



# PACA Pulse

SPRING 2013

PROFESSIONAL AEROSPACE CONTRACTORS ASSOCIATION OF NEW MEXICO

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## PACA Elects New Directors and Officers

The March 19 PACA membership luncheon included the annual election of a new Board of Directors. **Eric Mechenbier**, previously Vice President, automatically moved up to President succeeding Patricia Knighten.

Eric is the senior analyst for Sharp Informatics, a locally owned information systems design firm. Eric is responsible for Sharp's business development which includes creating and disseminating marketing strategies and materials. He is also charged with intellectual property development, project management, and technical analysis.

Eric joined PACA approximately three years ago and has found it to be an ideal venue to meet professionals in all lines of business. He became part of the Board last year as Vice President and was immediately 'initiated.' "I didn't know at the time that Patricia Knighten was going to miss her first meeting as President thus making me master of ceremonies," he said with a chuckle.

**Laurence Andrew Dobrot**, known as "Andy," is PACA's newly elected Vice President. He works for the Albuquerque operation of MEI Technologies (MEIT) as the Capture Manager of DoD Space Systems, essentially charged with business development for military space.

MEIT is a nationwide company providing services and solutions in systems design and development, applied engineering, cyber service and security, and research and development. Headquartered in Houston, MEIT also has operations in Alabama, Colorado, Florida, Maryland, and Mississippi. The company's two New Mexico locations include the Albuquerque office on Pan American Freeway NE as well as the operation at White Sands Test Facility.

Andy retired from the Air Force in 2010

after twenty-five years; his last assignment was the Vice Commander of the Airborne Laser Program at Kirtland AFB. He then wasted no time in joining PACA with the goal to become integrated into the commercial side of the aerospace and government contracting industries.

Growing up the son of an Air Force officer, Andy is from "all over" but claims the Upper Peninsula of Michigan as his primary home having spent most of his youth there. He attended Michigan Technological University in Houghton where he earned a degree in Mechanical Engineering.

Andy and his wife of 23 years, Barbara, are the proud parents of son, Thomas, currently completing his freshman year at the University of Colorado at Boulder, and daughter, Marisa, graduating from La Cueva High School this month.

Just for fun, Andy works as a professional ski instructor at Sandia Peak and is an amateur race car driver. He and the team participate in competitive races around New Mexico and Colorado.

**Michelle Franks**, CFO for Studio Southwest Architects Inc, is PACA's new Treasurer. She has been with the locally-owned award winning firm for 16 years. A graduate of New Mexico State University and the University of New Mexico, Michelle holds both B.B.A. and M.B.A. degrees.



**Michelle Franks**

In addition to her contribution of time to PACA, she is also the sitting Vice President of the Board of Directors for Animal Humane New Mexico and a volunteer for the City of Albuquerque Animal Welfare Department. So it comes as no surprise that she is the

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## New Directors *continued*

adoptive parent of three dogs — a 70-pound boxer, a 65-pound boxer/Labrador mix, and runt of the group, a mere 50-pound pitbull. The dogs don't out muscle Michelle as she is an avid biker, both road and mountain, and is dedicated to working out every day, most often riding but also lifting weights.

Michelle has two talented daughters, Danee, graduating from Sandia High School this month in the top five percent of her class, and Darby, currently a sophomore at Sandia. Danee has been accepted into Colorado State University's College of Engineering as well as the Honors College. Darby has her career sights set on the field of medicine.

Michelle is obviously a busy professional, community volunteer, and involved parent, but takes the time to get it right. "Doing a good job really matters to me — at work, volunteering, and at home," she said. "If I'm going to do something, whatever it is, I'm going to make every effort to do it right."

**Ron Unruh**, new to the Board as the BFI Officer but very longtime BFI Chair, hardly needs an introduction. He is the man in charge of PACA's premier annual event year after successful year. He has served on the BFI Committee for 22 years and as the Chair for the last 17 consecutive years. "With another three years as the Chairman I will be able to retire at 50% of salary," he quipped.

Ron joined Entereza, Inc. in October 2010 as Senior Business Development Manager and more recently assumed the position of Program Manager of the company's National Radar Test Facility contract at Holloman AFB. Entereza, a local woman-owned small business, provides specialized technical and professional services to the government and prime contractors.

Ron retired from the Air Force in 1996, with his last assignment at the Air Research Laboratory where he was the contracting officer of record for the Airborne Laser Concept Design effort. Ron then served as the Division Chief and Supervisory Contracting Officer for all the non-AFRL contracting efforts serviced by AFRL/PK that include AFOTEC, TACCSF (now DMOC), SA-ALC programs, and USA Big Crow Program Office, OSD's premier and unique provider of electronic warfare. For the next fourteen years he supported the Big Crow Program Office while working for a contractor prior to joining the Entereza team.

Born and raised in Carnegie, Oklahoma, Ron, wife Linda, and their son and daughter are **all** graduates of Oklahoma University. In addition to family, he enjoys time in God's country hiking, fishing, and hunting.

Continuing Board members include outgoing President **Patricia Knighten** who automatically assumes the position of Immediate Past President, **Burke Nelson**, Secretary, Program Officer **Don Nash**, and Small Business Officer **Lenny Bean**.

Leaving the Board after years of dedicated service to PACA are former Immediate Past President **Bill Miera** and departing Treasurer **John Kiegel**.

A heartfelt thank you is given to these hardworking individuals committed to the continued success of PACA! •

## Upcoming Luncheon Speaker

### ■ June 18 - David Keese, Director of Integrated Military Systems, Sandia National Laboratories



David Keese is responsible for a line organization of over 225 personnel and a program area of approximately \$125 million per year of projects for various federal agencies. This includes strike systems, missile defense targets and testing, laser and directed energy applications, and

explosive testing and hard target defeat.

Prior to his current assignment, Mr. Keese was Chief of Staff to the President of Sandia National Labs for three years. He also served as the Deputy to the Vice President for Defense Systems & Assessments at Sandia, and the Group Manager for Program Development. And as Technical Programs Deputy, he coordinated a portfolio of programs totaling over \$600 million of work with other federal agencies and was specifically responsible for directing internal development investments totaling over \$40 million annually.

During his career at Sandia, Mr. Keese has held progressively more responsible management and leadership positions in virtually all aspects of advanced aerospace vehicle analysis, design, development, and flight-testing.

His technical expertise and experience includes aerodynamic modeling of rocket and reentry systems, trajectory simulations to model the flight dynamics of these vehicles, and extensive interactions with test range personnel in connection with flight safety analyses.

While at Sandia Mr. Keese has exercised leadership and technical oversight of all hypersonic vehicle and warhead system programs, personnel management, and development of new business with DoD, NASA and private industry. He was a Co-Investigator in NASA's SHARP (Slender Hypersonic Aero-thermodynamic Research Probe) Program that produced critical successes for the Advanced Space Transportation Program.

Mr. Keese's educational background includes graduate and undergraduate degrees in Aerospace Engineering from Texas A&M University. He also completed the Executive MBA program at the University of New Mexico as well as the MIT XXI seminar series on Foreign Policy and International Relations. •

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We meet the 3<sup>rd</sup> Tuesday of each month at **Tanoan Country Club** (Rolling Hills entrance east of Eubank off Academy). Registration begins at 11:30 a.m. followed by lunch at noon. Members are admitted free and the guest fee is \$15.

To RSVP, register online at [www.pacanm.org](http://www.pacanm.org). Include your name, guest's name, and menu selection. Please RSVP by noon on the Thursday before the week of the meeting. •

# Legal Insights: Establishing Contractor Compliance Programs, Part II

By Ross Crown

This is the second part of a three-part article examining contractor compliance programs. Part I of this article discussed why compliance programs are necessary and identified the three basic elements of a contract compliance program: (1) a code of business ethics and conduct, (2) internal controls, and (3) mandatory disclosure requirements. Part I then went on to address codes of business ethics and conduct. This second part looks at internal controls. Mandatory disclosure requirements will be discussed in Part III.

## Internal Controls Requirement

Like the requirement that contractors adopt a code of business ethics and conduct, the mandate that contractors incorporate an internal control system in their operations is imposed by FAR 52.203-13. As noted in Part I, this clause must be inserted in solicitations and contracts if the value of the contract is expected to exceed \$5 million and the performance period is 120 days or more. FAR 3.1004(a).

Internal controls are addressed in paragraph (c) of 52.203-12. Paragraph (c) does not apply if the contractor has represented itself as a small business concern or if the contract is for acquisition of a commercial item. Assuming paragraph (c) applies, the contractor is required to establish within 90 days after contract award (subject to extension by the contracting officer) an ongoing business ethics awareness and compliance program. In addition to internal controls, this program must include reasonable steps to communicate periodically and in a practical manner, the contractor's standards and procedures and other aspects of the contractor's business ethics awareness and compliance program and internal control system. This is to be accomplished by conducting effective training programs and otherwise disseminating information appropriate to an individual's respective roles and responsibilities. The training to be conducted under this program shall be provided not only to the contractor's principals and employees, but as appropriate to the contractor's agents and subcontractors.

The Defense Contract Audit Agency audits internal control systems to verify that they comply with FAR 52.203-13(c). DCAA issued an internal memorandum dated July 23, 2009 which sets forth the guidelines for these audits.

## Elements of Internal Control System

FAR 52.203-13(c) recites that an internal control system must establish standards and procedures to facilitate timely discovery of improper conduct in connection with government contracts and ensure corrective measures are promptly instituted and carried out. This clause lists the minimum requirements of contractor internal control systems. The DCAA memorandum elaborates on what the DCAA is looking for when it audits internal control systems. The elements of an internal control system must include the following:

**Assignment of responsibility:** Contractors must assign

responsibility for internal controls at a sufficiently high level and with adequate resources to ensure the effectiveness of the business ethics awareness and compliance program and internal control system. The DCAA guidelines anticipate that the manager responsible for the compliance program should report to a high level official such as the vice president or CFO.

**Excluding principals with past problems:** Contractors must undertake reasonable efforts not to include an individual as a principal whom due diligence would have exposed as having engaged in conduct that is in conflict with the contractor's code of business ethics and conduct. DCAA will review the contractor's policies and procedures and test the procedures to verify that they include steps for exercising due diligence in identifying such conduct (e.g. requiring background checks before appointing principals of the company) and that the steps have been taken when applicable.

**Periodic reviews:** Contractors must periodically review company business practices, procedures, policies, and internal controls for compliance with the contractor's code of business ethics and conduct and the special requirements of government contracting, including:

- Monitoring and auditing to detect criminal conduct;
- Periodic evaluation of the effectiveness of the business ethics awareness and compliance program and internal control system, especially if criminal conduct has been detected; and
- Periodic assessment of the risk of criminal conduct, with

appropriate steps to design, implement, or modify the business ethics awareness and compliance program and internal control system as necessary to reduce the risk of criminal conduct identified through this process.

DCAA takes the position that these periodic evaluations must be undertaken at least annually. Its audits will review the results of the evaluations to ensure that the contractor has taken the necessary corrective actions to address any weaknesses identified in the internal control system.

**Internal reporting:** Contractors must establish an internal reporting mechanism, such as a hotline, which allows for anonymity or confidentiality and by which employees may report suspected instances of improper conduct. Contractors must also encourage employees to make such reports.

**Disciplinary action:** Contractors must take disciplinary action in response to improper conduct or for failing to take reasonable steps to prevent or detect improper conduct. DCAA instructs its auditors to request the contractor provide evidence of the assessment performed to determine if the disciplinary action taken was needed and evidence of the disciplinary action taken, if applicable. If a contractor states that no disciplinary action was needed, the auditor must verify that there were no reports of improper conduct by the contractor. Should the auditor find that there is a report of improper conduct and the



*Legal Insights continued on following page*

contractor failed to take disciplinary action when it should have been taken, the auditor will cite the contractor for an internal control deficiency.

**Timely disclosure:** Contractors must provide timely disclosure, in writing, to the agency Inspector General with a copy to the contracting officer, whenever in connection with the award, performance, or closeout of any government contract performed by the contractor or its subcontractor, the contractor has credible evidence that a principal, employee, agent, or subcontractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery or gratuity violations or a violation of the civil False Claims Act. This mandatory disclosure requirement is discussed further in Part III of this article.

**Full cooperation:** Contractors are expected to extend full cooperation to any government agencies responsible for audits, investigations, or corrective actions. "Full cooperation" is defined in 52.203-13(a) as disclosure to the government of information sufficient for law enforcement to identify the nature and extent of the offense and the individuals responsible for the conduct. This includes providing timely and complete responses to government requests for documents and access to employees. Full cooperation does not prevent the contractor from exercising any rights arising in law, the FAR, or the terms of the contract. It also does not require the contractor or a principal or employee of the contractor to waive the attorney client privilege or Fifth Amendment rights. In addition, full cooperation does not prohibit a contractor from conducting an internal investigation or defending a proceeding or dispute arising under the contract or related to a potential or disclosed violation. If the DCAA determines that the contractor has not cooperated with audits or investigations, the contractor will be cited for a deficiency relating to its control environment. DCAA will confirm that there are no outstanding access to records issues or subpoenas that would indicate a lack of cooperation on the part of the contractor.

Although FAR 52.203-13(c) together with the DCAA audit guidelines describe at some length the requirements of a contractor internal control system, they sketch only the broad contours of such a system. The specific policies and procedures constituting an internal control system will vary considerably from contractor to contractor depending on the size of the company, type of industry, and nature of contracts performed. Contractors not in compliance with FAR 52.203-13(c) need to assess their current controls and then commit to changing and or supplementing them, perhaps substantially, to establish a legally acceptable internal control system. In embarking upon this process, contractors should enlist the assistance of outside consultants, including legal counsel. •

Ross is a partner in the Albuquerque office of Lewis and Roca LLP where his practice emphasizes government contracts. This article is intended for general information only and should not be construed as legal advice or opinion. Any questions concerning your legal rights or obligations in any particular circumstance should be directed to your lawyer.

## President's Corner

by *Eric Mechenbier*

In my first installment of the President's Corner, I would like to investigate the most important factor to the PACA organization: you, the member. What do you like about PACA and feel is working well? What would you change if you could?

In contemplating your response, certainly consider changes to what we're currently doing: luncheon networking and speakers (increase/decrease time devoted to one or the other); e-mail notices of events and items of potential interest; Briefing for Industry conference; et cetera. However, please also think outside of the box about what PACA could offer to its membership. For instance, is your business stymied in attempts at government contracts and you'd like successful members to share tips and tricks? Or, could PACA improve your teaming opportunities by facilitating some sort of formal matchmaking interaction?



I would also like to know how this publication can be more useful to you. **Ross Crown** and **Ro Saavedra** put a LOT of effort into producing this wonderful resource for us, and I want to maximize its utility. If you've read this far, I absolutely appreciate it and would be thrilled for you to connect with me at the next luncheon or drop me a quick line at [eric@sharpinformatix.com](mailto:eric@sharpinformatix.com). There might even be a gift card in it for you. Please don't pass up this chance to give the Board some discussion ideas about how to make PACA better for you!

Speaking of our outstanding Board, I'd like to publicly acknowledge the excellent and selfless volunteer service of those who have recently rolled off the PACA Board of Directors and into greener pastures: President **Bill Miera** and Treasurer **John Kiegel**. The Past-President and JT8 Liaison, **Patricia Knighten**, continues to serve with Board newcomers: Vice-President **Andy Dobrot**, Treasurer **Michelle Franks**, and **Ron Unruh**, whose longtime support as Chair of the BFI Committee has been rightly elevated to one of the eight Board positions, namely BFI Officer. Much appreciation is also extended to continuing Board members, **Burke Nelson**, "Secretary for Life," **Don Nash**, Program Officer, and Small Business Officer **Lenny Bean**. Lastly, thanks to the new Membership Chair **Judy Ruiz** for heading up the three-member committee. I sincerely hope you'll join me in thanking these valued volunteers for their efforts; PACA couldn't be great without them.

Thanks and I look forward to your feedback! •

# New Inspector General Report on the DCAA

By Tony Royle, CPA

As many government contractors are aware, the Defense Contract Audit Agency has been under scrutiny since July 2009 by the Government Accountability Office, Congress, and others for widespread problems with the lack of audit quality. (Reference report No. GAO-09-468). In this report dated September 2009, the GAO found that 65 of the 69 audit reports reviewed had "serious government auditing standard or other deficiencies ... including compromise of auditor independence, insufficient audit testing, and inadequate



planning and supervision." Since this report, the DCAA has taken many actions in an attempt to improve its audit quality, including the hiring of additional auditors and the issuance of new procedures.

On March 7, 2013 the Inspector General (IG) of the Department of Defense issued a 93 page report entitled, **Monitoring of the Quality of the Defense Contract Audit Agency FY 2010 Audits** (Report No. DODIG-2013-044). In summary, the IG found that the DCAA did not exercise professional judgment in performing 37 of the 50 fiscal year 2010 assignments reviewed - an error rate of 74%. There were a number of deficiencies in the 37 audits which was evidence for the need for improvements in the area of competence at the DCAA. The major inadequacies cited were: the use of inexperienced auditors under limited supervision, and an ineffective quality control system.

Additionally, the IG had 17 recommendations for the DCAA. In all except a few, the DCAA has agreed to implement the IG recommendations.

We are certain to see additional changes in the way DCAA audits. Stay tuned as DCAA continues to tighten up its audit quality control.

For a copy of the reports cited in this article, please contact me at 878-7200. •

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Tony is a partner in the Albuquerque office of the public accounting firm of Moss Adams LLP. He specializes in services to government contractors. The material appearing in this article is for informational purposes only and is not legal or accounting advice. Communication of this information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although these materials may have been prepared by professionals, they should not be used as a substitute for professional services. If legal, accounting, or other professional advice is required, the services of a professional should be sought. For further information, Tony can be reached at 878-7200.

# 2013 Legislative Session Report

By M. Brian Barnett, PACA Legislative Liaison

The most recent New Mexico legislative session was held January 15 – March 16, 2013 at the Roundhouse in Santa Fe. The two main aerospace related bills that PACA supported and lobbied for were the Spaceport Informed Consent Act and the DoD Satellite Gross Receipts bill. Thanks to **Bill Miera** and **Patricia Knighten** who accompanied me to lobby in support of these two critically important bills and the many PACA members who sent letters in support of the bills, I am happy to report that the Spaceport bill was passed unanimously. The DoD Satellite Gross Receipts bill unfortunately died in committee.



I extend a huge **thank you** to all the PACA members and leadership who took the time to send letters and to lobby for these bills that are vital to New Mexico's economy. It made a huge difference. I believe that 2013 was the best year ever for PACA making a difference in the outcome of aerospace related legislation. •

## Save the Date for the 27th BFI

Don't miss the 27th consecutive annual Briefing for Industry to be held August 19–21, 2013 at the Hotel Albuquerque in Old Town.

Sponsored by PACA, the event will bring together the leaders and representatives from the USAF, DoD, DoE and other organizations in New Mexico with an inclusive focus on new contractual opportunities in the coming year. With other conferences being cancelled, you will not want to miss this event! Mark your calendars and check the BFI website at <http://bfi.pacanm.org> regularly for updates.

For registration and other information, you may also call 899-4028. •

## Thank You Annual PACA Sponsors!

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## Welcome NEW MEMBERS

**Gary Bennett**, MSS Inc.

**Jennifer Draper**, MBO Partners, Inc.

**James Keefner**, Chenega Aerospace

**Edward Longoria**, AIR USA

**Erin Turcich**, Aerotek



## Join PACA!

PACA membership annual dues are \$150\*. The fiscal year runs from April 1, 2011 to March 31, 2012. Mid-year applications will be pro-rated. You may pay your dues and apply on-line at [www.pacanm.org](http://www.pacanm.org).

For more information, contact **Judy Ruiz** at 254-4329 / [vp\\_mktgpr@kirlland.cu.org](mailto:vp_mktgpr@kirlland.cu.org).

\* Dues are subject to change.

## Congratulations to the 2013 NM Science and Engineering Fair PACA Winners!

The New Mexico Science and Engineering Fair, held on April 6, was once again judged by **Bill Dettmer** along with **James Duffey** and **Don Nash**. This was the 61st Annual statewide competition. The judges proudly announce this year's PACA winners:

### FIRST PLACE - \$300

**Devon Conradson**, Los Alamos High School  
*Gravity, Dark Energy, and Entropy in the Expanding Universe*

Devon studied and concluded that dark energy increases entropy so that the universe can attain a state that complies with the second law of thermodynamics.

Devon was also awarded Honorable Mention in Senior Physics and Astronomy.



### SECOND PLACE (tie) - \$150

**Colman Kendrick**, Los Alamos High School  
*N-Body Simulation of Saturn's Ring Structure*

Colman developed a simulation of how Saturn's ring structure can be formed by resonances, moons inside the ring, and comet/asteroid impacts.

Colman was also awarded First place in Senior Physics and Astronomy.

&

**Holly Erickson**, Los Alamos High School  
*An Advanced Biomimetic Hand Using Additive Manufacturing*

Holly used a modified 3D printer to replicate key aspects of the human hand such as bones, tendons, nerves, and skin.

Holly was also awarded First Place in Senior Engineering. •

## Spread the News

If you know a potential member or anyone else who would like to receive the newsletter, please forward their e-mail address to [RoSaavedra@msn.com](mailto:RoSaavedra@msn.com).

This is your newsletter. If you would like to contribute an article, make announcements (promotion, job change, or a new product or service), please submit your newsletter contribution to the editor, Ross Crown, at [RCrown@LRLaw.com](mailto:RCrown@LRLaw.com) or call him at 764-5402.

Contributions are welcome! •