# **Preventing Increased Cost with Sound IGCEs**

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#### Agenda



- FAR Requirements, Formal and Informal
- NASA Requirements
- Benefits of a Sound IGCE
- Past Vs. Future IGCE Development Practices
- Current Vs. Future IGCE Development Emphasis
- IGCE Purpose and Users
- Level of Detail in an IGCE driven by need and estimating type
- EPO Offered Tools and Review
- Best Practices









#### FAR References – IGCE Term Formally Referenced

- FAR 15.404-1 Proposal analysis techniques.
  - Specifically, 15.404-1(b)(2)(v) Comparison of proposed prices with IGCE (this is Price Analysis used to determine prices are "fair and reasonable")
  - Price Analysis evaluates a proposed price without evaluating its separate cost elements
  - Specifically, 15.404-1(c)(2)(iii)(D) Comparison of costs proposed by the offeror for individual cost elements with IGCE by technical personnel (this is Cost Analysis used to determine prices are "fair and reasonable" or to determine cost realism)
  - Cost Analysis is the review of separate cost elements and profit or fee.
- FAR 15.406-1 Prenegotiation objectives
  - Specifically, 15.406-1(a) The prenegotiation position ... should be based on the results
    of the ... analysis of the offeror's proposal, taking into consideration all pertinent
    information including ... IGCEs ... (this is documentation used to support the
    Contracting Officer's determination that prices are "fair and reasonable")





## ❖FAR References – IGCE Term Implied (Informal Reference)

- FAR 7.105 Contents of written acquisition plans.
  - Specifically, 7.105(a)(2)(ii) Any known cost ... constraints
  - Specifically, 7.105(a)(3) Cost. Set forth the established cost goals for the acquisition and the rationale supporting them, and discuss related cost concepts to be employed, including, as appropriate, ... life-cycle cost, design-to-cost, and application of shouldcost
- Since acquisition planning is required for all acquisitions (FAR 7.102) in order to promote ... full and open competition to the maximum extent possible (FAR Part 6), this means that IGCEs are required for all acquisitions above the Simplified Acquisition Threshold (SAT) – currently \$250,000





#### NASA References – IGCE Term Formally Referenced

- NASA Source Selection Guide (December 14, 2020)
  - Paragraph 1.11 Initiate Development Of Government Independent Cost Estimate (ICE) ... early in the acquisition planning process.
  - Paragraph 3.1.1.2 provides specific details relative to IGCE development and finalization





# Why Develop A Sound IGCE

- IGCEs are a tool used by the Contracting Officer (CO) in both competitive and sole-source procurements to establish that a price is "fair and reasonable"
- The CO relies on the IGCE to assist in the determination of acquisition strategy – including the estimated cost of the proposed Statement of Work (SOW) effort
- Sound IGCEs eliminate or mitigate
  - Funding issues, especially under-funding issues
  - Delayed and iterative proposals i.e., lowers administrative costs
  - Negotiation difficulties and delays i.e., impacts to schedule





#### Past IGCE Development Practices

- The quality of IGCEs varied widely from Center to Center and from procurement to procurement with some IGCEs based on —
  - Budgets
  - Previous procurements where the cost was simply escalated into the future
  - Grounds up estimates based solely on previous or current contract requirements, but with current labor and indirect factors applied
  - Grounds up estimates based solely on projected future contract requirements and with current labor and indirect factors applied





#### Current / Future IGCE Development Emphasis

- NASA OP is emphasizing the need for sound IGCE development that accounts for known and anticipated future SOW requirements.
- IGCEs must not be based on budget alone.
- IGCEs supporting procurements over \$50 million (e.g., PSM charts and RFPs for both competitive and non-competitive procurements) will be reviewed by EPO Price Analysts and/or EPO Management.
- IGCEs are to be developed at the cost element level with supporting basis of estimate rational.





#### What Constitutes a Sound IGCE

- A sound IGCE will reflect content changes to the requirements of the future contract due to –
  - Current SOW contract requirements continuing on the predecessor contract
  - Current SOW contract requirements not continuing on the predecessor contract
  - SOW content being added to the predecessor contract for SOW requirements.
- A sound IGCE will capture anticipated direct labor categories and hours, direct labor cost, indirect cost, non-labor resources (i.e., material and equipment, travel, other direct costs, and profit or fee)





# IGCEs Purpose



#### **IGCEs Purpose**



- IGCEs are used throughout the procurement lifecycle and are <u>procurement sensitive</u>.
  - Who will use the IGCE?
    - Requirements Development Team, Source Evaluation Board, Source Selection Authority, Legal, and more.
  - How?
    - RDT to ensure the PWS/SOW is affordable, SEB as a comparative analysis tool for Evaluation
      of Offerors, SSA decision factor for award determination, Legal for ensuring the estimate was
      based on sound judgment and is documented in a way to support potential protest.
  - Why?
    - To meet the level of detail and documented rationale needed to meet current policy and report templates for the centralized review channels (i.e. PSM).
- IGCEs are Prepared:
  - Prior to Request for Proposal (RFP) release for new fixed-price and cost-reimbursement contracts.
  - When a change to the PWS impacts contract cost.
  - When requested by a CO for a contract less than the SAT or an individual project under an existing contract.



#### Types of IGCE Estimates



- The Level of detail in your IGCE drives the level of detail in Offerors Cost Models.
- Different Estimating Techniques, main two are:
- Top Down, typically used by Program Estimates
  - Used when requirements are somewhat defined/developed, high level PWS/SOW.
  - Estimates based on history, also called parametric, cost estimating relationships, or ballpark estimates.
  - Estimate approximate cost.
  - Defines how to do work, typically does not allow for offeror's unique approach.
    - Typically provides labor categories and hours and other plug figures for proposal purposes.
- Bottoms Up, typically used by Institutional Estimates
  - Used when requirements are well defined/developed resulting in more detailed PWS/SOW.
  - Estimates based on history and RDT technical expertise.
  - Detailed estimates developed at the cost element level.
  - Defines what is required and allows for offeror's unique approach.



#### **IGCE** Review with EPO



- EPO CAM requires Analyst review and concurrence for IGCE
  - EPO analyst ensures estimate is balanced, approach is sound, and <u>documented rationale is sufficient</u> for PSM and beyond.

#### ❖NASA EPO CAM:

- https://nasa.sharepoint.com/sites/OP-EPO/SitePages/EPO-Review-and-Assistance-Instructions(1).aspx
- Insert a picture of CAM



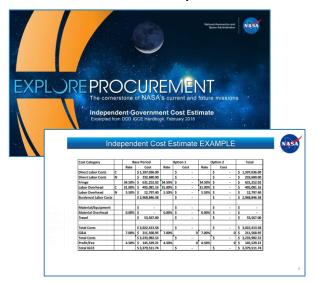
#### **IGCE** Tools Available



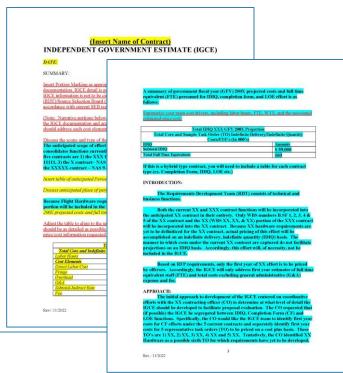
#### IGCE Excel file and Narrative templates are available to help!

- Available through your Centers OP or EPO. Agency Wide Templates in development.
  - EPO → https://nasa.sharepoint.com/sites/OP-EPO/SitePages/Best-Practices-Training-Resources.aspx

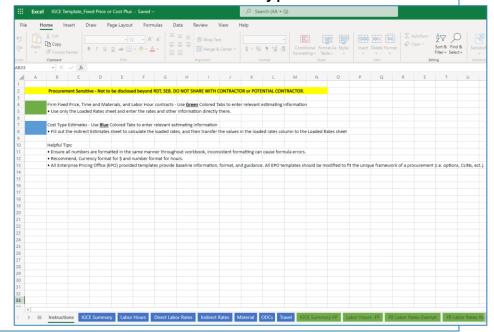
IGCE Guide and BOE Examples



IGCE Narrative Template and Sample Text



IGCE Template w/Formulas for Cost or Fixed Type Procurements





#### **Best Practices for a Sound IGCE**



- Understand the Requirement. Know the importance of the PWS/SOW.
- Engage early and often with other stakeholders to understand expectations, maintain schedule, capture teams expertise in estimate. NASA Source Selection Guide, 1.11.
- The IGCE format and content differ based on the type, complexity, and value of the acquisition.
- Take it one piece at a time: Do not get overwhelmed!
- Meticulously document IGCE methodologies, assumptions, information sources, and calculations. Make document 'stand-alone'.
- Ensure IGCE reflects period of performance, including any options and 6 Month Option to Extend (FAR 52.217-8) if included in RFP, and escalated properly.
- Requirements change, ensure the IGCE is updated to reflect all changes during the development process.
- Estimate Phase-In costs for the IGCE discretely to formulate estimate.
- Benefits of a clearly stated and documented IGCE result in successful procurement reviews, timelines, and ultimately set the program up for effective performance.
- IGCEs should not based on budgets, but rather reflect requirements.
- Ensure common errors such as incomplete estimates and lack of detail are avoided, different definitions of "burdened rate" especially important when using rate data from third-party sources.
- Utilize your EPO support resources, personnel and tools.





#### **THANK YOU**

**WEBSITE\*** 

https://nasa.sharepoint.com/sites/OP-EPO/

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\*Ask A Pricer feature is available at this website link, under Request EPO Assistance. Available to everyone!

