Cost Realism Frame Work:
Cost Reimbursement, Level of Effort, Requirements

24 October 2018

Presented to:
SPAWAR Small Business RoundTable

Presented by:
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SPAWAR 2.0
Discussion Points

- Purpose
- Framework’s Evolution
- Section J Attachments
- Government Provided Information
- Offeror Submitted Information
- Evaluation Methodologies
Problem: SPAWARHQ level of effort service competitions have various cost instructions and evaluation methodologies for performing cost realism across branches within 2.0.

Mission: Develop a framework/methodology for performing cost realism on service competitions that may be tailored by Contract Specialists and Contracting Officers.

Scope: Development of framework for cost instructions and evaluation methodologies. Not included in the scope of this working group was contract structure, statement of work structure, fee computation/payment, billing instructions, and all other contract formulating factors.
Framework’s Evolution

Fact Finding:
- Gathered the Contract Specialists and Contracting Officers who worked on the most recent competitions for level of effort services.
- Went through each cost element with the above noted group
- Noted opinions, trends, and recommendations

Framework Development:
- Convened a more intimate break-off group from step 1
- Wrote L&M element by element (i.e. Section L Direct Labor and Section M Direct Labor concurrently)

Distributed draft framework to 2.0 Leadership and 3.0 Representatives

Industry Feedback
- NDIA and AFCEA working groups
Section J - Attachments

1. Labor Rate and Qualifications – Attachment to the framework used for cost realism analysis of direct labor rates
2. Cost Summary Format – Sample cost proposal used by contractors submitting in response to the RFP.
3. Supporting Cost Data – Attachment to the RFP filled out by offerors to submitted the three years of historical incurred rates and used in cost realism analysis.
4. Qualifications – Attachment to the RFP and the resulting contract that explicitly states the qualifications for each labor category.
Government Provided Information

- IGCE Basis and Range
- Level of effort – Government Site, Contractor Site
- Annual Salaries based on 2080, LOE expressed in 1920
  - Unless disclosure statement prohibits
- Government escalation minimum
- Other Direct Costs
  - Expressed in dollars used as pool or
  - Expressed as CLIN value
- Preference for subcontract proposal format
Attachment 1 – Labor Category and Qualification – with subcontractor information (less direct labor rate)

<table>
<thead>
<tr>
<th>Labor Category</th>
<th>Full-Time Equivalent (FTE)</th>
<th>Site</th>
<th>Government Estimated Direct Labor Rate (Unburdened)</th>
<th>Proposed Direct Labor Rate (Unburdened)</th>
<th>Named Individual</th>
<th>Bachelor’s Degree</th>
<th>Field</th>
<th>School/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Program Management Specialist - San Diego, CA</td>
<td>1</td>
<td>Government</td>
<td>$62.67</td>
<td></td>
<td>Jon Doe</td>
<td>Yes</td>
<td>Mechanical Engineering</td>
<td>SDSU/2005</td>
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<tr>
<td>Contractor Site:</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Senior Program Management Specialist - San Diego Metropolitan Area</td>
<td>1</td>
<td>Non-Government</td>
<td>$62.67</td>
<td></td>
<td>Billy Joe</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Offeror Submitted Information (Section L)

- Attachment 2 – Cost Summary Format
- Attachment 3 – Support Cost Data (historical information)
- Any information used to develop cost proposal
  - Payroll information, signed letters of intent
  - FPRA, FPRR, DCMA and/or DCAA information
  - Methodology used for direct labor, DETAILED salary survey information
- Compensation Plan
Direct Labor Rates:

- Pool which all indirect rates rely
- Government unable to identify realism method without data set; Not a sequential process
- Compare to:
  - Government provided rates
  - Average of realistic rates in response to the solicitation
  - Lowest Realistic Rate
  - One Standard Deviation from Realistic Average
  - Reasonable, appropriate, method IAW 15.404
Evaluation Methodologies (Section M)

▶ Indirect Rates

- Sequential Process

- Compare to:
  - FPRA or DCAA audited rates
  - Three-year average of historical indirect data (Attachment 3)
    - Use DCAA information if available
    - Use offeror submitted information if DCAA information unavailable
  - Statistical analysis of indirect multiplier
  - Overall Price analysis
Evaluation Methodologies (Section M)

- Unrealistic Costs may infer: Lack of understanding, increased performance risk, lack of credibility
  - May impact technical ratings
- Degree of realism adjustments may impact source selection decision
- May limit evaluation of subcontractors
- Generally, will not make downward adjustments
- 52.217-8 (6-month extension) will be evaluated at award