Percent with Accounting System

Overview

Country or Region: United States
Industry: Professional services—IT services

Customer Profile
Based in Monroeville, Pennsylvania, RJ Lee Group employs more than 250 people who specialize in solving technically challenging problems that involve multiple scientific disciplines.

Business Situation
RJ Lee Group needed a more modern project-accounting system to handle larger, more complex projects, including those covered under Defense Contract Audit Agency rules.

Solution
The company chose Microsoft Dynamics® SL over a Deltek system because of its ability to accommodate government-contracting requirements while supporting unique business needs.

Benefits
- Growing revenue from government contracts
- Excellent audit support
- Better informed decisions
- More efficient operations

"DCAA compliance was a baseline requirement, but it was even more important that the system could support the way our business works—that's why we choose Microsoft Dynamics SL over a Deltek system."

Richard Seitz, Director of Finance, RJ Lee Group

RJ Lee Group tackles technically challenging problems with a team of more than 250 material and forensic scientists, chemists, physicists, and computer scientists. When the company started winning larger contracts with complex reporting requirements, it decided to implement Microsoft Dynamics® SL to improve its project accounting. RJ Lee Group used the solution to efficiently meet a wide variety of state and federal government-contracting rules, including those subject to Defense Contract Audit Agency audits. As a result, RJ Lee Group has grown its business with the government so dramatically that the company is poised to earn half its revenue from contracts with the U.S. Department of Defense and the U.S. Department of Energy. In addition, the company reduced administrative workload and increased visibility into operations so that it can respond to business trends as they develop.

What to Expect™

Microsoft GOLD CERTIFIED Partner | 2009 MICROSOFT DYNAMICS SL PARTNER OF THE YEAR WINNER

Microsoft Dynamics

Situation

When Tower Two of the World Trade Center collapsed on September 11, 2001, it pushed hazardous airborne debris through pedestrian tunnels that connected the tower to the adjacent Deutsche Bank Building. Deutsche Bank contracted RJ Lee Group to measure the toxicity and extent of the contamination for insurance purposes. The diversity of specializations required for the task made RJ Lee Group, based in Monroeville, Pennsylvania, the perfect candidate for the job. The company specializes in difficult technical problems having to do with everything from materials characterization and forensic science to analytical instrumentation and software development. However, although peerless in technical expertise, RJ Lee Group's financial accounting system was not up to the task of tracking time and expense for the complex, multimillion-dollar project.

RJ Lee Group headquarters in Monroeville, Pennsylvania.

"At the time, we were still using custom software for financial accounting and job costing," says Richard Seitz, Director of Finance for RJ Lee Group. "The systems were old, hard to adjust, and entirely inadequate to handle the level of detail needed for the Deutsche Bank project."

To make up for the lack of functionality in its financial accounting system, RJ Lee Group relied heavily on Microsoft® Office Excel® spreadsheets and often did not know the expenses incurred and time spent on a project until two weeks after the company finished a job. Furthermore, the company had no processes in place to capture the detailed work descriptions that the customer required. Says Seitz, "To some extent, we were running blind. No one could easily determine how busy a department was or which project they were billing their time to."

RJ Lee Group recognized the need for a modern project-accounting system, not only to handle the Deutsche Bank project, but also to enable RJ Lee Group to win other large projects with complex accounting requirements. The company was especially interested in exploring opportunities in growing its business with government agencies. The ideal system, therefore, had to comply with government contractor–accounting rules, such as those issued by the Defense Contract Audit Agency (DCAA), and be flexible enough to accommodate the different types of projects that RJ Lee Group engaged in.

Solution

RJ Lee Group evaluated several project-accounting systems, including those from Deltek and Microsoft. After careful consideration, RJ Lee Group chose Microsoft Dynamics® SL because of its ability to accommodate the company's

unique business and accounting requirements. Says Seitz, "DCAA compliance was a baseline requirement, but it was even more important that the system could support the way our business works—that's why we chose Microsoft Dynamics SL over a Deltek system."

Pressed for time, RJ Lee Group set up Microsoft Dynamics SL with Business Portal in five months to help alleviate the project-accounting workload for the Deutsche Bank project. "We could have been up and running much sooner, but the more we saw what the system could do, the more ambitious we became," says Seitz.

Support for Unique Business Requirements
In the years since deploying, the company has upgraded and expanded its implementation of Microsoft Dynamics SL with help from Microsoft Gold Certified Partner SIS. Says Seitz, "Over the years, the stability and reliability of the solution has only increased, while the flexibility and integration between modules remains excellent."

RJ Lee Group added a number of reports that help department managers and project managers make better decisions faster. Whereas the finance department previously produced only four static reports at the end of every month, they now have a wide array of monthly financial reports and the ability to produce a myriad of informal reports— some sent out on a daily basis with updated time and expense data. Employees complete time entry online at the end of each day, specifying which project they worked on and adding any required notes.

> "Our government work has expanded dramatically since we implemented Microsoft Dynamics SL and will very likely account for up to 50 percent of our revenue in the near future."
>
> Richard Seitz, Director of Finance, RJ Lee Group

RJ Lee Group also connected the solution with other business systems to help eliminate invoicing paperwork. "We have a laboratory management system called eLIMS that we developed for commercial sales and that we use in our own laboratory operations. We were able to link that system together with Microsoft Dynamics SL easily because they are both based on Microsoft SQL Server®," says Seitz. "Work orders come in through the laboratory system and automatically get picked up for invoicing in Microsoft Dynamics SL."

Accounting for Government Projects
To make accounting for government projects simpler, RJ Lee Group set up Microsoft Dynamics SL to categorize a number of specific overhead costs, general and administrative costs, and labor rates. For example, when starting work on a government project, RJ Lee Group bills according to provisional rates until the DCAA certifies those contracts. The company creates the provisional rates by using the labor class categories in the solution for defined positions, such as project manager, scientist, technician, and various administrative positions. If the DCAA deems that the provisional rate needs to be adjusted after the audited rates are finalized, then RJ Lee Group can quickly reconcile invoicing done under the provisional rates to the final audited rates.

RJ Lee Group also depends heavily on the flexibility of Microsoft Dynamics SL to prepare incurred cost proposals according to Federal Acquisition Regulations standards—a key requirement for all government contracts. Says Seitz, "Previous to deploying the solution, handling government contracts involved a lot of manual work—getting labor rates and

averages and categorizing what were allowable and unallowable costs. Now, our workload is much lighter because we're only handling exceptions. We can be certain that we are following government regulations because the data is well organized. And, we know that indirect and direct costs are allocated correctly."

RJ Lee Group has just assumed responsibility over two laboratories located in the Hanford Nuclear Site in Pasco, Washington, as a subcontractor to Mission Support Alliance. This project will require RJ Lee Group to account for approximately U.S.$1 million each month in revenue according to U.S. Department of Energy project-accounting guidelines and audits.

"All government-contracting audits are basically looking for the same information but want it reported in different ways," says Seitz. "They want to make sure that we are not hiding anything and that we adhere to rules regarding labor rates and taxation and have accurately described the labor and material expenses related to the contract. With Microsoft Dynamics SL, we can track project costs and adjust our general ledger to accommodate the different reporting requirements."

Benefits

RJ Lee Group now confidently pursues new, larger government contracts because they can easily accommodate various accounting requirements with Microsoft Dynamics SL, such as those from the U.S. Departments of Defense and Energy. In addition, the company requires fewer administrative resources and can make more informed decisions based on timely and detailed project reports.

Growing Revenue from Government Contracts
By using Microsoft Dynamics SL to comply with various government project-accounting requirements, RJ Lee Group helped grow its government business by over 100 percent. In 2004, the company won a multimillion-dollar contract with the U.S. Air Force to develop the Engine Health Maintenance Plus Data Repository Center (EHM+DRC) system. Since then, RJ Lee Group has won additional software development contracts with the U.S. Department of Defense worth more than U.S.$28 million through 2012—work that will help the military greatly reduce the cost of maintaining jet engines. Because this project is located in Pennsylvania, RJ Lee Group must also prepare for Pennsylvania state sales-and-use tax audits.

Says Seitz, "Our government work has expanded dramatically since we implemented Microsoft Dynamics SL and will very likely account for up to 50 percent of our revenue in the near future. Before the Hanford project started, it accounted for about 30 percent of our revenue."

Excellent Audit Support
With cost structures created in Microsoft Dynamics SL and daily time entry, RJ Lee Group is fully prepared to answer any audit inquiries in a matter of minutes. Seitz relates an anecdote to illustrate: "When we had a DCAA auditor here, he asked to see how timesheet data progressed from the point of entry to where it hit the general ledger. He pulled up a chair and settled in, as though he expected to be there a while. He selected an existing timecard that included work performed on one of our government projects. We tracked the document

number of the timecard, a unique identifier for that timecard, through all the modules in Microsoft Dynamics SL. I then showed him where it showed up on the general ledger and on the project account—all in about a minute! He was impressed and said he'd never seen anything like it. This could not have been done in our old system."

Better-Informed Decisions
As RJ Lee Group won projects of greater size and complexity, the solution helped the company keep up with detailed information going to company and departmental managers as well as customers. Says Seitz, "We can meet virtually any reporting requirement with Microsoft Dynamics SL. This capability helps us avoid billing disputes with our customers, but more importantly, it gives our managers the information they need to keep us at peak operational efficiency and profitability."

Company managers can now view month-end financial reports in a little more than a week after the end of the month compared to between three and four weeks before implementing Microsoft Dynamics SL. This up-to-date view of the entire company's performance helps management identify and respond to emerging trends. Says Seitz, "In 2005, we experienced a slow period across our business and were able to position ourselves accordingly. If we were still running on our old systems, we wouldn't have seen that coming until a month or two afterwards."

More Efficient Operations
RJ Lee Group is able to do much more with its resources in the financial department, while other departments have reallocated their resources toward efforts that add more value to the company. "Our corporate accounting team is much more efficient, but we're still busy because our project and department managers are asking more of us," explains Seitz. "On the other hand, the departmental groups have been able to realize significant savings in their administration costs due to the improved availability of information. We estimate that we've saved between one-half to a full administrative position in many of our departments."

For More Information

For more information about Microsoft products and services, call the Microsoft Sales Information Center at (800) 426-9400. In Canada, call the Microsoft Canada Information Centre at (877) 568-2495. Customers in the United States and Canada who are deaf or hard-of-hearing can reach Microsoft text telephone (TTY/TDD) services at (800) 892-5234. Outside the 50 United States and Canada, please contact your local Microsoft subsidiary. To access information using the World Wide Web, go to:
www.microsoft.com

For more information about RJ Lee Group products and services, call (800) 860-1775 or visit the Web site at:
www.rjlg.com

For more information about SIS products and services, call (678) 380-2267 or visit the Web site at:
www.sisn.com

Microsoft Dynamics

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like familiar Microsoft software such as Microsoft Office, which means less of a learning curve for your people, so they can get up and running quickly and focus on what's most important. And because it is from Microsoft, it easily works with the systems that your company already has implemented. By automating and streamlining financial, customer relationship, and supply chain processes, Microsoft Dynamics brings together people, processes, and technologies, increasing the productivity and effectiveness of your business, and helping you drive business success.

For more information about Microsoft Dynamics, go to:
www.microsoft.com/dynamics

Software and Services
- Microsoft Dynamics
  - Microsoft Dynamics SL

Partners
- SIS

Microsoft®