



SPACE AND NAVAL WARFARE SYSTEMS COMMAND



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

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Presented to:
SPAWAR Small Business
RoundTable

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Discussion Points

- ▼ Purpose
- ▼ Framework's Evolution
- ▼ Section J Attachments
- ▼ Government Provided Information
- ▼ Offeror Submitted Information
- ▼ Evaluation Methodologies



Working Group's Purpose

- ▼ 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



Offeror Submitted Information (Section L)

▼ Attachment 1 – Labor Category and Qualification – with subcontractor information (less direct labor rate)

<u>Labor Category</u>	<u>Full-Time Equivalent (FTE)</u>	<u>Site</u>	<u>Government Estimated Direct Labor Rate (Unburdened)</u>	<u>Proposed Direct Labor Rate (Unburdened)</u>	<u>Named Individual</u>	<u>Bachelor's Degree</u>		
						<u>Bachelor's Degree</u>	<u>Field</u>	<u>School/Year</u>
Gov't Site:								
Senior Program Management Specialist - San Diego, CA	1	Government	\$62.67		Jon Doe	Yes	<u>Mechanical Engineering</u>	SDSU/2005
Contractor Site:								
Senior Program Management Specialist - San Diego Metropolitan Area	1	Non-Government	\$62.67		Billy Joe			



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



Evaluation Methodologies (Section M)

▼ 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