



Independent Government Cost Estimate (IGCE)

Bureau of Indian Affairs
Office of Acquisition and Property Management
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Purpose

- Define IGCE
- Roles and Responsibilities
- Authority
- How to prepare the IGCE

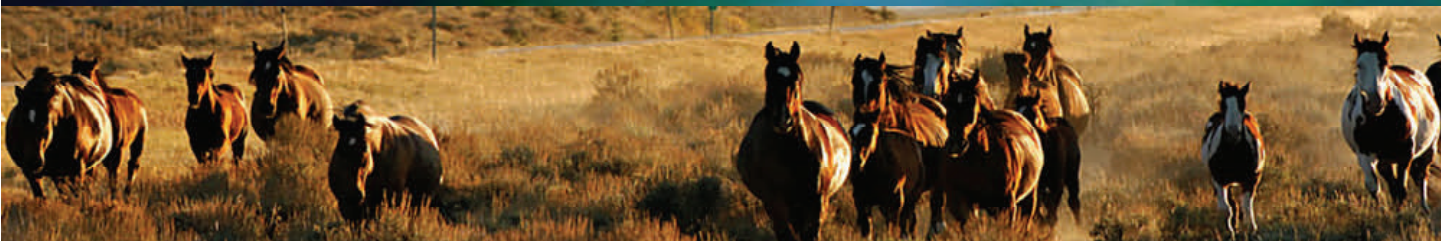


The purpose of this presentation is to provide a user friendly resource and general guidance to the program office contracting officer's representatives who compile the necessary elements of a purchase request package.

This information is targeted to define the Independent Government Cost Estimate (IGCE), when it's needed, who prepares it and the benefits of creating an accurate and useful IGCE and SOW.

Definition

- Detailed estimate of the cost of supplies or services to be acquired from private sector
 - Projection or forecast of economic or financial value of supplies/services to be acquired
 - Must be based on information specific to the supplies/services to be acquired
 - Government's best estimate of what a responsible contractor will propose, based on a reasonable evaluation and assessment of the specifications or statement of work



The government utilizes the IGCE as one of the integral tools of the acquisition package. Throughout the acquisition process, COs and CORs use the IGCE to analyze the consistency of the contractor's costs and associated technical approach, to assess the contractor's understanding of the government need, and to determine price reasonableness. It's the government's best estimate to project pricing for the contemplated contract period. The IGCE is a procurement sensitive document and access to it shall be on 'need-to-know' basis.

Roles and Responsibilities



Program Office prepares the IGCE
Acquisition plays an advisory role as part of the
acquisition planning process
Why? Technical Expertise is required to adequately
estimate the value of work contemplated
Intrinsic knowledge of requirement and incumbent



The program office is responsible to prepare the IGCE. The contracting office does not have the technical expertise to look ahead and understand how to move a project downstream. This requires intrinsic knowledge that technical experts in the program office owns. This is also why the project management role is solidly in the program office. Acquisition experts are skilled in the acquisition process from cradle to grave and lack expertise in the varied functions that Indian Affairs has responsibility over, whether it's running schools, implementing forestry programs or doing probate work. If we want to buy a computer, we seek assistance from our IT group, as we have no idea what system capabilities are needed or what functionalities will allow us to get the job done.

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The IGCE is a valuable tool used to ensure that final contract price is fair and reasonable. The better you understand the marketplace the better you will be able to make decisions that will enable you to meet the needs of the government at a reasonable price. The IGCE is an essential element of the procurement request package. It is used to compare against the technical approach to ensure that the proposed labor breakdown is responsive to the Statement of Work, and for budgeting purposes to ensure that sufficient funds are committed to the particular acquisition.

Authority



- FAR 13.106-3: Price reasonableness based on comparison to an IGCE
- FAR 14.408: discusses price reasonableness using the price analysis techniques in 15.404
- FAR 15.404: price reasonableness may be determined through comparison to the IGCE
- FAR 36.203 and 36.605: requires preparation of IGCE to determine price reasonableness in construction and A/E contracts



FAR 7.105 establishes that budget estimates are needed as part of the Acquisition Planning process, and references the IGCE as a comparison tool in Simplified Acquisition Procedures; in Sealed Bidding and in Negotiated procurements. FAR 15.404 references IGCE in both price and cost analysis and a corresponding cost estimate is implied for all acquisitions. FAR Part 36 also requires preparation of the government estimate for construction and A/E contracts.

Sources for Market Research



- Historical Data
 - Contract files
 - Procurement System
 - FPDS-NG
- Published Data
 - Federal Supply Schedules
 - Manufacturer/Dealer catalogues
 - Trade Journals



FAR 7.103 requires the Contracting Officer to review the acquisition history of supplies and services; and a description of the supplies, including when necessary for adequate description, a picture, drawing, diagram or other graphic representation. This is to ensure that prior prices are considered in estimating the price of the current acquisition. GSA directs and manages the Federal Supply Schedule program that provides federal agencies with a simplified process to obtain commonly used supplies and services at prices associated with volume buying. The FSS and GSA Advantage are great resources from which to obtain published pricing.

Preparing the IGCE

Major Cost Elements



1. Develop Statement of Work;
2. Estimate level of effort;
3. Estimate direct labor cost (rates and hours) including escalation, and direct material;
4. Apply indirect costs if applicable for fringe and overhead (include G&A, etc.);
5. Estimate Other Direct Costs (travel, tools & equipment, subcontractors);
6. Apply fee or profit; and
7. Review and approve.



This slide shows the basic process to develop a services contract IGCE. For supplies, the estimator would simply structure the items to be procured and the associated estimated pricing based on market research. The major price component on this service contract structure is labor, with Indirect, Other Direct Costs and profit applied to buttress the pricing structure. The estimator should have considered historical pricing and any changes in the market; current levels of competition in the market and how it will likely affect price; how changing the timing of the acquisition can affect price due to trends in supply and demand; what firms are expected to respond to the solicitation and how their estimated prices will affect the estimate; whether delivery or performance schedule adversely affects estimated price; and ways to improve the risk potential offerors face from the demands of the schedule.

Statement of Work

- Source document to establish the government need; provides the basis for a sound, defensible government estimate
- Necessary foundation upon which to contract for supplies and services
- Establishes delivery schedule
- Works hand-in-hand with IGCE to provide basis for comparison against proposals, technical approach, etc., to determine offeror's understanding of government need



One of the major elements of the IGCE is a direct correlation to the schedule in the SOW. The SOW is the source document that defines the government's need for the service or supplies. The IGCE should match Section B of the Solicitation and correlate pricing by CLIN, and mirror tasks delineated in the schedule. It's important to note that the IGCE is not the lowest or highest possible estimated price, but the best estimate of what potential vendors may propose, based on the anticipated technical approach and cost structures. There should be sufficient rationale and assumptions to determine price differences between a quality IGCE and a proposed price structure.

Level of Effort



- Number of labor hours required for contemplated work
- Estimate labor rates from historical data, salary surveys or government pay scales
- Service Contract Act and Davis Bacon Act requirements utilize wage determinations
- Consider escalation and inflation
- If needed, estimate indirect rates



The Level of Effort is the number of labor hours anticipated to complete the tasks in the SOW. Labor costs for option periods should include an escalation rate, considering inflation, to make a realistic pricing estimate. LOE is typically obtained from current or past contracts of similar size and scope.

Levels of Expertise

General Descriptions of Professional Level and Technical Level Expertise	
P-4	Individual with management authority; usually ten years or more experience coupled with Master's degree. Senior level engineers, scientists, manager with equivalent of GS15 or above.
P-3	Operates under general supervision of program manager. Master's degree with six years experience. Equivalent to GS14 and senior GS13.
P-2	Four year degree with three years experience. Equivalent to GS09/11/12.
P-1	Junior staff with four year degree and no experience. Equivalent to GS05/07.
T-3	Possesses high technical expertise and performs routine assignments independently. Two year degree and three years experience.
T-2	Technical training and experience with no formal degree. Performs standardized assignments and routine troubleshooting.



One of the key decisions to be made by the COR is the level of expertise needed in service contracts. This slide provides a tool to utilize to establish potential labor categories and can help structure the format of the IGCE. Once this is done, the LOE and projected hourly rate can be placed in a matrix format to build an estimated labor pricing structure.

Fixed Price IGCE



Independent Government Cost Estimate (Fixed Price)			
CLIN	TASK	DESCRIPTION	PRICE
001	001	Project Investigation	\$15,860.00
001	002	Project Assessment & Analysis	\$21,300.00
002	001	Final Report	\$ 8,500.00
Total Price			\$45,660.00

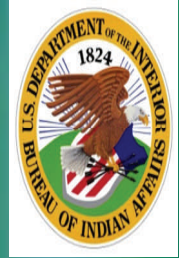
IGCE directly correlates to the Contract Line Item (CLIN) structure in the schedule.



Some of the common issues encountered with IGCEs are: (1) not all items being procured are accounted for, as identified in section B of the solicitation; (2) IGCE not being revised despite many iterations of changes in the SOW; and using a preferred vendor's quote as the sole basis for the cost estimate. A weak SOW and/or IGCE and may lead to delivery delays and other performance issues.

Some best practices to keep in mind are: to ensure that all cost elements correlate directly to the contract tasks to be supported; document data source, assumptions and constraints; update IGCE when new cost/price information is obtained or requirements are changed; and do not reveal information to anyone that may give any one vendor an unfair competitive advantage.

Fixed Rate IGCE



Independent Government Cost Estimate (Fixed Rate)

Labor Hours	Labor Categories	Loaded Rate	Estimated Cost
250	P-4 Senior Professional	\$150.00	\$37,500.00
400	P-3 Professional	\$120.00	\$48,000.00

Other Direct Costs (ODCs) Estimation

Travel	\$10,000.00	Utilize GSA travel rates and per diem to estimate travel costs.
Supplies	\$1,200.00	
Total Price	\$96,700.00	



You can see this example provides a suggested format for a labor hour (fixed hourly rate) or Time & Materials type of contract. Again, a key element is for the program office to determine the LOE and fixed hourly rate through market research. Many times hourly rates can be obtained through the Federal Supply Schedules or from historical pricing. The estimator can also use salary surveys or government pay scales as a labor cost basis. Always document these decisions in writing.

For task or delivery orders, utilize the prices in Section B of the IDIQ contract for each applicable labor category. Again, Service Contract Act and Davis Bacon Act wages apply for construction and A/E contracts. Estimates should be documented to show all parameters, assumptions, descriptions, methods, and calculations used in the development process. Documentation should identify sources for the data; explain why particular methods were chosen, and why these methods are reasonable. Suggested IGCE documentation includes:

- Cover page;
- Summary;
- Estimator/program team;
- Project description;
- Estimating methods

IGCE's may be sent to the CO in paper or electronic format. Regardless of the method submitted, the documentation should allow any user to trace the data, calculations, modeling assumptions, and rationale back to the source document for verification and validation. The documentation should describe the cost estimating process and methods so that an individual unfamiliar with the program can easily understand what was done and replicate it.

Best Practices



- IGCE Cost Elements correlate directly to CLIN supported
- Document data source, assumptions and constraints
- Updates
- Be conscious of Procurement Sensitive information



The IGCE and the SOW are integral tools in the acquisition planning process. Done correctly, they pave the way for a successful procurement placement action and trouble-free contract administration. If these tools are completed poorly, the result often leads to poor contract performance with increased risk and uncertainty. These documents are the foundation of the procurement planning process, and the time and effort employed pays off proportionally on the back side.

Summary



IGCE is a best attempt to project future pricing

IGCE and SOW are the benchmarks to define the government's need, and promote a more concise and superior contract vehicle free of performance and delivery problems

IGCE is used as a budgetary tool and to document a basis for price reasonableness

IGCE is a procurement sensitive document

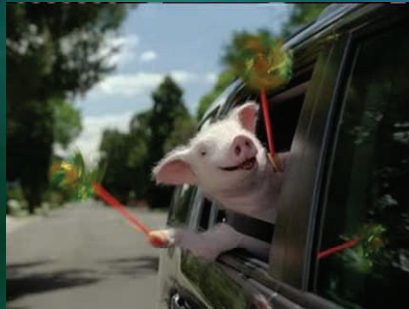
IGCE is developed by the program office in consultation with the acquisition office and is an invaluable piece of the acquisition planning process



Questions?



Consult your local acquisition
professional



If you have any questions regarding the IGCE or any part of the procurement process, please contact your acquisition professional.