


QUANTIFYING THE FUTURE



The Role of the IGCE in Source Selection

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## Objective

- Discuss the role of the Independent Government Cost Estimate (IGCE) in Source Selection
  - As government agencies strive to provide the best services to the nation's citizens, cost estimating has become a key contributor to new acquisitions in this ever-changing and stringent budget environment
- Answer the following questions:
  - When should the cost team begin to interface with the technical team?
  - How should the cost model be organized, in accordance with the Statement of Work (SOW) or Contract Line Item Number (CLIN) structure?
  - What level of detail is required, estimating at the Contract Deliverables Requirements List (CDRL) level?
  - Why should the cost model correlate to the price evaluation tool?

## Background

- The following presentation is largely based on Federal Aviation Administration source selection for a primarily labor/services-based "best value" acquisition

## Defining the IGCE

- **What:** Estimates the price that the government can expect to pay a vendor for predetermined services
- **Why:** Serves as a benchmark to compare vendor pricing, and together with the technical evaluation forms the basis for a sound vendor selection
- **When:** Prior to receiving vendor proposals and going through source selection

## Acquisition Process



- Requirement determination/specification
- Procurement request/RFP
- Solicitation
- Proposal Evaluation
- Vendor Selection
- Negotiation
- Contract Award

A team comprised of program management, contracting, technical, logistics and cost/price analysts is often created at the onset of the acquisition process to perform acquisition activities.

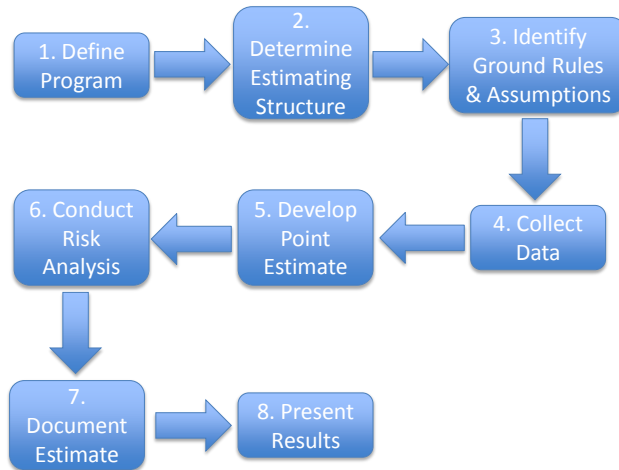
## Source Selection Objectives

- Conduct a fair and comprehensive evaluation of offerors' proposals
- Maximize efficiency and minimize complexity of the proposal evaluation and contractor selection process
- Select the offeror whose proposal is the best value and technically acceptable to the Government considering cost/price and technical factors, as well as past performance – **a high quality IGCE must be developed!!**
- Document the basis for the selection decision

## Components of a Strong IGCE

- Classification of employees required to complete the job
- Number of direct hours required by each class of employee to complete the job
- Wage rates for each class of employee
- Labor burden
- Overhead
- Other direct costs
- General and administrative expenses
- Profit/fee

## IGCE Development Process



## IGCE Development

### Cost Team Activities:

- Cost team builds the IGCE based on information provided by the technical experts and other members of the acquisition team.
- Develop WBS and ground rules and assumptions
- Collect data, including labor rates associated with the labor categories and skill levels defined by the tech team
- Conduct risk analysis, paying particular attention to Cost-Plus Award Fee (CPAF) CLINs
- Document cost estimate and present results to stakeholders

## IGCE Development (Cont'd)

### **Tech Team Role:**

- Helps define the scope of the acquisition
  - Software and hardware system requirements
  - Test and evaluation procedures and staffing
  - Implementation requirements, etc.
- Determine labor categories required to execute contract activities
- Screening Information Request (SIR) Package
  - Develop SOW which sets framework for WBS
    - An example of possible sections of the SOW include: Program Management, Solution Development, Continuing Engineering, Test and Evaluation, Production and Deployment, Logistics, and Training.
  - CLIN list may determine lower level WBS activities

## Developing the WBS

### **SOW vs CLIN Comparison:**

- Team should consider the format in which the vendor will provide proposal pricing in order to generate an appropriate WBS
  - Estimate structure should be comparable to proposal pricing submitted by vendors
  - Vendors often provide pricing by CLIN
- Evaluating vendor proposals and comparing them to the IGCE becomes easier when the cost estimate framework reflects the CLIN structure

## Developing the WBS (Cont'd)

### SOW vs CLIN Comparison:

- The PM subsections listed in the SOW could dictate Level II of the WBS

SOW #	SOW Description
1.0	Program Management
1.1	Program Management Office
1.2	Program Control
1.3	Risk Management
1.4	Contract Status Tracking
1.5	Performance Management
1.6	Meeting Support
1.7	Configuration Management
1.8	Quality Management

## Developing the WBS (Cont'd)

### SOW vs CLIN Comparison:

- The PM CLINs listed should dictate level III of the WBS

CLIN #	CLIN Description
PGM_01AA	Perform Program Management
PGM_01AB	Provide Program Management Plan
PGM_01BA	Implement Configuration Management Program
PGM_01CA	Perform Functional Configuration Audit
PGM_01CB	Perform Physical Configuration Audit
PGM_01DA	Maintain Quality Management System
PGM_01EA	Performance Management Fee

- CDRLs could dictate lower levels of the WBS

## Developing Labor Rates

- Define labor categories and skill levels
  - E.g. Administrative Support, Configuration Analyst, Database Administrator, Engineer, Implementation Manager, Integrated Logistics Support Specialist/Manager, IT Specialist, Program Analyst/Manager, Technical Lead, Technical Writer/Editor, Technician, Test Manager, Training Specialist
- Research GSA schedule and select sample of applicable vendor rates to calculate average by labor category and skill level
- Apply escalation rate to obtain estimated labor rates for the anticipated contract years

## Price Evaluation Tool (PET)

- The PET is best described as a tool that can be developed in Excel and comprises the deployment schedule, hardware counts and pricing, installation pricing, and support services CLIN pricing among other sections
  - Some sections, such as deployment schedule, are populated by the Government acquisition team prior to releasing the SIR
  - The pricing piece is populated by the vendors and submitted with their proposals
  - The tool contains summary tables showing the total evaluated price for different areas of the SOW
- The acquisition team populates the PET with IGCE figures
  - Comparing the PET summary tables provided by each vendor to the tables reflecting IGCE figures will show differences in pricing
  - The acquisition team will investigate further particular areas of interest where the proposals differ greatly from each other and the IGCE



## PET Example

CLIN #	CLIN Description	SOW Reference	Contract Type	Billing Unit	Contract Year 1				Target Cost
					Billing CLIN	Billing Unit QTY	Billing Unit Price	Total FFP	
PGM_01AA	Perform Program Management								
PGM_01AB	Provide Program Management Plan								
PGM_01BA	Implement Configuration Management Program								
PGM_01CA	Perform Functional Configuration Audit								
PGM_01CB	Perform Physical Configuration Audit								
PGM_01DA	Maintain Quality Management System								
PGM_01EA	Performance Management Fee								

- If the PET and IGCE are in line with the CLIN structure, it will be easier for the evaluation team to assess all proposals and make a decision that will benefit the program, and ultimately end users

## Conclusion

- From the development of an IGCE to Source Selection, many players come together to ensure the vendor selected will provide superior service at the best value
  - The cost and technical experts are main players
- Developing an IGCE and utilizing it to evaluate vendor proposals for the acquisition of new technology is vital for acquisition programs
- A strong IGCE facilitates source selection and the subsequent contract award
  - Organizations will have more leverage during contract negotiations with vendors
  - Acquisition will run smoothly and meet agency goals