



ACQUISITION REQUIREMENT PACKAGES (ARP)



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CHAPTER 1 - INTRODUCTION

1-1. Purpose. This handbook assists customers in preparing common components of Acquisition Requirements Packages (ARP) for performance based service requirements resulting in both contracts and task orders. The contents comply with current acquisition regulations.

1-2. Disclaimer. The use of trade names in this handbook does not constitute official endorsement or approval of the use of such commercial products. This handbook may not be cited for purposes of advertisement.

1-3. References. References used in this handbook are listed in Appendix A.

1-4. Templates. Templates are available for common ARP components and are included in Appendix C.

1-5. Use of the Handbook.

a. This handbook contains specific guidance for preparing ARP covering requirements resulting in both contracts and task orders. The intent is to ensure timely Acquisition/Contract approval, as appropriate, and smooth processing through the contracting agency.

b. Any updates, corrections and comments or suggested topics for this handbook should be directed to the Mission and Installation Contracting Command (MICC) Headquarters.

1-6. Explanation of Abbreviations. Abbreviations used in this handbook are listed in Appendix D.

1-7. ARP Preparation Overview. When using this handbook, be aware there are differences between new contracts and task orders. When issuing a task order, instructions provided in the basic contract and/or ordering guide should be followed and takes precedence over this handbook. During the initial planning for ARP preparation, the Contracting Officer should be consulted to obtain any specific requirements of the basic contract and a copy of the ordering guide, if applicable.

a. An ARP may consist of the following documents: performance work statement (PWS) with a performance requirement summary (PRS), quality assurance surveillance plan (QASP), independent government cost estimate (IGCE), proposal evaluation factors, and DD Form 254 - Department of Defense Contract Security Classification Specification . For service acquisitions a Service Acquisition Workshop (SAW) can be requested through your MICC Contracting Office to assist with the development of the PWS, PRS and QASP.

SAWS uses a multifunctional approach that provides acquisition team members with the tools and techniques necessary to analyze and apply performance-based principles when developing requirements documents and effective business strategies for contractor-provided services. The course uses the seven-step Service Acquisition process, a team-oriented approach, and multiple interactive, hands-on, learning sessions to apply the principles. SAWS is designed to develop and

define service requirements, support business strategies, and effectively manage the resulting contractor performance.

b. An ARP is prepared for requirements resulting in both contracts and task orders generally consisting of the steps listed below. However, depending upon the size of the requirement and the acquisition approach, additional documents may be required. For task orders, the ARP preparation process is greatly reduced as stated in the following paragraphs. An ARP preparation checklist is contained in Appendix E.

- i. Identify requirement and Contracting Officer Representative (COR) to be nominated
- ii. Conduct market research
- iii. Prepare performance work statement (PWS)/Performance Requirement Summary (PRS)
- iv. Conduct Risk Assessment
- v. Prepare QASP
- vi. Prepare proposal evaluation factors
- vii. Prepare independent government cost estimate
- viii. Prepare DD Form 254, Department of Defense Contract Security Classification Specification
- ix. Prepare ARP cover memorandum

c. Market research is required for all requirements resulting in both contracts and task orders.

d. PWS and PRS preparation can be a daunting task. MICC Mission Contracting Offices (MCO) and Installation Contracting Offices (ICO) can assist your office with writing the PWS and PRS.

e. A QASP may not be required for task orders if a QASP exists in the basic contract. Task orders should follow the guidance of the basic contract. MICC Quality Assurance experts are available to assist with the development of the QASP.

f. All acquisitions require an independent government estimate (IGE). Requirements above the Simplified Acquisition Threshold shall fully document the rationale and assumptions used to develop the IGE.

g. DD FORM 254, Department of Defense Contract Security Classification Specification is only used if access to classified information is required. Other security requirements, such as physical security, escort requirements, access to unclassified systems, information technology access, etc., may need to be addressed in the PWS. The organization's G-2/S-2 must review and concur with all ARPs. Please note that a DD FORM 254 is often not required for task orders since task orders generally fall under the DD FORM 254 for the base contract. However, if there are different classification requirements, a new DD FORM 254 may be required. Consult your organization's G-2/S-2 or security officer for a determination.

h. Any time a RA proposes contracting without full and open competition, a justification and approval document may be required. Early discussion and coordination with the Contracting

Office is highly recommended. Prior to putting the ARP documentation together, consult with the Contracting Officer regarding acquisition strategy, type of contract, and the availability of existing contracts in an effort to shorten the acquisition lead time and reduce duplicate efforts.

1-8. Risk Assessments. Risk Assessments are performed by the entire acquisition team, the Contracting Officer working with the Requiring Activity (RA), will determine the makeup of the acquisition team. Risk Assessments will help define evaluation factors as well as required submission items from offerors . This step may be not required for task orders.

Risk assessment assists in:

- Determining discriminators for Source Selections (become Factors/subfactors)
- Identifying contract type
- Identifying incentive focus areas
- Refining the PWS

CHAPTER 2 - ARP PREPARATION

2-1. Requirement Identification.

a. The acquisition planning process must begin as soon as a requirement has been identified. Before preparing any part of the ARP, the requirement must be understood and analyzed for anticipated workload; required Government-furnished equipment, services, data, and facilities; estimated resources, such as the number and types of personnel needed; and specific qualification requirements including security clearances. This is critical to conducting market research and preparing the ARP components. The Advance Acquisition Planning Guidance provides information on acquisition planning for all procurements (See Appendix B). Additionally, all service contracts are subject to evaluation for in-sourcing opportunities. Please ensure all requirements are compliant with in-sourcing guidelines and procedures as described in DASA-FMMR Memo 04 MAR 11 - Army In-sourcing Approval Procedures; SECARMY Memo 01 FEB 11 - Reservation of In-sourcing Approval Authority; USA Memo 09 JUL 10 - In-sourcing Policy. <http://www.asamra.army.mil/>. This evaluation includes ensuring tasks to be contracted are not inherently governmental in nature. The ARP does not need to include documentation of the in-sourcing evaluation.

b. The Contracting Officer, based on contract complexity, determines the need for a COR and COR training type (Type A, B or C IAW Army Contracting Command Pamphlet 70-1, Interim Army Contracting Command – Contracting Officer’s Representative Policy Guide, <https://www.us.army.mil/suite/doc/22636654>). The COR training type must be identified early as it determines the required training before the COR can be nominated and designated. COR nomination is accomplished using the on-line COR Management tool at <https://arc.army.mil/COR/>. CORs require COR training that must be accomplished before they are nominated. The certificates of training must be uploaded into the COR Management Tool. Early identification of the individual will enable the contracting officer to ensure the training required is accomplished prior to contract start. There may be a need for a Task Order COR. If

the Task Order COR is appointed, the Contracting Officer shall delegate those roles and responsibilities appropriate to the requirement. Task Order COR's require the same COR training as the primary contract's COR.

2-2. Market Analysis/Research/Survey. For requirements resulting in both contracts and task orders, the RA must collect and analyze information about capabilities within the marketplace. This is accomplished by examining how these services are performed and contracted for the commercial market. This step answers the questions: "Are commercial services available?" and "Can the need be modified to allow the purchase of commercial services?" FAR 2.101 defines Commercial Items. Market research may result in a further refinement of the requirement. Market research is a joint effort between the RA and the contracting activity. FAR 10.002(e) requires that market research be documented in a manner appropriate to the size and complexity of the acquisition. Be careful not to represent yourself as an agent of the Government with authority to make purchases or obligate the Government.

2-3. Performance Work Statement (PWS).

a. There is a difference between a statement of objectives (SOO) and a PWS. A SOO is a government prepared document incorporated into the solicitation that states the overall performance objectives and is used in solicitations when the government intends to provide the maximum flexibility to each offeror to propose an innovative approach. The contracting office can help determine the appropriate document to utilize. A PWS documents the tasks to be performed by a contractor in terms of desired outcomes or results. A PWS will generally describe all the pertinent work to be performed, along with measurements of adequate work performance, evaluation and assessment techniques, and applicable incentives

A PWS must not contain specific instructions for completing tasks. If a task is required by regulation or other documentation, those documents should be referenced in the PWS rather than repeated in the PWS. The PWS must describe requirements in clear, concise, and objective terms identifying specific work with measurable outcomes. Describe needs in terms of *what* to achieve, not *how* to achieve it. Requirements must be specific enough for vendors to provide a proposal. Vendors can propose more accurate personnel requirements if an adequate amount of workload data is provided within the PWS. Providing staffing levels/categories should be used as a last resort because it too directive in nature and does not allow the offeror to be flexible or innovative. There are several resources for assistance in writing the PWS: Guide to Performance Based Services Acquisition is available from <http://www.dau.mil/pubscats/Pages/pbsa.aspx>; Power Performance Contracting Teams is available from <http://www.aca-nrhq.army.mil/toolbox/performance-based%20tutorial.ppt>; Performance Based Services Acquisition Webguide is available from http://www.aca-nrhq.army.mil/library/webguides/pbsa_webguide.htm; and Seven Steps to Performance Based Services Acquisition is available from http://www.acqnet.gov/comp/seven_steps/introduction.html or http://www.acquisition.gov/comp/seven_steps/index.html. See Appendix F for an excerpt from the Language Principles Helpful in Writing the PWS in the Guide to Performance Based Services. With a rough draft PWS, a SAW brings all stakeholders together to finalize and

coordinate the PWS and PRS. The request for the SAWs will be coordinated thru your local MICC Contracting Office.

b. The standard PWS template found in Appendix C.1 using Microsoft Word© format is recommended for contracts. Standardization will help improve review times. For Task Orders, the PWS should only include information/details not already included in the base PWS and should follow guidance provided in the basic contract or ordering guide. Regardless of the format, consecutively number each paragraph and subparagraph within each PWS Section. A period separates the number representing each sublevel. Limit paragraph numbering to the third sublevel as shown in the following example for PWS Section 3:

| | |
|--------------|---------|
| Requirement | 3 |
| 1st Sublevel | 3.1 |
| 2nd Sublevel | 3.1.1 |
| 3rd Sublevel | 3.1.1.1 |

Keep paragraph breakdowns to that level necessary to clearly define requirements. Provide one requirement per numbered paragraph or sub paragraph to facilitate costing, referencing and tailoring of tasks. Title each paragraph and 1st sublevel paragraph.

c. Performance Requirement Summary (PRS).

Each PWS will have a PRS as an appendix unless the basic PWS includes an Service Performance Summary (SPS) and does not require that task orders further define or tailor the PRS or performance metrics. Contractor performance requirements are summarized into performance metrics relating directly to mission critical requirements. Identify only mission critical requirements; the requiring activity cannot monitor and report on every requirement in the PWS.

i. Performance Objectives are the few measurable outcomes that define what specific results will satisfy the requirement and indicate overall contract performance. Each objective should have a reference specific to a contract requirement.

ii. The Performance Standard column of the PRS lists a brief summary of verifiable, measurable levels of service in terms of quantity, quality, timeliness, location, and work units. Performance standards are used to assess the work during a period of performance.

The Performance Threshold is the allowable amount of deviation from 100% compliance. The contractor is still expected to meet the performance standard. Identify the performance measurement and how the metric is calculated when an Performance Threshold is the established data source for measuring performance.

Note: Metrics can be based on Government or Contractor data. Having the contractor maintain the data and include the results in monthly and/or quarterly reports can be extremely effective in that all parties are using the same yardstick to measure success and if performance is unacceptable there is no dispute as to whose data is correct.

iii. For incentive-type contracts (cost-plus-incentive fee, cost-plus-award-fee, fixed-price-incentive fee, and fixed-price-award-fee), the metrics in the performance standard and Performance Threshold columns must be different to distinguish whether or not the contractor exceeded the Performance Threshold. The last column, Incentives/Disincentives for Meeting or Not Meeting Performance Standards, will indicate that positive or negative performance will be documented in COR reports since there is no fee (incentive). See Appedix G for Contract Types.

d. Do not use the word “assist” in the PWS when describing contractor requirements. The contractor does not assist the Government and is provided a set of specific tasks to be performed. Likewise, do not use the word “support” unless the type of support is specifically identified. For example, “The Contractor shall provide engineering support in the development of the resource forest active directory.” Identify specific tasks in the PWS for the contractor to performance assisting the Government to perform those tasks.

2-4. Quality Assurance Surveillance Plan.

a. The QASP is a Government-developed document describing how the contractor’s performance will be measured and assessed against performance standards identified in the PRS. The surveillance methods outlined in the QASP must focus on the quality of the goods and/or services provided rather than how the goods and/or services are provided/delivered. Prepare a QASP for all requirements resulting in a contract and/or task order. The base contract QASP will be used when monitoring task orders unless otherwise stated.

b. FAR Part 46 and DFARS Part 246 outlines the requirement for a QASP. The Deputy Assistant Secretary of the Army for Policy and Procurement mandated a QASP be prepared and implemented in all service contracts over \$150,000 in memorandum dated 21 OCT 2010 – Post Award Oversight and Surveillance of Contracts.

c. When preparing the QASP, it is important to select the most appropriate surveillance method for the effort involved. The QASP should take into consideration task criticality, task lot size, surveillance period, performance requirements and standards, availability of quality assurance evaluators (QAE), surveillance value in relation to task cost/criticality, and available resources. Careful selection of appropriate surveillance methods enables the Government to determine the amount of resources and associated costs needed to perform the surveillance task. Accepted methods of surveillance include:

(1) Customer Input/Feedback--Although usually not a primary method, this is a valuable supplement to more systematic methods. For example, in a case where random sampling indicates unsatisfactory service, customer complaints can be used as substantiating evidence. In certain situations where customers can be relied upon to complain consistently when the quality of performance is poor, e.g., dining facilities, building services, customer surveys and customer complaints may be a primary surveillance method. Therefore, customer satisfaction is an appropriate performance standard. In all cases, complaints should be documented, preferably on a standard form.

(2). 100 Percent Inspection--This is the most appropriate method for tasks with stringent performance requirements, e.g., where safety, health and/or unacceptable risk is a concern. With this method, performance is inspected/evaluated at each occurrence. 100 percent inspection is too expensive to be used in most cases.

(3). Periodic Inspection--This method, sometimes called "planned sampling," consists of the evaluation of tasks selected on other than a 100 percent or random basis. A predetermined plan for inspecting part of the work is established using subjective judgment and analysis of agency resources to decide what work to inspect and how frequently to inspect it. It may be appropriate for tasks that occur infrequently, and where 100 percent inspection is neither required nor practicable.

(4). Random Sampling--This is usually the most appropriate method for recurring tasks. With random sampling, services are sampled to determine if the level of performance is acceptable in accordance with contract requirements. Random sampling works best when the number of instances of the services being performed is very large and a statistically valid sample can be obtained. Computer programs may be available to assist in establishing sampling procedures. See <http://www.sqconline.com/mil-std-105.html> for statistical sampling plans.

d. One way to document surveillance is through the use of a surveillance checklist which is based upon the performance metrics identified in the SPS. Techniques include inspections, correspondence reviews, customer surveys, and audits. When performance is deficient, the evaluator will notify the Contracting Officer who in turn will notify the contractor promptly and implement the agency's system to track corrective action.

2-5. Independent Government Cost Estimate.

a. The IGCE is the Government's estimate of the projected costs a contractor will incur in the performance of a contract, to include phase-in/phase-out and any option years. The costs must reflect the written requirements and be independently derived, e.g. historic costs, market research, commercial market costs, and catalogues. An Independent Government Estimate (IGE) is a generic term that refers to "the bottom line price" or to any government estimate used in contracting.

b. Additional information, templates, and a checklist are in Appendix C.4 to assist with preparing the IGCE. The IGCE must include a title, a short description of the project, and the performance period at the top of the form. Documentation of each cost factor is critical to achieving approval. Documentation or rationale may be included as an attachment to the IGCE or footnote at the bottom of the form. Include the point of contact's (POC) name, phone number, and e-mail address at the bottom of the form. If the period of performance includes more than one year or period, an IGCE must be prepared for each year followed by a summary of all the years/periods.

c. The IGCE will consider the costs listed below. If a cost category is not appropriate, such as material overhead, it may be omitted.

i. Labor—list all personnel by labor category and the hours required for each. Include support personnel (i.e., manager, secretary, etc.) if their efforts are directly related to this item or service. Otherwise, include in indirect labor. For new contract starts, use the unloaded or base labor rate—what the employee sees per hour as a basic salary or pay rate. Wage rates can be obtained from a number of sources including historical data (past and current contracts); published wage and benefit surveys (Department of Labor (DOL) rates, Davis-Bacon Act rates, Department of Economic Security), and industry publications. For task orders, use the contract labor rates in the basic contract. Hours will be expressed in paid annual hours or productive hours. Paid annual hours are hours paid annually before fringe benefits, payroll taxes, or leave have been applied. They are referred to as “unloaded” hours and normally contain 2,087 hours per year. Productive hours that have been adjusted for leave and their rates include fringe benefits, payroll taxes, G&A, and profit, and are referred to as “loaded” hours. If “loaded” hours and rates are used, it is not necessary to add fringe benefits, payroll, taxes, G&A and profit as they have already been adjusted. Productive hours will generally be used at 1,847 paid hours per year. (Annual hours available of 2,087 less 80 holiday hours less 80 vacation hours less 80 sick leave hours equal 1,847 productive hours.) However, contractors may have different productive hours as leave and benefits may vary. Labor overhead and other costs should be added as described below.

ii. Labor Overhead—usually expressed as a rate (percentage) applied to “unloaded” direct labor and includes:

1. Taxes—These are taxes the vendor must pay and include: Workmen's Compensation and Employers' Liability, State & Federal Unemployment Insurance, and Social Security. The total rate of 9.85 percent may be used.

2. Fringe benefits—vacation, sick leave, health insurance, retirement, etc. If total paid hours used in direct labor calculations included vacation, etc., don't include them here. A fringe benefit factor of 26 percent may be used for estimating purposes. This factor does not include sick and vacation leave and would be applied to "unloaded" hours.

3. Operating supplies—for an administrative or engineering environment, 2 percent may be used when supplies are not Government-furnished.

4. Indirect labor—technical support and general support that can be attributed to this particular job when not included in the General and Administrative (G&A) expense explained below.

iii. Materials—supplies and materials specifically required to perform the work if the contractor must furnish them, to include sales tax. Sources of material price data include catalogs, other IGCEs, and recent contracts. Prices may be obtained from vendors, but care must be taken not to commit the government or disclose information that could prejudice a cost estimate.

iv. Materials Overhead—costs associated with the materials. Costs include storage, transportation, inspection, spoilage, etc.

v. Other direct costs (ODC)—costs not included elsewhere. Refer to FAR 31.205, Selected Costs. Typical costs include training, travel and per diem, relocation, rent, material purchases, consultants and subcontractors, recruiting, computer time, software, special equipment, and custodial services. Travel and transportation allowable costs are outlined and defined IAW FAR 31.205-46, Travel Costs.

vi. Indirect Costs—costs that cannot be traced to a single unit of output. Indirect costs are accumulated by logical cost groupings which are spread to appropriate cost objectives (e.g., depreciation).

vii. General and Administrative (G&A) Costs—corporate office costs incurred by the contractor in the overall management of the business. G&A is a percentage rate applied to all costs except per diem, travel expense and cost of leased equipment. The typical range would be from 3 to 15 percent.

viii. Profit/fee—based upon degree of risk, difficulty, size of the job, period of performance, and facilities provided by the Government or contractor's investment. The maximum fee for services contracts shall not exceed statutory limitations imposed by 10 U.S.C. 2306(d) and 41 U.S.C. 254(b). Profit is not applied to G&A, travel expense, or cost for leased equipment. A general fee of six (6) percent can be used if better information is not available.

2-6. Risk Assessment

Risk is defined as a probability or threat of damage, injury, liability, loss or other negative occurrence that is caused by external or internal vulnerabilities that may be neutralized by preemptive action. Risk assessment is a process of identifying, analyzing, and prioritizing programmatic and critical risks which includes quantifying risks in terms of performance, schedule, and cost. Risks identified in the risk assessment become critical elements of the source selection plan and the RFP. These risks have a common thread that starts with the requirement, ties to the risk assessment, then to the RFP, proposal, evaluation and contract execution.

A Risk Assessment multi-functional team, facilitated by MICC contracting personnel, uses the PWS/PRS and Market Research to identify risk. The team will identify the risks after they have a clear understanding of the requirements. There are many sources of risk. When writing a risk statement, the typical convention is to phrase it in an “If...then” format, giving an indication of both the concern and the potential impact area. For example, “If the funding is not released, then contract award will be delayed.” Another common method of writing a risk statement is to put it in the negative, such as “Funding not released”, or even “Funding not released, contract award delayed.”

2-7. Proposal Evaluation Factors (Source Selection Evaluation Criteria).

a. Proposal evaluation factors should reflect what is important to the requiring activity. Evaluation criteria and processes shall be consistent with the DoD source selection procedures and the MICC Guidebook.

NOTE: The FAR requires a statement that illustrates the importance and weight of the price and non-price factors. To meet this requirement the evaluation criteria might state the price factor shall be significantly less important than the combination of the non-price factors.

2-8. DD Form 254, Department of Defense Contract Security Classification Specification.

A DD Form 254 is required when contractors or prospective contractors may require access to classified information during the performance of a contract. Instructions for completing this form may be found at <http://dssa.dss.mil/seta/documents/aguide254dssaug2006.pdf>. See your organization's G-2/S-2 or security officer for additional assistance.

2-9. Justification and Approval. Contracting officials shall promote and provide for full and open competition in soliciting offers and awarding Government contracts through the use of competitive procedures best suited to the circumstances of the contract action. A justification and approval (J&A) is generally necessary whenever a contract requirement is not fully competed. The MCO/ICO will assist with the documentation required.

2-10. Notes to the Contracting Officer. Other questions to be addressed for the requirement include: What is the period of performance? What are option years, if any? This information should be provided separately in Notes to the Contracting Officer and must be reflected in the IGCE. COR and Technical Point of Contact (TPOC) information may be provided in the PWS or provided separately to the Contracting Officer who will ensure this information is made a part of the contract, perhaps in Section H, Special Contract Requirements. Any proposed special contract requirements should be provided in the Notes to the Contracting Officer. Provide any information to assist in expediting the acquisition process. A template is provided at Appendix C.5.

2-11. Service Contract Approval Memorandum. The Service Contract Approval Memorandum must summarize and validate the requirement. SECArmy Memorandum, subject: Army Policy for Civilian Workforce Management and Service Contracts (10 Jul 2009) applies to all service contracts. The requiring activity must submit an approval package identifying the threshold and approximate number of Full Time Equivalent (FTE) employees for the contract services requested.

APPENDIX A - REFERENCES

DD Form 254 Guidance,

<http://www.dami.army.pentagon.mil/site/SETA/docs/DD%20254%20Handbook,%20HQDA%20OG-2.pdf>.

Department of Defense Source Selection Procedures, 4 March 2011,

<https://dap.dau.mil/policy/Lists/Policy%20Documents/Attachments/3268/SourceSelectionProcedures.pdf>

Department of the Army Memorandum, Subject: Implementation of Section 324 of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 119-181)(FY 2008 NDAA)-Guidelines and Procedures on In-Sourcing New and Contracted Out Functions, 8 May 2008,

<http://www.asamra.army.mil/scra/>.

Guide to Performance Based Services Acquisition in the Department of Defense, March 2001,

<http://www.dau.mil/pubscats/Pages/pbsa.aspx>.

Army In-Sourcing Approval Procedures, Jay D. Aronowitz, SAMR-FMMR, OASA(M&RA),

<http://www.asamra.army.mil/scra/documents/20110304%20Army%20In-sourcing%20Approval%20Procedures%20Memo%20and%20Implementation%20Guidance.pdf>.

Performance-based Services Acquisition Tutorial,

<http://www.aca-nrhq.army.mil/toolbox.htm>

Performance-based Services Acquisition Webguide, (contains self-help PowerPoint presentations on writing PWS, PBSA guidance and PWS samples),

http://www.aca-nrhq.army.mil/library/webguides/pbsa_webguide.htm

Seven Steps to Performance-based Services Acquisition,

https://www.acquisition.gov/comp/seven_steps/index.html

Federal Acquisition Regulation (FAR), <https://www.acquisition.gov/far/>

Defense Federal Acquisition Regulation Supplement (DFARS),

<http://farsite.hill.af.mil/VFDFARA.HTM>

Army Federal Acquisition Regulation Supplement (AFARS),

<http://farsite.hill.af.mil/VFAFAR1.HTM>

APPENDIX B - ADVANCE ACQUISITION PLANNING (AAP)

1. Acquisition planning should begin as soon as the agency need is identified, preferably well in advance of the fiscal year in which contract award or order placement is necessary. In developing the plan, the planner shall form a team consisting of all those who will be responsible for significant aspects of the acquisition, such as contracting, fiscal, legal and technical personnel.

2. References:
 - a. Federal Acquisition Regulation (FAR) Part 7
 - b. Defense Federal Acquisition Regulation Supplement (DFARS) Part 207
 - c. Army Federal Acquisition Regulation (AFARS) Subpart 5107
 - d. Army Federal Acquisition Regulation (AFARS) Subpart 5137
 - e. Army Contracting Agency Acquisition Instruction (AI) Chapter 7

3. In accordance with the above references, acquisition planning shall be accomplished on all acquisitions, including recurring acquisitions and orders under other agency's contracts (including orders against Federal Supply Schedules, Government-wide acquisition contracts, and multiagency contracts). As a part of the acquisition planning process, the Principle Assistant Responsible for Contracting (PARC) and MICC Headquarters will examine acquisitions to:
 - a. Assure that contract actions are managed effectively,
 - b. Enable PARC oversight of individual contracting offices,
 - c. Determine the need for master contracts, solicitations, or performance work statements, and
 - d. Ensure advance acquisition planning begins as soon as the agency need is identified, well in advance of the fiscal year in which contract award is required. This is necessary in order to allow adequate time for solicitation, negotiation and award of requirements.

4. A formal acquisition plan is required by DFARS 207.103(d)(i) on production and service requirements with an estimated yearly expenditure exceeding \$25M or an estimated \$50M for total contract requirement (face value and all options). The MICC contracting office will write the Acquisition Plan with assistance from the requiring activity. Implementing instructions for development of this plan can be found at FAR Part 7, Acquisition Planning, and its supplements. The detailed requirements for an acquisition plan are outlined in FAR Subpart 7.105. When required, the formal plan must be staffed and approved prior to announcement and solicitation of the requirement.

- a. The scope of the formal acquisition plan will vary with the complexity and dollar value of the requirement. It shall be based on market research and must support the competitive process. The entire acquisition team should participate throughout the planning process from the initial draft of the performance work statement (PWS)/specifications to completion of the plan. The plan must take into consideration budgeting limitations, legal aspects of the contemplated terms and conditions, scheduling requirements/estimated contract performance period necessary to meet mission needs, and anticipated source selection techniques and evaluation criteria.
 - b. Contents of written acquisition plans will provide the background, objectives, and a plan of action of the acquisition. Acquisition plans for service contracts or orders must describe the requirements in terms of performance-based contracting methods or must provide rationale for not using those methods (see FAR 37.6, Performance Based Acquisitions). If not performance based, acquisitions for services must be approved in accordance with DFARS 237.170-2.
5. In addition to a formal acquisition plan, acquisition strategies will also be prepared and approved for acquisition of services in accordance with AFARS 5137.5 and the MICC PARC Policy Alert Number 09-12, Army Service Strategy Panels (ASSP) Checklist, dated Jan 09 and can be found on the MICC Templates/Samples AKO web page, <https://www.us.army.mil/suite/page/547512>. The Checklist provides specific guidance on the ASSP process, supporting documentation and specific content. For service acquisitions less than \$500M a combined Acquisition Strategy and Plan may be used, a template can be found on the MICC Templates/Samples AKO web page, <https://www.us.army.mil/suite/page/547512>. The MICC contracting office will write the Acquisition Strategy with assistance from the requiring activity
6. Acquisition planning is critical for all actions. By working together from the very beginning, the acquisition team can develop a business approach that maximizes benefits to the Army.
7. Ensure requirements are provided sufficiently in advance of the required delivery date to allow the contracting officer sufficient time for:
 - Assisting with market research, including early industry involvement
 - Evaluation of commercially available solutions and commercial terms and conditions
 - Review of requirements and clarification
 - Brainstorming to find the business solution that best meets the customer's needs
 - Development and issuance of the solicitation, including development of tailored evaluation criteria
 - Vendor preparation and submission of proposal
 - Evaluation of the bid/proposal and award of the contract(s)

- Performance and delivery by the vendor
8. Summary: Acquisition planning will help- ensure quality and timeliness in your acquisition program. Whether formal or informal, acquisition planning should be a team effort that will consider all key aspects of your requirements. Planning includes advance projections, market research, written acquisition plans/strategies on large requirements, and continuous process review for all requirements. The goal of acquisition planning is to ensure that the Government meets its needs in the most effective, economical and timely manner, consistent with public policy.

APPENDIX C - TEMPLATES

Appendix C.1 - Performance Work Statement Template

PERFORMANCE WORK STATEMENT (PWS)

[Insert Title and Activity]

NOTE TO OUR CUSTOMERS: THIS TEMPLATE MUST BE TAILORED FOR YOUR AGENCY BY INCLUDING YOUR UNIQUE REQUIREMENTS, QUANTITIES FOR WORKLOAD, SPECIFIC SURVEILLANCE TECHNIQUES, ETC. ANY QUESTIONS REGARDING THIS TEMPLATE SHOULD BE ADDRESSED WITH YOUR ASSIGNED ACQUISITION TEAM.

GENERAL INFORMATION IS PRESENTED IN BLUE ITALICS WITH PARENTHESIS BORDERS, WHILE FILL-IN GUIDANCE IS PRESENTED IN BLUE ITALICS WITH BRACKET BORDERS. PLEASE DELETE ALL BLUE ITALICS WHEN FINALIZING THE PWS.

PART 1
GENERAL INFORMATION

(General information will include background information, a brief description of the scope of work, personnel related matters such as safety requirements, security requirements, security clearances, quality control requirements, ... etc.)

1. General: This is a non-personnel services contract to provide *[Insert title of service to be provided]*. The Government shall not exercise any supervision or control over the contract service providers performing the services herein. Such contract service providers shall be accountable solely to the Contractor who, in turn is responsible to the Government.

1.1 Description of Services/Introduction: The contractor shall provide all personnel, equipment, supplies, facilities, transportation, tools, materials, supervision, and other items and non-personal services necessary to perform *[Insert title of service to be provided]* as defined in this Performance Work Statement except for those items specified as government furnished property and services. The contractor shall perform to the standards in this contract.

1.2 Background: *[Insert history and/or background information on the services that are to be provided.]*

1.3 Objectives: *[Insert a few bullets stating what the basic service objective is.]*

1.4 Scope: *[Insert the type of services that are to be performed]*. Services include *[Insert what is included in the services to be provided]*. The contractor shall accomplish *[Insert what should be accomplished, if applicable]*.

1.5 Period of Performance: [*State period of performance and option years, if applicable.*] *For example:* The period of performance shall be for one (1) Base Year of 12 months and two (2) 12-month option years. The Period of Performance reads as follows:

- Base Year
- Option Year I
- Option Year II

1.6 General Information

1.6.1 Quality Control (*If applicable*): Quality Control is the responsibility of the contractor. The contractor is responsible for the delivery of quality services/supplies to the Government (see FAR 52.246-1, Contractor Inspection Requirements).

The Contractor shall develop, implement and maintain an effective Quality Control System which includes a written Quality Control Plan (QCP). The QCP shall implement standardized procedure/methodology for monitoring and documenting contract performance to ensure all contract requirements are met. The Contractors' QCP must contain a systematic approach to monitor operations to ensure acceptable services/products are provided to the Government. The QCP, as a minimum, shall address continuous process improvement; procedures for scheduling, conducting and documentation of inspection; discrepancy identification and correction; corrective action procedures to include procedures for addressing Government discovered non-conformances; procedures for root cause analysis to identify the root cause and root cause corrective action to prevent re-occurrence of discrepancies; procedures for trend analysis; procedures for collecting and addressing customer feedback/complaints. The contractor shall upon request provide to the Government their quality control documentation. [*Insert when and how the QCP is to be delivered, i.e., within 30 days after contract award or with the contractor's proposal if it is an evaluation factor, three copies of a comprehensive written QCP shall be submitted to the KO and COR within 5 working days when changes are made thereafter.*] After acceptance of the quality control plan the contractor shall receive the Contracting Officer's acceptance in writing of any proposed change to their QC system.

1.6.2 Quality Assurance: The government shall evaluate the contractor's performance under this contract in accordance with the Quality Assurance Surveillance Plan. This plan is a Government only document primarily focused on what the Government must do to assure that the contractor has performed in accordance with the requirements of the contract.

1.6.3 Federal Government Holidays: [*State if the contractor is or is not required to perform services on holidays.*]

| | |
|-----------------------------------|-------------------------|
| New Years Day | 1st day of January |
| Martin Luther King Jr.'s Birthday | 3rd Monday of January |
| Presidents Day | 3rd Monday of February |
| Memorial Day | Last Monday of May |
| Independence Day | 4th day of July |
| Labor Day | 1st Monday of September |
| Columbus Day | 2nd Monday of October |
| Veterans Day | 11th day of November |

Thanksgiving Day
 Christmas Day

4th Thursday of November
 25th day of December

1.6.4 Hours of Operation: The contractor is responsible for conducting business, between the hours of [*Insert the appropriate hours for your organization*] Monday thru Friday except Federal holidays or when the Government facility is closed due to local or national emergencies, administrative closings, or similar Government directed facility closings. For other than firm fixed price contracts, the contractor will not be reimbursed when the government facility is closed for the above reasons. The Contractor must at all times maintain an adequate workforce for the uninterrupted performance of all tasks defined within this PWS when the Government facility is not closed for the above reasons. When hiring personnel, the Contractor shall keep in mind that the stability and continuity of the workforce are essential.

1.6.5 Place of Performance: The work to be performed under this contract will be performed at [*Insert the place of performance, i.e., contractor facility or government facilities*].

1.6.6 Type of Contract: The government will award a (Type of contract to be determined by the Contracting Office and the RA).

1.6.7 Security Requirements: Contractor personnel (to include subcontractors) performing work under this contract must have a [*Insert the level of security required, if applicable*] at time of the proposal submission, and must maintain the level of security required for the life of the contract. The security requirements are in accordance with the attached DD Form 254, Department of Defense Contract Security Classification Specification (*The unit security monitor is responsible for initiating this form*).

1.6.7.1 Physical Security: The contractor shall be responsible for safeguarding all government equipment, information and property provided for contractor use. (*Insert the following sentence, if performing in a government facility.*) At the close of each work period, government facilities, equipment, and materials shall be secured.

1.6.7.2 Key Control (If applicable). The Contractor shall establish and implement methods of making sure all keys/key cards issued to the Contractor by the Government are not lost or misplaced and are not used by unauthorized persons. NOTE: All references to keys include key cards. No keys issued to the Contractor by the Government shall be duplicated. The Contractor shall develop procedures covering key control that shall be included in the Quality Control Plan. Such procedures shall include turn-in of any issued keys by personnel who no longer require access to locked areas. The Contractor shall immediately report any occurrences of lost or duplicate keys/key cards to the Contracting Officer.

1.6.7.2.1. In the event keys, other than master keys, are lost or duplicated, the Contractor shall, upon direction of the Contracting Officer, re-key or replace the affected lock or locks; however, the Government, at its option, may replace the affected lock or locks or perform re-keying. When the replacement of locks or re-keying is performed by the Government, the total cost of re-keying or the replacement of the lock or locks shall be deducted from the monthly payment due the Contractor. In the event a master key is lost or duplicated, all locks and keys for that system

shall be replaced by the Government and the total cost deducted from the monthly payment due the Contractor.

1.6.7.2.2. The Contractor shall prohibit the use of Government issued keys/key cards by any persons other than the Contractor's employees. The Contractor shall prohibit the opening of locked areas by Contractor employees to permit entrance of persons other than Contractor employees engaged in the performance of assigned work in those areas, or personnel authorized entrance by the Contracting Officer.

1.6.7.3 Lock Combinations *(If applicable)*. The Contractor shall establish and implement methods of ensuring that all lock combinations are not revealed to unauthorized persons. The Contractor shall ensure that lock combinations are changed when personnel having access to the combinations no longer have a need to know such combinations. These procedures shall be included in the Contractor's Quality Control Plan.

1.6.8 Special Qualifications: *[Insert any special certification requirements for employees if deemed appropriate i.e., "The contractor is responsible for ensuring all employees possess and maintain current Information Assurance Technician (IAT) Level I professional certification during the execution of this contract."]*

1.6.9 Post Award Conference/Periodic Progress Meetings: The Contractor agrees to attend any post award conference convened by the contracting activity or contract administration office in accordance with Federal Acquisition Regulation Subpart 42.5, Post Award Orientation. The Contracting Officer, COR, and other Government personnel, as appropriate, may meet periodically with the contractor to review the contractor's performance. At these meetings the Contracting Officer will apprise the contractor of how the government views the contractor's performance and the contractor will apprise the Government of problems, if any, being experienced. Appropriate action shall be taken to resolve outstanding issues. These meetings shall be at no additional cost to the Government.

1.6.10 Contracting Officer Representative (COR): The COR will be identified by separate letter. The COR monitors all technical aspects of the contract and assists in contract administration. The COR is authorized to perform the following functions: assure that the Contractor performs the technical requirements of the contract; perform inspections necessary in connection with contract performance; maintain written and oral communications with the Contractor concerning technical aspects of the contract; issue written interpretations of technical requirements, including Government drawings, designs, and specifications; monitor Contractor's performance and notify both the Contracting Officer and Contractor of any deficiencies; coordinate availability of government furnished property; and provide site entry of Contractor personnel. A letter of designation issued to the COR, a copy of which is sent to the Contractor, states the responsibilities and limitations of the COR, especially with regard to changes in cost or price, estimates or changes in delivery dates. The COR is not authorized to change any of the terms and conditions of the resulting order.

1.6.11 Key Personnel: The follow personnel are considered key personnel by the government: *[Insert the titles of the key personnel i.e., contract manager/Alternate contract manager, Systems*

Engineer, etc.] The contractor shall provide a contract manager who shall be responsible for the performance of the work. The name of this person and an alternate who shall act for the contractor when the manager is absent shall be designated in writing to the contracting officer. The contract manager or alternate shall have full authority to act for the contractor on all contract matters relating to daily operation of this contract. The contract manager or alternate shall be available between [*Insert the hours, i.e., 8:00 a.m. to 4:30p.m.*], Monday thru Friday except Federal holidays or when the government facility is closed for administrative reasons. Qualifications for all key personnel are listed below: [*Insert the qualifications for all key personnel, i.e., 1.6.11.1 Contract Manager and Alternate, The Contract Manager and Alternate must have 24 semester hours in mathematical, engineering, and/or quantitative analysis courses; 15 or more years cost analysis experience; and familiarity with Defense Department Data Sources (e.g. cost and software data reporting, EVM), 1.6.11.2 Systems Administrator, The Systems Administrator must have a high degree of expertise with the following systems/protocols: Microsoft Server 2000 and XP operation and administration, and Network Administration.*]

1.6.12 Identification of Contractor Employees: The Contractor (to include subcontractors) shall provide each employee an Identification (ID) Badge, which includes at a minimum, the Company Name, Employee Name and a color photo of the employee. ID Badges for Key Personnel shall also indicate their job title. ID Badges shall be worn at all times during which the employee is performing work under this contract. Each Contractor (to include subcontractors) employees shall wear the ID Badge in a conspicuous place on the front of exterior clothing and above the waist except when safety or health reasons prohibit. The Contractor (to include subcontractors) shall be responsible for collection of ID Badges upon completion of the contract or termination of employee. A listing of issued identification cards shall be furnished to the Contracting Officer prior to the contract performance date and updated as needed to reflect Contractor and Subcontractor personnel changes. All contract personnel attending meetings, answering Government telephones, and working in other situations where their contractor status is not obvious to third parties are required to identify themselves as such to avoid creating an impression in the minds of members of the public that they are Government officials. They must also ensure that all documents or reports produced by contractors are suitably marked as contractor products or that contractor participation is appropriately disclosed.

1.6.13. Supervision of Contractor Employees: The Government will not exercise any supervision or control over Contractor or subcontractor employees while performing work under the contract. Such employees shall be accountable solely to the Contractor, not the Government. The Contractor, in turn, shall be accountable to the Government for Contractor or subcontractor employees.

1.6.14 Contractor Travel (If applicable): [*Insert any travel requirements.*]. *For example: The Contractor will be required to travel CONUS and within the National Capital Region (NCR) during the performance of this contract to attend meetings, conferences, and training. The contractor may be required to travel to off-site training locations and to ship training aids to these locations in support of this PWS. Required language should travel be needed: The Contractor will be authorized travel expenses consistent with the substantive provisions of the Joint Travel Regulation (JTR) and the limitation of funds specified in this contract. All travel requires Government approval/authorization and notification to the COR. For proposal purposes, a Not*

to Exceed amount for travel can be established or you can include in your IGCE and the workload summary , a projected listing of travel locations to include frequency and number of persons required to travel so the offerors can provide pricing.

1.6.15 Other Direct Costs *(If applicable): [Insert what the other direct costs requirements will be. These costs must be preapproved by the contracting officer] For example:* This category includes travel (outlined in 1.6.14), reproduction, and shipping expenses associated with training activities and visits to contractor facilities. It could also entail the renting of suitable training venues.

1.6.16 Data Rights *(If applicable):* The Government has unlimited rights to all documents/material produced under this contract. All documents and materials, to include the source codes of any software, produced under this contract shall be Government owned and are the property of the Government with all rights and privileges of ownership/copyright belonging exclusively to the Government. These documents and materials may not be used or sold by the contractor without written permission from the Contracting Officer. All materials supplied to the Government shall be the sole property of the Government and may not be used for any other purpose. This right does not abrogate any other Government rights.

1.6.17 Organizational Conflict of Interest: Contractor and subcontractor personnel performing work under this contract may receive, have access to or participate in the development of proprietary or source selection information (e.g., cost or pricing information, budget information or analyses, specifications or work statements, etc.) or perform evaluation services which may create a current or subsequent Organizational Conflict of Interests (OCI) as defined in FAR Subpart 9.5. The Contractor shall notify the Contracting Officer immediately whenever it becomes aware that such access or participation may result in any actual or potential OCI and shall promptly submit a plan to the Contracting Officer to avoid or mitigate any such OCI. The Contractor’s mitigation plan will be determined to be acceptable solely at the discretion of the Contracting Officer and in the event the Contracting Officer unilaterally determines that any such OCI cannot be satisfactorily avoided or mitigated, the Contracting Officer may effect other remedies as he or she deems necessary, including prohibiting the Contractor from participation in subsequent contracted requirements which may be affected by the OCI.

1.6.18 PHASE IN /PHASE OUT PERIOD *(If applicable):* To minimize any decreases in productivity and to prevent possible negative impacts on additional services, the Contractor shall have personnel on board, during the *[Insert the time period, i.e., sixty (60) day, thirty (30) day, etc.]* phase in/ phase out periods. During the phase in period, the Contractor shall become familiar with performance requirements in order to commence full performance of services on the contract start date.

PART 2 DEFINITIONS & ACRONYMS

(This section includes all appropriate terms and phrases for this PWS. The definition must be clear and concise, not ambiguous. Carefully consider each definition because they will be

binding for the duration of this contract, unless modified. In addition, include a complete listing of all acronyms and words or phrases they represent.)

2. DEFINITIONS AND ACRONYMS:

2.1. **DEFINITIONS:** *[List any terms used within the PWS that require further definition. At a minimum, insert the definitions provided below].*

2.1.1. **CONTRACT ADMINISTRATOR.** The official Government representative delegated authority by the Contracting Officer to administer a contract. This individual is normally a member of the appropriate Contracting/Procurement career field and advises on all technical contractual matters.

2.1.2. **CONTRACTOR.** A supplier or vendor awarded a contract to provide specific supplies or services to the government. The term used in this contract refers to the prime.

2.1.3. **CONTRACTING OFFICER.** A person with authority to enter into, administer, and/or terminate contracts, and make related determinations and findings on behalf of the government. Note: The only individual who can legally bind the government.

2.1.4. **CONTRACTING OFFICER'S REPRESENTATIVE (COR).** An employee of the U.S. Government appointed by the contracting officer to administer the contract. Such appointment shall be in writing and shall state the scope of authority and limitations. This individual has authority to provide technical direction to the Contractor as long as that direction is within the scope of the contract, does not constitute a change, and has no funding implications. This individual does NOT have authority to change the terms and conditions of the contract.

2.1.5. **DEFECTIVE SERVICE.** A service output that does not meet the standard of performance associated with the Performance Work Statement.

2.1.6. **DELIVERABLE.** Anything that can be physically delivered, but may include non-manufactured things such as meeting minutes or reports.

2.1.7. **GOVERNMENT-FURNISHED PROPERTY (GFP) OR GOVERNMENT PROPERTY (GP).** Property in the possession of, or directly acquired by, the Government and subsequently made available to the Contractor.

2.1.8. **KEY PERSONNEL.** Contractor personnel that are evaluated in a source selection process and that may be required to be used in the performance of a contract by the Key Personnel listed in the PWS. When key personnel are used as an evaluation factor in best value procurement, an offer can be rejected if it does not have a firm commitment from the persons that are listed in the proposal.

2.1.9. **PHYSICAL SECURITY.** Actions that prevent the loss or damage of Government property.

2.1.10. **QUALITY ASSURANCE.** The government procedures to verify that services being performed by the Contractor are acceptable in accordance with established standards and requirements of this contract.

2.1.11. **QUALITY ASSURANCE SPECIALIST.** An official Government representative concerned with matters pertaining to the contract administration process and quality assurance/quality control. Acts as technical advisor to the Contracting Officer in these areas.

2.1.12. **QUALITY ASSURANCE SURVEILLANCE PLAN (QASP).** An organized written document specifying the surveillance methodology to be used for surveillance of contractor performance.

2.1.13. **QUALITY CONTROL.** All necessary measures taken by the Contractor to assure that the quality of an end product or service shall meet contract requirements.

2.1.14. **SUBCONTRACTOR.** One that enters into a contract with a prime contractor. The Government does not have privity of contract with the subcontractor.

2.1.15. **WORK DAY.** The number of hours per day the Contractor provides services in accordance with the contract.

2.1.16. **WORK WEEK.** Monday through Friday, except for Federal holidays unless specified otherwise.

2.2. **ACRONYMS:** [*List all acronyms used in the PWS and what they represent. At a minimum, insert the acronyms provided below*].

| | |
|-------|---|
| ACOR | Alternate Contracting Officer's Representative |
| AFARS | Army Federal Acquisition Regulation Supplement |
| AR | Army Regulation |
| CFR | Code of Federal Regulations |
| CMR | Contract Manpower Reporting |
| CONUS | Continental United States (excludes Alaska and Hawaii) |
| COR | Contracting Officer Representative |
| COTR | Contracting Officer's Technical Representative |
| COTS | Commercial-Off-the-Shelf |
| DA | Department of the Army |
| DD250 | Department of Defense Form 250 (Receiving Report) |
| DD254 | Department of Defense Contract Security Requirement List |
| DFARS | Defense Federal Acquisition Regulation Supplement |
| DMDC | Defense Manpower Data Center |
| DOD | Department of Defense |
| FAR | Federal Acquisition Regulation |
| HIPAA | Health Insurance Portability and Accountability Act of 1996 |
| KO | Contracting Officer |
| OCI | Organizational Conflict of Interest |

| | |
|--------|--|
| OCONUS | Outside Continental United States (includes Alaska and Hawaii) |
| ODC | Other Direct Costs |
| PIPO | Phase In/Phase Out |
| POC | Point of Contact |
| PRS | Performance Requirements Summary |
| PWS | Performance Work Statement |
| QA | Quality Assurance |
| QAP | Quality Assurance Program |
| QASP | Quality Assurance Surveillance Plan |
| QC | Quality Control |
| QCP | Quality Control Program |
| TE | Technical Exhibit |

PART 3
GOVERNMENT FURNISHED PROPERTY, EQUIPMENT, AND SERVICES

(This section should identify those items such as property, information and/or services that will be provided for the contractor’s use (without cost to the contractor) to allow them to provide the required services, such as materials, facilities, training, etc. Examples provided below.)

3. GOVERNMENT FURNISHED ITEMS AND SERVICES:

3.1. Services *(If applicable)*: The Government will provide [*Insert the services that will be provided, i.e., may include personnel to assist with production set-up*].

3.2 Facilities *(If applicable)*: The Government will provide [*Insert what facilities will be provided, i.e., the necessary workspace for the contractor staff to provide the support outlined in the PWS to include desk space, telephones, computers, and other items necessary to maintain an office environment*].

3.3 Utilities *(If applicable)*: The Government will provide [*Insert what utilities will be provided, i.e., all utilities in the facility will be available for the contractor’s use in performance of tasks outlined in this PWS.*] *If utilities are furnished, the following is required:* The Contractor (to include subcontractors) shall instruct employees in utilities conservation practices. The contractor shall be responsible for operating under conditions that preclude the waste of utilities, which include turning off the water faucets or valves after using the required amount to accomplish cleaning vehicles and equipment.

3.4 Equipment *(If applicable)*: The Government will provide [*Insert what equipment will be provided and/or what the contractor will have access to, i.e., scanners fax machines, printers, shipping crates, lighting and sound, etc.*]

3.5 Materials *(If applicable)*: The Government will provide [*Insert what materials will be provided, i.e., Standard Operating Procedures and Policies.*]

PART 4
CONTRACTOR FURNISHED ITEMS AND SERVICES

(This section is used to identify the materials and equipment that the contractor must provide. Examples provided below.)

4. CONTRACTOR FURNISHED ITEMS AND RESPONSIBILITIES:

4.1 General (*If applicable*): The Contractor shall furnish all supplies, equipment, facilities and services required to perform work under this contract that are not listed under Section 3 of this PWS.

4.2 Secret Facility Clearance (*If applicable*): The contractor shall possess and maintain a SECRET facility clearance from the Defense Security Service. The Contractor's employees, performing work in support of this contract shall have been granted a SECRET security clearance from the Defense Industrial Security Clearance Office. The DD 254 is provided as Attachment [*Insert the attachment number*].

4.3. Materials (*If applicable*). The Contractor shall [*Insert what materials will be provided, i.e., furnish materials, supplies, and equipment necessary to meet the requirements under this PWS*].

4.4. Equipment (*If applicable*). The Contractor shall [*Insert what equipment will be provided, i.e., furnish tractors, lighting and sound, containers, etc. to meet the requirements under this PWS*].

PART 5
SPECIFIC TASKS

(This section is the heart of the PWS. All of the services to be performed under the contract should be described in sufficient detail here. This includes all general tasks required by the Government.)

5. Specific Tasks:

5.1. Basic Services. The contractor shall provide services for [*Insert the services and/or tasks to be provided by the contractor*].

5.2. Task Heading. (*If applicable*) [*Insert the specific task to be provided in sequential order, i.e., 5.2, 5.3, etc. by the contractor*]

5.3. CONTRACTOR MANAGEMENT REPORTING (CMR) (**Only applies to Army Customers**): The Office of the Assistant Secretary of the Army (Manpower & Reserve Affairs) operates and maintains a secure Army data collection site where the Contractor shall report ALL Contractor manpower (including subcontractor manpower) required for performance of this contract. The Contractor shall completely fill in all the information in the format using the following web address <https://Contractormanpower.army.pentagon.mil>. The required

information includes: (1) Contracting Office, Contracting Officer, Contracting Officer’s Technical Representative (COTR) or also know as the Contracting Officer’s Representative (COR); (2) Contract number, including task and delivery order number; (3) Beginning and ending dates covered by reporting period; (4) Contractor’s name, address, phone number, e-mail address, identity of Contractor employee entering data; (5) Estimated direct labor hours (including sub-Contractors); (6) Estimated direct labor dollars paid this reporting period (including sub-Contractors); (7) Total payments (including sub-Contractors); (8) Predominant Federal Service Code (FSC) reflecting services provided by Contractor (and separate predominant FSC for each sub-Contractor if different); (9) Estimated data collection cost; (10) Organizational title associated with the Unit Identification Code (UIC) for the Army Requiring Activity (the Army Requiring Activity is responsible for providing the Contractor with its UIC for the purposes of reporting this information); (11) Locations where Contractor and sub-Contractors perform the work (specified by zip code in the United States and nearest city, country, when in an overseas location, using standardized nomenclature provided on website); (12) Presence of deployment or contingency contract language; and (13) Number of Contractor and sub-Contractor employees deployed in theater this reporting period (by country). As part of its submission, the Contractor shall provide the estimated total cost (if any) incurred to comply with this reporting requirement. Reporting period shall be the period of performance not to exceed 12 months ending September 30 of each government fiscal year and must be reported by 31 October of each calendar year. Contractors may use a direct XML data transfer to the database server or fill in the fields on the website. The XML direct transfer is a format for transferring files from a Contractor’s system to the secure website without the need for separate data entries for each required data element at the website. The specific formats for the XML direct transfer may be downloaded from the website.

PART 6
APPLICABLE PUBLICATIONS

(In this section list any publications, manuals, and/or regulations that the contractor must abide by. See example provided below.)

6. APPLICABLE PUBLICATIONS (CURRENT EDITIONS) *(If applicable): (In this section list any publications, manuals, and/or regulations that the contractor must abide by. See example provided below.)*

6.1. The Contractor (to include subcontractors) must abide by all applicable regulations, publications, manuals, and local policies and procedures. *(For example, insert Army Regulation (AR) 25-2, Information Assurance or Army Regulation (AR) 530-1, Operations Security.)*

**Appendix C.2 – Performance Requirements Summary Template
Example Language**

| Performance Objective (Include PWS Ref) | Performance Standard | Performance Threshold | Incentive / disincentive |
|---|--|---|---|
| <p><i>PWS Para. C.14.B. The contractor will be required to perform relocations of previously placed portable latrines and/or provide latrines to additional delivery points during the daily performance of the contract.</i></p> | <p><i>Initial delivery and relocation services shall be accomplished within four (4) hours of receipt of an order.</i></p> | <p><i>Initial deliveries and relocations will be completed in 4 hours or less 95% of the time. Data to support this metric will be maintained by the contractor. Contractor will maintain logs identifying date and time of receipt of initial delivery and relocation orders and date and time of delivery completions. The metric will be calculated monthly by dividing number of deliveries/relocations done in 4 hours or less by total number of deliveries/relocations for the month. This metric will be reported monthly by the contractor in the monthly activity/significant event report.</i></p> | <p><i>Contractor compliance to 4 hour relocation and initial delivery will be tallied for CPAR reporting periods and the results of the data will be used to substantiate objective ratings of contractor performance. Trends of less than acceptable performance could result in reductions in monthly payments at the discretion of the Contracting Officer. Results of this performance objective will be used in calculation of ward fee.</i></p> |

Note: Government surveillance of contractor performance is not limited to the Performance Objectives as outlined in this PRS. The Government reserves the right to conduct compliance surveillance of any contractual requirement of this acquisition.

Appendix C.3 - Quality Assurance Surveillance Plan Template

Add Title of Acquisition

Quality Assurance Surveillance Plan

Add Solicitation #

2011

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1. OVERVIEW

1.1 Purpose. The purpose of this plan is to identify the methods and procedures the Government will use to ensure it receives the services/products under this contract as identified in the Performance Work Statement (PWS).

1.2 Intent. The intent of this plan is to hold the Contractor accountable for quality control and to encourage the contractor to take appropriate steps to control and improve quality. The Contractor is responsible to develop an efficient methodology to ensure they meet and/or exceed the required thresholds of service as outlined in this acquisition. The Government intends to perform surveillance on this contract in accordance with (IAW) this Quality Assurance Surveillance Plan (QASP), but reserves the right to monitor the contract in any manner necessary, at any times necessary, and at all places necessary to ensure that the rendered services conform to contract requirements. The Government reserves the right to perform quality assurance at the subcontract level and perform quality assurance at the contractor's place of business, if applicable. Non-conforming services discovered with subcontractors will be addressed with the prime contractor for resolution.

2. DESCRIPTION OF SERVICES

2.1 Scope of Work. *(Describe services required by this contract. Generally can be pulled from the PWS Purpose/Overview/Scope of Work statement.)*

2.2 Contract. *(Describe contract type...FFP, IDIQ, etc.. Also identify quality requirements as identified in the contract...i.e., Inspection of Services FAR Clause 52.246-4, Inspection of Services—Fixed Price or Higher Level Quality Requirements FAR Clause 52.246-11. Also identify additional clauses/contract requirements that would require COR specific attention such as FAR Part 45 Government Property, recurring reports, specific safety requirements, etc.)*

3. ROLES AND RESPONSIBILITIES. *(Describe roles and responsibilities of key Government and contractor personnel that will work with this contract)*

Government Personnel:

Contracting Officer (KO) - A person duly appointed with the authority to enter into, administer and terminate contracts on behalf of the Government. The KO is the only person who can legally commit the Government and only the KO, as the Government's agent, can modify the contract/order. The KO is the final authority for determining the adequacy of the Contractor's performance. KO decisions arising under or relating to the contract are final.

Contracting Officer's Representative (COR) – An individual designated in writing by the KO to perform specific technical and administrative functions within the scope and limitations of their written appointment (e.g., surveillance of Contractor's performance, accept services). The COR is not empowered to make any contractual commitments or authorize any changes to the order/contract or in any way obligate additional funds by the Government; such authority rests solely with the KO.

Contract Administrator – The official Government representative delegated authority by the Contracting Officer to administer a contract. This individual is normally a member of the

appropriate Contracting/Procurement career field and advises on all technical contractual matters.

Property Administrator – An authorized representative of the Contracting Officer appointed in accordance with agency procedures responsible for administering the contract requirements and obligations relating to Government property in possession of a Contractor.

Contractor Personnel:

Program Manager – Responsible for running complex programs and projects. Supervises the project team and manages conflicts within different departments. Plans and sets project goals and milestones and develops risk management strategies. Defines resources and schedules for the implementation of the program. Clearly defines requirements and sets targets accordingly. Recognizes areas for internal improvement and develops plans for implementing the improvements.

Quality Manager - Promotes quality achievement and performance improvement throughout the organization. Develops, implements, communicates and maintains a quality plan to bring the Company's Quality Systems and Policies into compliance with quality system requirements. Direct the activities of quality personnel to measure key quality characteristics of processes from inception to completion. Establishes the standards of service for customers or clients.

4. CONTRACT QUALITY REQUIREMENTS

4.1. Quality Control Program. The Contractor's Quality Control Program requirements are *defined in Part 5* of the PWS. The Contractor shall develop, maintain, enforce and document a Quality Control Plan (QCP) which complies with the requirements of this contract and outlines how they will ensure the Government will receive all the services required by the contract at the specified quality level.

4.2. Government Quality Assurance. The Government will perform Quality Assurance oversight of the Contractor and Contractor's QCP IAW the QASP to ensure acceptable levels of contract performance are achieved and that the contractor is performing acceptable levels of Quality Control thus ensuring fully acceptable services are provided.

5. GOVERNMENT SURVEILLANCE

5.1. Methods of Surveillance include but are not limited to:

- 100% Inspection - Reserved for the highest risk areas where consequence of failure is high (i.e. life or limb are threatened) or there is likelihood of mission failure.
- Random Sampling - When a service is performed relatively frequently and a statistically valid sample can be selected for audit. The most appropriate method for frequently recurring tasks.
- Periodic Sampling - Planned sampling of a service at specific predetermined dates and times. May be appropriate for tasks that occur infrequently.
- Customer Feedback – Not necessarily a valid method of surveillance but a good indicator for areas surveillance should be conducted or intensified.

5.2. Monthly Surveillance Schedule. The COR will develop a monthly schedule of surveillance activities based on the Performance Standards as outlined in the Performance Requirements Summary (PRS), as well as any other critical contractual requirements determined to be higher risk requiring oversight. The PRS will be an attachment to the QASP. The surveillance outlined in the monthly schedule will be as detailed and in-depth as necessary to provide the Government with the objective quality evidence required to support acceptance of the services provided by the Contractor. The schedule will provide planned periodic surveillance during all required hours of the Contractor's operation. The schedule is "FOR OFFICIAL USE ONLY" and is not releasable to anyone other than authorized Government personnel. The schedule will identify the method of surveillance, the date of inspection, place of inspection, activity to be monitored, and who will conduct the surveillance (dates and times can be altered without a formal change to the schedule as long as all inspections are performed). DA Form 5475-R (Surveillance Activity Checklist) (<http://armypubs.army.mil/eforms/pdf/A5475.PDF>) may be used for this purpose. The monthly schedule will be completed no later than seven calendar days prior to the beginning of the period it covers and a copy forwarded to the KO for information and review.

5.3. Inspection instructions/checklists. The COR will develop inspection instructions/checklists for all planned inspections which may require special instructions on how to perform the inspection, what observations should be made with specific details of what to look for for acceptable performance. DA Form 5476, Surveillance Checklists (<http://armypubs.army.mil/eforms/pdf/A5476.PDF>) may be used for this purpose.

5.4. Documentation of Inspections. All inspections/observations will be documented and will include as a minimum date and time, who performed the inspection, what was inspected, to what standard and the results. Successful or exceptional performance will be documented as well as deficiencies in Contractor performance. Documentation will be maintained for future reference, audit, proof of inspection and past performance documentation. DA Form 5481, Tally Checklist (<http://armypubs.army.mil/eforms/pdf/A5481.PDF>) may be used for this purpose.

6. Non-Conforming Performance. The COR will provide written notification to the Contractor each time an unacceptable observation has been recorded and ask the Contractor to correct the problem or re-accomplish the service. **All valid non-conformances observed by the Government will be documented!** The COR will record the contract requirement, the specific deficiency to the requirement, the date and time it was discovered, and have the Contractor initial the entry. The Contractor will be given a time line after notification to correct the deficiency in accordance with requirements of the contract. Deficiencies that cannot be corrected within the identified time line will be reported to the Contracting Officer. DA Form 5481, Tally Checklist (<http://armypubs.army.mil/eforms/pdf/A5481.PDF>) may be used for this purpose.

6.1. Customer Feedback. For customer feedback or complaints it is recommended that the DA Form 5477, Customer Complaint Record, <http://armypubs.army.mil/eforms/pdf/A5477.PDF> be used. Customer feedback can be in any form, verbal or written, but no matter the format the COR will maintain a record of the feedback, positive or negative.

- a. If immediate response to a complaint is required, the COR will provide the response to the requester as soon as practical.

- b. The COR will conduct an investigation to determine the validity of any negative comments received.
- c. If the negative comment is determined not to be valid, if possible, the COR will inform customer of the reason(s) as soon as practical.
- d. For validated negative comments that are true contractual non-conformances see paragraph 6. If this non-conformance is a more serious (systemic in nature) deficiency or recurring deficiency that could indicate a trend the COR should see paragraph 6.2.
- e. The COR will follow up with the customer of the corrective action taken by the contractor, if applicable.

6.2. Contract Deficiency Reports. The COR will report more serious (systemic in nature) deficiencies or recurring deficiencies that could indicate a trend by using the DA Form 5479-R, Contract Discrepancy Report (<http://armypubs.army.mil/eforms/pdf/A5479.PDF>) . The Contract Discrepancy Report will state the Contract Requirement, the specific contract reference and the specific violation (s) to the requirement. The COR will forward copies of Contract Discrepancy Reports (CDR) to the KO within one (1) working day. The KO will notify the Contractor and request corrective action to the specific non-conformance, identification of the root cause and corrective action for the root cause with a required suspense date. The KO may require the Contractor to re-perform any services that do not meet contract requirements at no additional cost to the Government. The Contractor will return a copy of the completed and signed DA Form 5479-R along with their Corrective Action Plan (CAP) to the KO for review, approval and inclusion in the contract/order file. The KO should include the COR in the review of the CAP and re-inspection of services that were found deficient to ensure the CAP included adequate root cause analysis, corrective action for the root cause and that it was accomplished in the timeframe agreed upon. The KO and COR will not consider the CDR closed until all deficiencies have been corrected and all agreed upon actions of the CAP have been completed. Contractor's failure to follow through and complete corrective actions will be reported immediately to the KO for further action. (Note: if the COR has to repeatedly perform re-inspection there could be a Government re-inspection cost which could be recovered from the Contractor). The COR will also follow-up after the Contractor has completed the corrective action to ensure that the Contractor's corrective action was sufficient to preclude recurrence.

7. Data Analysis. The COR shall perform and document analysis of available data monthly and make adjustments to the surveillance schedule as required based on the results of the analysis. Analysis shall be used to look for and document trends in performance which may indicate shifts in performance risk that could result in increased or reduced surveillance. Data can be based on Government observations or Contractor observations. Negative trends noted using Government observations could result in issuing the Contractor a CDR. Trends noted using Contractor data should never result in a CDR unless the Contractor is not addressing the negative trend.

8. Acceptance of Services. When all services have been deemed acceptable and there is documented objective quality evidence to support acceptable performance the COR will accept the services provided and authorize payment upon satisfactory completion of the work. This is done by approving the Contractor's invoice in Wide Area Workflow <https://wawf.eb.mil/>.

9. Monthly COR Activity Report. The COR will submit a brief monthly activity report to the KO which will include the next months surveillance schedule, summary of inspections

performed with results, summary of customer complaints with analysis, summary of contract discrepancies, results of data analysis, recommended adjustments to surveillance, invoices accepted and any other pertinent contract activities.

10. Contractor Manpower Reporting. In accordance with SECARMY Memorandum, dated 7 Jan 2005, Accounting for Contract Services. The Contractor must report contractor manpower on a monthly basis to the Contractor Manpower Reporting website at <https://cmra.army.mil>. The COR shall verify that the Contractor has complied with the required contractor manpower reporting and document any observations.

11. Quality Assurance Surveillance File. The official COR Quality Assurance Surveillance File will be maintained in the on-line COR Management Tool <https://arc.army.mil/COR> per ACC PAM 70-1. The Quality Assurance, or COR Surveillance file shall contain the following as applicable:

- a. Copy of the COR designation letter from the KO, any changes to that letter, and any termination letters.
- b. Training Certifications for COR and refresher training.
- c. Copy of the contract and all contract modifications.
- d. Copy of the applicable Quality Assurance Surveillance Plan (QASP).
- e. Copy of the contractor's Quality Control Plan (QCP)
- f. All correspondence initiated by authorized representatives (Contractor or Government) concerning performance of the contract.
- g. Names, position titles and contact information of all key personnel assigned to the contract, both Government and Contractor.
- h. Monthly surveillance schedules.
- i. Surveillance Checklists
- j. Records of all inspections performed and the results.
- k. Customer Feedback.
- l. Memoranda for record of minutes of any meeting, telephone conversations and discussions with the contractor or others pertaining to the contract or contract performance.
- m. Documentation pertaining to acceptance of services, reports or data

12. Contractor Performance Assessment Reporting System (CPARS) Documented surveillance data IAW this QASP will be used as objective data to support CPARS ratings. The inclusion of detailed documented inspection results provides objectivity to CPARS reporting. CPARS will be accomplished annually or at the end of a contract or task order whichever occurs first. <http://www.cpars.csd.disa.mil/cparsmain.htm>

13. Record Retention. All records will be retained for the life of the contract. The COR/QAE will forward these records to the KO upon completion of the contract/order.

14. QASP Changes. The QASP is a living document and, as such, may be changed as needed. However, the KO must approve changes. The COR will submit recommended changes to the KO for approval.

Appendix C.4 – Independent Government Cost Estimate Template

MISSION AND INSTALLATION
CONTRACTING COMMAND
DRAFT
INDEPENDENT GOVERNMENT COST
ESTIMATE (IGCE) DESKBOOK
April 2011

Foreword

The Independent Government Cost Estimate (IGCE) is the Government's estimate of projected costs a selected contractor will incur in the performance of a contract. These costs include direct costs; such as labor, supplies, equipment, or transportation and **indirect costs**; such as labor overhead, material overhead, as well as general and administrative (G&A) expenses, and profit or fee.

This deskbook is not intended to cover every possible acquisition, but rather explains elements of cost within the general context of their use. There may be dozens of cost elements included in large, complicated acquisitions costing millions of dollars and few in acquisitions for a single item of relatively low dollar value. Many cost elements vary by circumstance and application in different situations. While the following explanations and description of cost elements are sound, the IGCE should include only those applicable to and developed from the performance work statement or description of the product, the services, or the construction project to be acquired.

An IGCE is required for every procurement action in excess of the simplified acquisition threshold (currently \$150,000 for non-commercial items, and up to \$6.5 for commercial items). A commercial item may be briefly defined as an item or service sold to the general public that has no major modification to meet the Government's specific requirements. The IGCE is developed by the requiring activity and used to establish a reasonable and realistic price/cost for budget purposes. In addition, the Contracting Officer may use the IGCE for technical and management information. Format and contents of the IGCE will vary in accordance with the complexity and value of the requirement.

Acquisition statutes require analysis of price/cost to determine whether a reasonable price, in the event of a fixed priced contract, or a realistic cost, in other contract types, will result from award of all contract requirements. The evaluation of any proposal response in terms of reasonableness of price/cost may rely heavily on the accuracy and reliability of the IGCE. Any significant variation between the contractor's proposal and the IGCE requires analysis. Where variations exist, the Government can identify and correct inaccuracies in the IGCE or (in the case of single source actions) use the IGCE to negotiate a more reasonable or realistic vendor price. The following guidelines may be used for all IGCEs. A sample IGCE has been provided in Appendix C.4 - Example A-1 that is based on a buildup of the separate elements of cost that comprise the price(s). Appendix C.4 - Example A-2 provides a format for submission of an IGCE. Appendix C.4 - Example A-3 includes a sample of an IGE that is based on price history

only. Activities with requirements to be awarded to foreign firms should refer to host nation labor laws and the appropriate supporting contracting office for labor rates and any special considerations to supplement this guide.

The IGCE is a procurement sensitive document and should be labeled and handled accordingly. **Access to the IGCE shall be on a need to know basis.**

1. Requirement:

A. Each package in excess of the Simplified Acquisition Threshold must be accompanied by an Independent Government Estimate that serves as one benchmark of fair and reasonable price(s). IGE's should be prepared as though a commercial submission in response to a solicitation for the Performance Work Statement. Standards, practices, and procedures that are normally used by industry should be used as the basis for developing the IGE. A narrative must accompany the IGCE, explaining the basis of estimate for each price or element of cost comprising the estimated price(s). The IGE must have a cover page that includes:

- The name of the preparer and position title
- The preparer's organization
- The preparer's contact information, to include telephone and email
- Date IGE was prepared
- Basis of estimate information (see further discussion below)

B. All requirements submitted to your supporting contracting office require a price estimate. A simple estimate of current market prices or historical prices may be adequate on requirements up to the simplified acquisition threshold (\$150,000 or \$6.5M for commercial items). Over that level, a more comprehensive price or cost analysis is required.

2. Definitions:

A. **Cost analysis.** This is the element-by-element examination of estimated or actual costs and proposed profit.

B. **Cost or pricing data.** Data consisting of all facts existing up to the time of agreement on price, which prudent buyers and sellers would reasonably expect to have a significant effect on price negotiations, and which will require submission of a Certificate of Current Cost or Pricing Data in accordance with FAR 15.406-2, if the estimated cost of the procurement exceeds the current FAR threshold (FAR 15.403-4(a)(1)). Cost or pricing data shall be obtained only if the contracting officer concludes that none of the exceptions in Federal Acquisition Regulation (FAR) 15.403-1(b) applies. Cost or pricing data cannot predict the accuracy of the prospective contractor's judgment about estimated future costs; however, the data forms the basis for making the judgment.

C. **Direct cost.** Any cost that is specifically identified with a particular final cost objective (such as a specific deliverable).

D. **Catalog price/price list.** A price included in a catalog regularly maintained by a manufacturer or vendor, published or made available for inspection by customers that

states prices at which sales are currently or were last made to a significant number of buyers constituting the general public.

E. **Fair and reasonable price.** A price that is fair to both the government and contractor, considering the agreed upon conditions, promised quality, and timeliness of contract performance.

F. **General and Administrative expense.** Indirect expenses, including a company's general and executive office, executive compensation, the cost of staff services such as legal, accounting, financial, administrative, and similar expenses.

G. **Independent Government Cost Estimate (IGCE).** The Government's estimate of resources and cost of resources a prudent contractor will incur in the performance of a contract.

H. **Indirect cost.** Any cost not directly identified with a single final cost objective but identified with two or more final cost objectives. Also referred to as overhead.

I. **Market analysis.** The process of analyzing prices and trends in the competitive marketplace for the purpose of comparing product availability and offered prices against market alternatives and establishing the reasonableness of offered prices.

J. **Negotiation.** A procedure used by the Contracting Officer that includes receipt of proposals from offerors, permits bargaining, and usually affords offerors an opportunity to revise their offers before award of a contract or modification.

K. **Price analysis.** This is the process of examining and evaluating a price without looking separately at the estimated cost elements and proposed profit that comprise it.

L. **Reasonable cost.** A cost that in its nature or amount does not exceed what would be incurred by an ordinarily prudent person in the conduct of competitive business.

M. **Sealed bidding.** A method of contracting that employs competitive bids, public openings of bids, and ultimate award of a fixed-price contract.

3. There are generally two bases for an Independent Government Estimate: price estimate and cost estimate.

a. Price Estimate: The price estimate is generally used for supplies, equipment, and simple services that are routinely available on the open market at competitive prices. It may be based on readily (1) available current market prices (such as catalog or list prices) or (2) previous prices proposed in competitive situations and adjusted to current price levels. The price estimate is required on all contract requirements over the simplified acquisition threshold and must be "independently" developed based on a comparison and analysis of factors such as published catalog prices, historical prices paid, market survey information, vendor price quotes, etc. The price estimate is not broken down into the various cost elements and depends upon the bottom line prices paid or available in the market place. This estimate is a more in-depth estimate than provided for procurements that are below the simplified acquisition threshold, as it is based on an analysis of numerous pricing factors. Typically, the contracting officer or specialist can help you research for "pricing" information. Price estimates are required for "Commercial" items as addressed later in this guide. When developing the price estimate, focus should be placed on:

- Prices and quotes, such as published or current catalog prices;
- Previous prices and quantity purchased;
- Quantity of items to be purchased; and
- Market Surveys and other miscellaneous source of pricing data.

4. **Cost Estimate:** The cost estimate is more detailed than the price estimate and requires a breakdown of costs anticipated in performance of the contract. A detailed estimate is required for services, construction, and non-commercial supplies estimated to exceed the simplified acquisition threshold. Costs are generally divided into the primary cost elements of labor, payroll additives (burden or fringe), other direct costs, indirect costs (overhead), general and administrative costs (G&A), and profit/fee. Provided below is a short discussion of the breakdown for cost elements in each area to be addressed in the IGCE.

5. **Independent Government Cost Estimate (IGCE):** The IGCE is the Government's estimate of the resources and the estimated cost of resources a prudent contractor will incur in the performance of a contract. The elements of cost composing the IGCE include:

A. Labor costs:

1. Labor costs are often the most significant part of the IGCE in terms of dollars for either "service" or "construction" contracts. Direct labor is the "touch" labor directly applied to the performance of the contract requirements. Indirect labor includes costs of personnel in a support capacity that support the direct performance of the service contracted (e.g. supervisory, inspection, maintenance, custodial, clerical, etc). Most direct labor and some of the indirect labor effort is covered by the Department of Labor wage determinations provided under the provisions of the Service Contract Act (SCA) for services or Davis Bacon Act (DBA) for construction, and these are considered "non-exempt." All non-exempt wages MUST be paid at a rate no less than that identified on the applicable wage determination. "Exempt" personnel are not covered by the wage determination but will receive comparable benefits and wages to like employees in both industry and the Government.

2. Inasmuch as a *non-exempt* employee must be paid no less than the rate of pay listed in the wage determination, a review of the most recent wage determination, if available, may assist you in determining applicable skill classes. New rates are determined periodically and must be incorporated upon contract extension or exercise of option.

3. *Exempt* employees, usually management, are essentially "salaried" employees, and exempt from coverage under the wage determinations. Special attention should be given to the skill and number of managers required. Salaries can be estimated based on comparable positions, performing the same or similar duties covered by a government Position Description (PD) for GS or WG employees. Escalation must be computed for future year efforts for "exempt" labor (see 6. below).

4. When developing an IGCE it is important to indentify the labor categories and the effort required for each task that comprises the Performance Work Statement. For instance, the effort of a carpenter for renovation of one set of kitchen cabinets might be limited to 100 hours with proportional benefits, whereas a contract which envisions a full time carpenter working under the terms of a contract year, would project for a full year cost with all benefits.

5. Annual work hours are divided into productive and non-productive time. Productive time is time the worker spends actually performing their duties. Non-productive time includes paid leave time or paid time off (PTO), and potentially other paid non-productive time such as breaks, training time, downtime and so forth. The sum of productive and non-productive time is available time (usually 52 weeks at 40 hours/week). Productive time is charged directly to the contract as direct labor, while non-productive time is usually charged to fringe benefits overhead pools and charged indirectly to the contract through a fringe benefits burden rate. Alternatively, leave time may be calculated separately and charged directly to the contract as part of direct labor. The IGCE may determine productive hours as follows:

| | |
|---|---------------|
| Annual available hours (52 wks x 40 hrs/wk) = 2,080 | |
| Less non-productive (leave) time | = <u>200*</u> |
| Productive hours | = 1,880 |

*This figure is arbitrary for the purpose of providing a calculation example.

The SCA Area Wage Determinations usually mandate a minimum amount of time for holidays (normally the ten Federal holidays, although 11 have been incorporated in some based on Collective Bargaining Agreement results) and a longevity “formula” for vacation/personal leave. Typically, SCA-subject positions may have 160 or more hours of leave mandated as a minimum. Exempt personnel may receive more, less or the same leave. The main points to remember are:

- a. The IGCE can cost out 2,080 hours, which is paid available time. Just remember that staffing must take into account leave time; therefore staffing is usually greater than the sum of task times. Also remember that, if travel time is involved between “jobs”, this should be taken into account as part of non-productive time.
- b. The IGCE can also estimate productive hours in a work year as discussed above. Productive time would be charged direct, while PTO would be charged as part of fringe benefits (overhead).

6. Recommend working closely with the contracting office to obtain the most recent wage rates for your estimate. Wage determinations for the Davis Bacon Act (DBA) covering the construction and repair/maintenance trades and the Service Contract Act (SCA) skills for service contracts can be accessed at the following web site: <http://www.wdol.gov>.

B. Payroll Additives/Labor Burden (Fringe Benefits):

1. Once the basic skills and hours have been assessed, payroll additives or labor burdens must be calculated. Typical groupings of fringe benefits and payroll taxes in the IGCE are:

a. *Health & Welfare (H&W)* – H&W includes life, accident and health insurance plans,. The application of this figure is dependent upon the wage determination issued by DOL and can be estimated using the most recent wage determination. Currently, the figure of \$3.35 per hour (as of 2010) is approved for all wage categories covered by the SCA (services). Reference individual DBA wage determinations for specific fringe benefits for H&W. All figures are subject to change, therefore verify benefits prior to development of the IGCE. The rate should then be multiplied by available hours. Similar fringe benefits should also be projected for exempt labor hours.

b. *Payroll taxes: This category is comprised of the following legally required employer contributions:*

(1) *Federal Insurance Contributions Act (FICA)* – FICA tax rate is 7.65% (6.2% for Social Security and 1.45% for Medicare). This rate has been constant for a number of years and rarely changes. Multiply 7.65% by total wages up to the FICA maximum rate of \$106,800 (for calendar year 2010).

(2) *Federal Unemployment Taxes (FUTA)* – FUTA is set by the federal government. FUTA is paid on the first \$7,000 of total wages and is multiplied by a factor between 6.2% and 0.8% (employers can take a credit of up to 5.4% of taxable income if you pay state employment taxes). If State Unemployment Taxes are included in the IGCE, it is common to utilize the minimum FUTA rate of 0.8% in the IGCE. This rate changes periodically therefore, check the IRS web page at <http://irs.gov/formspubs/> for current rates. If an employee makes less than \$7,000, the factor of 0.8% is only applied to the total wages paid, not the entire \$7,000 amount. FUTA will generally not exceed \$56 (0.8% x \$7,000) for any single employee, annually.

(3) *State Unemployment Taxes (SUTA)* – SUTA is set by individual state governments and is paid of the first \$7,000 (as of 2010) of total wages. SUTA varies based on the type of business involved. Rates may be available from the state taxation or unemployment web site. However, if individual state SUTA rates are not available, recommend use of an average rate of 3.0%. Multiply this percentage by the first \$8,000 in wages per employee.

(4) *Workers' Compensation (WC)* – WC is insurance designed to cover injuries and associated benefits that arise from work related injuries. The rate for computation of costs varies from state to state and, for the most part, is dependent upon a contractor's years of business in the state and claims-related experience. Workmen's compensation is applied to total wages and will vary between 2-5% of the total payroll. The state tax code or taxation website can provide more details.

c. *Retirement and pension plans* – Some companies provide retirement contributions for their employees, especially Exempt (i.e., managerial and technical) employees. These may be through such as 401(k) accounts, to which many employers contribute a percent of an Exempt employee's salary either as a matching or single contribution. Currently, the national average for non-union personnel is 4.1% of wages; union average is 4.7%.

d. *Paid time off* – This category includes holidays, paid vacation, any sick leave, jury leave and other types of leave paid by the employer. This is usually 2,080 hours minus total productive hours, multiplied by the hourly rate. Nationally, it is currently 12.10% of hourly pay for union employees, 9.27% for non-union employees. It is one of the fringe benefit components listed on the www.bls.gov/ncs/ect website, access to which is described further in paragraph e.

e. Components of the fringe benefits package are available at www.bls.gov/ncs/ect (choose "databases" then "Employer Cost for Employee Compensation" from the menu and complete the screens for the "Multiscreen Data Search" option) for various geographic areas, industries (North American Industrial Classification System codes www.census.gov/epcd/www/naics.html), union/non-union employees, business sizes, and certain individual occupations.

2. Alternatively, a straight line approach using an average overall burden rate can be used to compute fringe benefits. A rate of 38.8% of wages and salaries is the national average for non-union labor, for union labor it currently averages 62.27%. For all occupations, it currently averages 41.62%. One of these rates may be used, as applicable, in place of the separate computation of benefits as outlined above. This may not be adequate for some high cost areas of the country or for DBA/SCA categories. One can determine a combined rate that includes all major components, also at www.bls.gov/ncs/ect as above, and choosing the “03 Total benefits” option on the “Compensation Component” scrolling dialogue box. Whichever method is used, document your rationale in the IGCE cost narrative. See Appendix C.4 – Example A-1 for an example of a straight-line or simplified approach.

3. As a minimal example of the scope and detail of benefits information available from the Bureau of Labor Statistics website, here is the set of component grouping costs per hour and the national average of wages for union and non-union personnel:

| Union employees | | | |
|-----------------------|-----------------|-----------------|---------------|
| | Per hour | Wages | % of Wages |
| Paid Time Off | \$ 2.77 | \$ 22.90 | 12.10% |
| Health & Welfare | \$ 4.68 | \$ 22.90 | 20.44% |
| Retirement | \$ 2.53 | \$ 22.90 | 11.05% |
| Payroll Taxes | \$ 3.16 | \$ 22.90 | 13.80% |
| TOTAL BENEFITS | \$ 14.26 | \$ 22.90 | 62.27% |
| | | | |
| Non-union employees | | | |
| | Per hour | Wages | % of Wages |
| Paid Time Off | \$ 1.78 | \$ 19.21 | 9.27% |
| Health & Welfare | \$ 1.94 | \$ 19.21 | 10.10% |
| Retirement | \$ 0.79 | \$ 19.21 | 4.11% |
| Payroll Taxes | \$ 2.18 | \$ 19.21 | 11.35% |
| TOTAL BENEFITS | \$ 7.46 | \$ 19.21 | 38.83% |

NOTE: The groupings do not add up to the TOTAL BENEFITS figures because these are also comprised of overtime, shift differentials, disability plans and other unusual components not included in the individual groupings. Also note that even the national average of unions for Health & Welfare does not amount to the \$3.35 per hour mandated by the average Area Wage Determination promulgated by the Department of Labor (DoL) based on the SCA; that figure would have to be used for the H&W component for those positions subject to the SCA.

B. Other Direct Costs

1. The Other Direct Costs category provides an estimate of the types and quantity of material, equipment, bonding, and travel necessary for the contractor to perform the work to be accomplished. These costs can be charged directly against the specific requirement. Normal office supplies are generally included in overhead or G&A, but any materials used in direct support of the contract, such as vehicles, computers, office furniture, as well as subcontractor costs, travel, lease of equipment, per diem, etc should be included in your other direct costs. Item descriptions, quantities and related cost estimates can be obtained using catalogs, price quotes, market surveys, historical data, etc. The emphasis in estimating other direct costs should be on accuracy of type and quantity.

2. As an example, if bonds or other securities will be required – the direct costs of these securities must be identified and incorporated into the IGCE. Although a basic bid bond generally has no direct cost, it is contingent upon payment of a percentage of bid or proposal cost upon award and issue of performance and payment bonds. Performance and payment bonds will generally cost the vendor anywhere from 1% to 3% of the total bid or proposal price. This cost will be included in the vendors “price”. A review of past bonding requirements may provide a reasonable range for your IGCE. In the absence of other data, recommend a cost of 2% be used for estimating purposes.

D. Other Indirect (Overhead) Costs

1. Includes all overhead and other indirect costs that cannot be applied to a specific cost category but is in support of your specific requirement. Overhead may include expenses such as indirect personnel and their fringe benefits/payroll taxes, utilities and facilities costs related to labor production, as well as others.

2. Overhead is often expressed as a percentage of the sum of direct labor costs and labor burden . Although overhead will vary based on type of contract, ownership of facilities, location of work site, and so forth – recommend using 11% unless more specific information is available. Please note that not all contractors propose overhead separate from labor-related (fringe benefits/payroll taxes), and that this may inflate the IGCE beyond what many offerors will propose. (If information available indicates that separate overhead is normally not proposed, this factor may be omitted from the IGCE.)

E. General & Administration (G&A) Costs

1. General & Administration (G&A) costs are any management, financial or other expenses incurred for the overall operation of a business. These costs are distributed equally across all contracts, government and private sector. It includes costs such as utilities, officer rent, compensation packages, employee training, jury duty, business taxes, liability and other business insurances, legal costs, as well as non-contract specific leases, equipment and supplies.

2. These costs can and do vary significantly. G&A is expressed as a percentage of the sum of all other expenses (labor, burden, direct costs, and overhead). Typical G&A rates for non-manufacturing firms range between 3 and 15%. Use of a 3-15% G&A factor may be used for estimating purposes if no historical rate is available.

F. Profit/Fee

1. Profit or fee is the dollar amount over and above any allowable costs paid to a contractor for performance and represents the true reason the contractor is in business. The actual amount of profit/fee can and does vary. It is based on the contractor’s perceived risk in attempting the project. The more complex or difficult the project, the greater the likelihood the contractor might fail, thus the greater the risk and the higher the profit the contractor would expect to receive. This amount is very difficult to estimate (the Contracting Officer may use a calculation form termed “Weighted Guidelines” when evaluating a contractor’s proposed profit/fee as part of cost analysis required when certified cost or pricing data are required).

a. If possible, review profit/fee percentages for similar work contracted locally. With the help of the Contract Specialist, reviewing profit levels allowed on contracts awarded for similar work might prove helpful as well.

b. However you arrive at a profit/fee percentage, it is applied to the bottom line cost, excluding directly reimbursable expenses, for a total overall price to the government.

2. Fee structure may also be broken down in different types of fees such as award , incentive, or fixed fee. For purposes of the estimate, however, a straight percentage may be used. There are guidelines for these fee structures in FAR 16, Types of Contracts; the Contracting Officer can help with limitations.

3. Review of the current or previous contract document, to include the previous IGCE, is usually an excellent place to start research. These documents may be obtained from your activity files or the supporting contracting office files. Document the profit/fee projection strategy on the IGCE.

6. Escalation Considerations for the IGCE

The impact of economic changes in costs or price (usually “inflation”) should be considered when forecasting option year costs or prices in developing the IGCE. The following should provide basic information on how to use escalation techniques in your IGCE for base (or first) year as well as option years.

1. Develop the base year estimated costs as described above, adjusting as necessary to provide a realistic price/cost.

2. To forecast the option year(s) cost, appropriate escalation factors are applied to the previous cost elements to bring it them up to a realistic value. If the contract performance involves more than one year, different escalation factors may be applied dependent on the labor/material mix as appropriate. The following methodologies may be used, as appropriate.

a. The Department of Labor Consumer Price Index (CPI) provides data and percentage of change in inflation/escalation factors. CPI information is available at <http://www.bls.gov/cpi/>. Percentage of change for all items from 1995 through 2009 ranged from a low of -0.4% in 2009 to a high of 3.8% in 2008. When projecting inflation, a review of major cost factors for the specific requirement should be considered. Inflation rates for specific commodities may be much higher or much lower than the average and must be factored into the equation dependent upon your circumstances. In addition, geographic locations for work performance should be considered. Global Insight provides escalation index forecasting services for labor, materials and other costs, which can be particularly helpful in development of IGCEs. The Defense Contract Audit Agency (DCAA) and some contracting organizations have access to Global Insight projections. An average factor between 2% and 4% is generally considered reasonable for labor escalation. As an example, assume that:

| Base Year (2010) Labor rate \$30.00 | Projected Escalation Factor for 2011 is 2.4% (.024) | Projected Escalation Factor for 2012 is 3.0% (.03) |
|--|--|---|
| 2010 | 2011 | 2012 |
| \$30.00 | \$30.00 x 1.024 = \$30.72 | \$30.72 x 1.030 = \$31.64 |

b. Market trends should be considered when projecting option year(s) escalation rates and should be justified in a short narrative. A market survey will provide information on current market prices and potential volatility of prices in the market place. In addition, when computing a projected escalation rate a review of previous Treasury interest rates will provide an overall view of market prices.

7. **A Commercial Supply “Independent Government Estimate (IGE)”** is much less complicated than the IGCE for a service contract and is considered a “Price Estimate”. It is a matter of determining the market value of an item and using that figure as the IGE, documenting your research, then furnishing this information along with your funded requisition to the contracting office. This IGE can be developed using numerous methods including:

A. General Services Administration (GSA) schedules. The schedules are pre-priced and awarded to multiple firms for specific products or services. GSA schedules may be found at <http://www.gsadvantage.gov/>.

B. Published price lists. This is a listing from an individual company that is published for use by the general public.

C. Catalog pricing. This is a pricing arrangement such as a J.C. Penney’s catalog.

D. Market research/survey. A market research/survey is a comparison of the prices offered within the local area for an item. Sometimes you can use secondary sources such as the Internet, newspapers, and trade and business publications to obtain this information. This action is normally developed in conjunction with the Contracting Officer.

E. Previous buys. This is simply a comparison of previous purchases of the same item assuming comparability in quantities, conditions, terms, and performance times. Adjustments should be considered for inflation, etc., when appropriate.

F. Disclosure of information. Do not obtain “price quotes” from vendors. Caution is advised when contacting vendors, as advance procurement information is protected as “procurement sensitive” and should not be used in the preparation of your estimate.

1. Your contact might be considered a commitment by the vendor. Only a credit card holder acting within his/her their spending limits and a Contracting Officer or their representatives may commit the Government. Any other person may be held personally liable and disciplinary action can be taken.

2. Before a vendor is contacted for information concerning a potential purchase, recommend contacting the supporting contracting office. Contracting personnel are trained in information gathering techniques and can provide valuable insight to ensure no unauthorized information is released and inadvertent commitments are avoided.

8. **Summary** – An IGE is required for acquisitions that exceed the simplified acquisition threshold.

A. Although IGE documentation is a part of the government procurement cycle, there is no detailed guidance on how to prepare an IGE in statutes or regulations. Some practical advice, however, includes the following: an IGE should bear a close relationship to the program being

managed; it should be independently prepared by a subject matter expert. Do not base the IGE on a contractor's cost/price estimate.

B. When buying a commercial item with stable specifications, the estimator should research past price history and make adjustments for any changes in specifications, quantities or inflation factors. For items that do not have a detailed pricing history it is necessary to do a detailed analysis of individual cost elements.

C. With a little diligence, you can provide an accurate estimate of these costs. By reviewing the statement of work; you can determine the labor categories and effort required plus equipment, materials, and other direct costs plus overhead to perform the operation. Multiple year requirements require consideration of inflation costs. Additional costs such as corporate costs (G&A) and profit are then applied to the bottom line.

D. A brief narrative of how the costs were developed and what reference material was used should be provided with the completed IGE along with name, title, and signature of the estimator and an approving official.

E. Once the IGE is completed the contracting officer can use a version with the quantities and numbers deleted as a template for the contractor's cost proposal. Then costs proposed can be easily compared to the costs estimated.

Appendix C.4 - Example A-1

Independent Government Cost Estimate
 Operation of Waste Water Treatment Plant/Process (WWTP)
 Fort Huge, Texas

Requirement: The requirement is for operation and maintenance of the wastewater treatment plant at Fort Huge, Texas. The basic specifications are: The aeration pond on the west end is 20 acres, the oxidation pond is 90 acres, and the polishing pond on the east end is 18 acres. Total volume in all three ponds is about 883 acre-feet (287,878,300 gallons), and the permitted treatment capacity for the pond system is 10.2 MGD (million gallons per day).

Performance: The performance area will be in Bell County, Texas for the purposes of the Service Contract Act. Wages for Non-exempt personnel will be based on Area Wage Determination 2005-2523 (Revision 10 effective 6/15/2010).

The contract duration encompasses a base year and four (4) one-year option periods, a total of 60 months. Incorporation of the cost impact of FAR 52.217-8, Option to Extend Services, is procedural and is not included in this IGCE. The following cost estimate is for the base year, which is anticipated to encompass 12 months from xxxxxxxx to yyyyyyy. The IGCE is based on anticipated award of a firm fixed price contract with constant staffing year to year. The base year detail summary is shown in the cost schedule below.

| Labor Classification | FLSA Status | AWD Code | FTEs | Hours | Hrly Rate | Labor \$ |
|-------------------------------|-------------|----------|------|-----------------|-----------|------------------------|
| Superintendent | E | N/A | 1 | 1,920 | \$ 24.18 | \$ 46,425.60 |
| Foreman | E | 25210 | 3 | 5,760 | \$ 17.18 | \$ 98,968.32 |
| Stationary Engineer | E | 25070 | 1 | 1,920 | \$ 18.97 | \$ 36,422.40 |
| Secretary II | NE | 01312 | 1 | 1,920 | \$ 13.39 | \$ 25,708.80 |
| Accounting Clerk III | NE | 01313 | 1 | 1,920 | \$ 14.69 | \$ 28,204.80 |
| Carpenter, Maintenance | NE | 23130 | 2 | 3,840 | \$ 15.84 | \$ 60,825.60 |
| Plumber, Maintenance | NE | 23810 | 6 | 11,520 | \$ 18.49 | \$ 213,004.80 |
| WTP Operator | NE | 25210 | 6 | 11,520 | \$ 15.62 | \$ 179,942.40 |
| Mechanic, Maintenance | NE | 23110 | 3 | 5,760 | \$ 15.95 | \$ 91,872.00 |
| Helper/Laborer | NE | 23580 | 3 | 5,760 | \$ 13.19 | \$ 75,974.40 |
| TOTAL DIRECT LABOR | | | | | | \$ 857,349.12 |
| Fringe Benefits/Payroll Taxes | | | | \$ 857,349.12 | 39.372% | \$ 337,556.92 |
| Labor Overhead | | | | \$ 857,349.12 | 11% | \$ 94,308.40 |
| TOTAL LABOR COST | | | | | | \$ 1,194,906.04 |
| Supplies | | | | \$ 1,194,906.04 | 15% | \$ 179,235.91 |
| Replacement Equipment | | | | \$ 179,235.91 | 150% | \$ 268,853.86 |
| Other Direct Costs | | | | | | \$ 27,635.00 |
| TOTAL COST INPUT BASE | | | | | | \$ 1,670,630.81 |
| G&A Expense | | | | \$ 1,670,630.81 | 15% | \$ 250,594.62 |
| Profit Base | | | | \$ 1,921,225.43 | 8% | \$ 153,698.03 |
| TOTAL PRICE | | | | | | \$ 2,074,923.47 |

Basis of Estimate: The following narrative provides explanation for the various elements of cost and profit that comprise the IGCE.

Direct Labor:

Staffing: The labor classifications and staffing (number of Full Time Equivalents (FTE)) were determined based on studies of similar WWTPs in Texas, and encompass operation and maintenance of the facility.

Wages: Inasmuch as a number of the occupations are subject to the Service Contract Act, and an Area Wage Determination (AWD) will likely be incorporated into any awarded contract, the IGCE depicts labor positions in terms of those that are exempt from (“E”), and those that are subject to, the provisions of the SCA (“Non-exempts” or “NE”). Based on the current revision of the applicable AWD, the labor position code for the specific position is indicated and the associated minimum wage was used to estimate the labor costs. The Superintendent position is based on current wages for the Water Treatment Operator position plus 10% for supervisory duties; (hence the code, despite the “E” indicator of FLSA status). The Stationary Engineer is based on the AWD position (code 25070) although it is treated as an Exempt.

Fringe benefits/payroll taxes were based on determining the total percentage rate using the various benefits (paid time off, payroll taxes, H&W, and Worker Compensation Insurance (WCI)). It was chosen so as to at least meet the AWD requirements for leave and H&W. Retirement is usually not part of the benefits “package” based on previous experience, and is not required by the AWD.

Labor-related Overhead was estimated at 11% of total labor based on the average of previous billings over a ten-year period.

Supplies: This cost element encompasses everything from chemicals used in the water treatment processes to paper used in office paperwork. Unit prices were based on the lowest of three (3) prices displayed on various websites for each of the major items in similar quantities, and discounts were taken where quantity discounts were listed. This has also been determined through billings and invoices to correlate to 15% of total labor cost during a given year.

“Replacement equipment” refers to those assemblies and subassemblies of processing equipment which would be scheduled for replacement during the particular year as part of remedial maintenance. This has been determined through billings and invoices to approximate to 150% of the cost of supplies during a given year; unit price checks and this cost relationship were used to estimate this element of cost.

G&A expense rate of 15% was used based on previous billings over a ten-year period. The base was total cost input. The basis of estimate of the rate was the set of rates proposed.

Profit margin of 8% of total costs was estimated based on previous billings over a ten-year period, as well as review of similar services at other Army installations.

Escalation in the Option Years: Escalation of 3% per annum was applied to Exempt labor, supplies and replacement equipment, which produced various total escalation factors used to establish the option year amounts shown in the price schedule below. The overall rates of escalation are shown in the rightmost column. The 3% rate was based on previous experience at

Fort Huger (amounts billed).¹ This produced the following total amounts by option year with the overall increase shown in the rightmost column. The cost buildup by option year is in the attached Excel workbook (double-click the icon to activate the workbook).

¹ Several alternatives exist for determining proper escalation. However, projection of appropriate Global Insight indexes through the anticipated contract period is the most credible methodology, as it is based on extensive economic modeling.

Appendix C.4 - Example A-2

Assumptions when preparing your IGCE (provide with the IGCE)

See the following page for sample IGCE format. Use the following assumptions when preparing and provide these assumptions to the contracting office along with your IGCE:

Preparation Instructions:

Assumptions Used: Identify any and all assumptions and methodologies used in cost computations.

Basis for Cost Estimates: Specify the item, the basis for the factor used and the source of the data used in preparing the IGCE.

| | Item | Basis | Sources |
|----|-------|-------|---------|
| 1. | _____ | | |
| 2. | _____ | | |

Other Project Information: Identify any other information which may be necessary or helpful in the proper evaluation of the cost estimate; i.e., Statements of Objectives (SOO), etc.

Note: The following format is provided for IGCE's that are more complex and provide a more complete breakout than provided by previous page.

For Official Use Only
Procurement Sensitive – Source Selection Information

Independent Government Cost Estimate (IGCE)

| | |
|-----------------------------------|-------------------------------------|
| (Preparing Installation) | (Requiring Department) |
| (Description of Items or Service) | (Quantity or Period of Performance) |

I. Labor

Direct Labor Cost (Specify Type)

| <u>Description</u> | <u>Category Hours</u> | <u>Rate Amount</u> |
|--------------------|-----------------------|--------------------|
| a. _____ | | |
| b. _____ | | |
| c. _____ | | |

Subtotal Direct Labor
\$ _____

Indirect Labor Costs (Specify Type)

| |
|----------|
| a. _____ |
| b. _____ |

Subtotal Indirect Labor
\$ _____

Total Labor (Direct and Indirect)
\$ _____

II. Labor Burden (Fringe Benefits)

| <u>Description</u> | <u>Base</u> | <u>Rate</u> | <u>Amount</u> |
|--------------------|-------------|-------------|---------------|
| a. _____ | | | |
| b. _____ | | | |
| c. _____ | | | |

Total Labor Burden

\$ _____

III. Other Direct Costs – Provide items, rationale, and total.

| <u>Description</u> | <u>Qty</u> | <u>U/I</u> | <u>Amount</u> |
|--------------------------|------------|------------|---------------|
| a. Purchased parts _____ | | | |
| b. Other _____ | | | |
| _____ | | | |
| _____ | | | |

Total Other Direct Costs
\$ _____

IV. Other Indirect (Overhead) Costs

Provide Percentage _____% times total of I through III above.

\$ _____

V. Subtotal:

Add all costs above (I through IV)

\$ _____

VI. General & Administrative (G&A) Costs

Provide Percentage _____% times V above

\$ _____

VII. Total Cost:

Add Costs V & IV above.

\$ _____

VIII. Profit or Fee

Provide Percentage _____% times VII above

\$ _____

TOTAL IGCE (Add total costs (VII) & Profit (VIII))

\$ _____

3. Applicable Period: **From:** _____ **To:** _____ (Submit IGCE for each)

4. Reliability (Discuss basis of data) _____

Typed Name & Signature (Initiator/Preparer)

Date

Reviewing Official

Date

Approving Official

Date

For Official Use Only
Procurement Sensitive—Source Selection Information

Appendix C.4 - Example A-3
 Independent Government Estimate
 Grass Cutting Services
 Fort Huger, TX

Requirement: Fort Huger has a total of 238,432 acres of foliage that require mowing, weeding, trimming and mulching according to schedules that vary with the seasons. These areas are, for the most part, not contiguous. Although travel time between these non-contiguous areas would be a factor, it would vary depending on the technical approach. The pricing methodology used takes the most efficient set of transit and preparation times into account. These services have been procured using NAICS code 561730, Landscaping Services.

Basis of Estimate: This Independent Government Estimate is based on the award prices on the previous contract, W9118Q-06-D-4833, issued 25 September 2006. The total price of that contract was \$13,789,322.47 for a base year and three (3) option years. The contract was procured on a competitive negotiated basis, and the price was determined fair and reasonable based on adequate price competition as well as technical evaluation that included staffing and technical approach. Inasmuch as award was made to the lowest price, and the contractor has adequately performed all requirements, its staffing was determined optimal, to include task times and transit/preparation time. Adequate competition is also anticipated for this requirement. Based on the Contract Line Item Number (CLIN) structure of the contract, the firm fixed prices were as follows:

| | | |
|-----------------------------|-----------------------|-----------------|
| Base Year | 25 Sep 06 – 24 Sep 07 | \$3,366,947.96 |
| 1 st Option Year | 25 Sep 07 – 24 Sep 08 | \$3,419,977.39 |
| 2 nd Option Year | 25 Sep 08 – 24 Sep 09 | \$3,473,842.03 |
| 3 rd Option Year | 25 Sep 09 – 24 Sep 10 | \$3,528,555.07 |
| TOTAL | | \$13,789,322.45 |

Escalation was applied to Exempt labor, equipment and supplies at 3% per annum. Based on proposed staffing, Exempt labor was estimated to be 5% of total labor, which was estimated to be 65% of the contract cost. Therefore, $[(0.65 \times 0.05) + 0.65] = 68.25\%$ of total price would have been escalated 3% each year. This matches the escalation applied, which approximated 2.0475% per annum.

This contract will be for a base and four option years. Anticipated award date is 25 September 2010. The requirements of the PWS have remained essentially unchanged in the interim. Therefore, the assumption is that prices obtained through competition will still be valid without adjustment, except for proper escalation into future years. Price escalation factors for the option years are listed in the table below and are based on projections of compound Army Inflation Indices (O&MA) contained in the *2010 Army Inflation Indices*, factored at 68.25%. Projections are for FY 11 through FY 15 from FY 10.

| Contract Period | Start & End Dates | Esc Factor | Period Price |
|-----------------------------|-----------------------|------------|-----------------|
| Base Year | 25 Sep 10 – 24 Sep 11 | 0% | \$3,528,555.07 |
| 1 st Option Year | 25 Sep 11 – 24 Sep 12 | 1.1% | \$3,567,369.18 |
| 2 nd Option Year | 25 Sep 12 – 24 Sep 13 | 1.2% | \$3,610,177.61 |
| 3 rd Option Year | 25 Sep 13 – 24 Sep 14 | 1.2% | \$3,653,499.74 |
| 3 rd Option Year | 25 Sep 14 – 24 Sep 15 | 1.2% | \$3,741,709.84 |
| TOTAL | | | \$18,101,311.44 |

Appendix C.5 - Notes to the Contracting Officer Template

NOTES TO KO (complete the following information **if known or if applicable**)

Proposed Contract Number:

Proposed task/delivery order number:

Current contract number:

Was the current contract awarded on a sole source basis?

List previous contract numbers:

Incumbent (current) contractor:

Recommended sources and POC:

Period of performance or required delivery date:

Will option years be required, and if so, how many?

Ship to address:

Are there any special instructions, special contract provisions, or information that you know of that the KO needs to be aware of regarding this acquisition?

Provide list of names, phone numbers, and e-mail addresses below for each COR, Alternate COR, or other technical points of contact monitoring contract performance.

FAR 10.002(e) requires that the results of market research be documented in a manner appropriate to the size and complexity of the acquisition. Describe market research below or attach documentation.

APPENDIX D - ABBREVIATIONS

| | |
|------|--|
| ACoS | Assistant Chief of Staff |
| AQL | Acceptable Quality Level |
| ARP | Acquisition Requirements Package |
| COR | Contracting Officer's Representative |
| DD | Department of Defense |
| DOL | Department of Labor |
| FAR | Federal Acquisition Regulation |
| G&A | General and Administrative |
| IGCE | Independent Government Cost Estimate |
| IGE | Independent Government Estimate |
| J&A | Justification and Approval |
| MICC | Mission and Installation Contracting Command |
| ODC | Other Direct Costs |
| PBSA | Performance Based Services Acquisition |
| POC | Point of Contact |
| PWS | Performance Work Statement |
| QAE | Quality Assurance Evaluator |
| QASP | Quality Assurance Surveillance Plan |
| RA | Requiring Activity |
| SPS | Service Performance Summary |

APPENDIX E - ARP PREPARATION CHECKLIST

Basic information needed for the acquisition requirements package (ARP):

- _____ Identify requirements. {Gathered by Requiring Activity (RA), See ARP Handbook, Paragraph 2-1 }
- _____ Market research/analysis or survey. {Conducted by both RA and Contracting Activity; See ARP Handbook, Paragraph 2-2 }
- _____ Performance Work Statement (PWS). {Prepared by RA; See ARP Handbook, Paragraph 2-3 & Appendix C.1 }
- _____ Performance Requirements Summary (PRS). {Prepared by RA; See ARP Handbook, Paragraph 2-3 & Appendix C.2 }
- _____ Quality Assurance Surveillance Plan (QASP). {Prepared by RA; See ARP Handbook, Paragraph 2- 4 & Appendix C.3 }
- _____ Independent Government Cost Estimate (IGCE). {Prepared by RA/Resource Manager; See ARP Handbook, Paragraph 2-5 & Appendix C.4, to include Examples A-1, A-2 and A-3 }
- _____ DD Form 254, Department of Defense Contract Security Classification Specification (if a classified contract) and get G-2/S-2 concurrence on ARP. {Prepared by RA; See ARP Handbook, Paragraph 2-8 & Appendix A }
- _____ Proposal evaluation factors. {Prepared by RA; See ARP Handbook, Paragraph 2-7 }
- _____ Cover Service Contract Approval Memorandum summarizes and validates the requirement. {Prepared by RA; See ARP Handbook, Paragraph 2-11 }

Additional documentation may be required depending on acquisition approach and size of requirement:

- _____ Acquisition strategy/plan if above the dollar threshold established in the Defense Federal Acquisition Regulation Supplement (DFARS) 207.103(d)(i) and the Army Federal Acquisition Regulation Supplement (AFARS) 5137.5.
- _____ Justification and approval (J&A) for other than full and open competition (sole source or limited competition). {Prepared by RA; See ARP Handbook, Paragraph 2-9 }
- _____ Notes to the Contracting Officer – as required {Prepared by RA; See ARP Handbook, Paragraph 2-10 & Appendix C.5 }
- _____ Information specified in AFARS Subpart 5117.78, Contracts or Delivery Orders Issued by a Non-DOD Agency if a non-DOD contract vehicle is desired.

APPENDIX F - LANGUAGE PRINCIPLES HELPFUL IN WRITING THE PWS

I-1. Overview. The PWS will be read and interpreted by a variety of personnel from diverse disciplines. The words must be understood not only by the drafters but also by the readers. Moreover, offerors interested in proposing will interpret words within the PWS to identify potential costs to determine anticipated profit and ability to compete with other offerors. Therefore, define and express each requirement in a *clear, concise, correct, and complete* manner.

a. Style. This is the method used in expressing ideas in phrases, sentences, and paragraphs. Strive to include all the essential information in a concise, accurate, thorough, and logical sequence, with the clearest, simplest possible presentation. Avoid the use of complex words. The purpose of writing is to express, not impress.

b. Sentences. Good writing of any type depends on natural order. It is wise to eliminate a long, complicated sentence by rearranging it into two or three shorter, simpler sentences limited to a single thought or idea. Avoid spicing sentences with legal phrases, technical jargon, and other elaborate phrases. This type of writing is difficult to read and comprehend. Strive to omit extraneous words or phrases—eliminate unnecessary words from sentences and omit unnecessary sentences from paragraphs.

c. Paragraphs. A paragraph may consist of one or more sentences to state and discuss a single idea or like ideas. State the main idea in the first or topic sentence at the beginning of the paragraph to allow readers to grasp the meaning immediately. The topic sentence provides a base for subsequent sentences in developing and supporting the main idea. While paragraph length will vary, avoid long paragraphs if possible, since they may crowd ideas and confuse the reader. Shorter paragraphs usually are more visually appealing and easier to read and understand.

d. Language Use. Use the active voice rather than the passive. Active writing uses action verbs that illustrate the subject as performing rather than receiving the action verb. The active voice is nearly always clearer and more direct than the passive, resulting in fewer words without reducing clarity of technical and contractual intent. Also, the active voice makes the subject (i.e., the contractor) responsible and accountable for the action or performance required. The active voice is tailor-made for the performance-based contracting world. Examples of active versus passive voice use (for routine services) include:

Active: Clean up all debris at the end of each workday.

Passive: The debris shall be picked up at the end of each workday.

Active: Empty trash containers twice a week.

Passive: Trash containers shall be emptied twice a week.

Active: Install new air filters in accordance with manufacturer's recommendations.

Passive: New air filters are required in accordance with the manufacturer's recommendations.

e. Ambiguity. Ambiguity is the use of vague, indefinite, uncertain terms and words with double meanings. Examples of some ambiguous phrases include "securely mounted," "properly assembled," and "carefully performed." They are ambiguous because one can't quantify, precisely measure, or state objectively what these phrases mean.

f. Punctuation. Use minimal punctuation to keep the PWS clear. Since the goal is to write simple, short, concise sentences, a well-written document should require minimum punctuation. When complicated punctuation is required, consider rewriting the sentence instead. Construct sentences so that inadvertent misplacement or elimination of a punctuation mark will not alter the intended meaning. Moreover, for maximum possible clarity, follow the formal rules of punctuation.

g. Abbreviations/Acronyms. Abbreviations/acronyms are a form of shorthand used to make complex terms short and precise. However, many misunderstandings arise from using them because of reader unfamiliarity or because they may have multiple meanings (e.g., “CO” could mean Commanding Officer, Contracting Officer, or change order, depending on the context in which it appears). Remember to define them upon first use, followed by the abbreviation/acronym in parentheses. When there are many abbreviations/acronyms, develop a glossary of them.

h. Symbols. Recommend using the full word associated with the symbol unless the meaning is universally clear (e.g., foot for ‘ , inch for” , pound for #, at for @, percent for %).

i. Numbers. Spell out numbers under 10 except when they represent dimensions. Use the numeral form for figures 10 and above (e.g., 12, 45, 88). Represent dimensions, degrees of temperature, percentages, and dollars and cents as numerals (e.g., 2 inches by 4 inches, 40 degrees F., 30 percent, \$6.75). “One” or “zero” should always be spelled out when used alone. When two numbers are used together to define both size and quantity, use a written word for one number (e.g., six 55-gallon metal drums; eight 40-Cu. Yd. non-compactor containers). Using both words and numerals (e.g., “ten (10) calendar days”) is allowable but is usually superfluous.

j. Redundancy and Repetition. Avoid redundancy and unnecessary repetition. They reduce clarity and increase the likelihood of ambiguity, inconsistency, and internal contradiction.

APPENDIX G – CONTRACT TYPES

| | Firm-Fixed-Price (FFP) | Fixed-Price Economic Price Adjustment (FPEPA) | Fixed-Price Incentive Firm Target (FPIF) | Fixed-Price Award-Fee (FPAF) | Fixed-Price Prospective Price Redetermination (FP3R) | Cost-Plus-Incentive-Fee (CPIF) | Cost-Plus-Award-Fee (CPAF) | Cost-Plus-Fixed-Fee (CPFF) | Cost or Cost-Sharing (C or CS) | Time & Materials (T&M) |
|---------------------------------------|--|--|---|--|---|--|---|---|--|--|
| Reference | FAR 16.202 | FAR 16.203 and PGI 216.203-4 | FAR 16.204, 16.402 and 16.403 | FAR 16.404 | FAR 16.205 | FAR 16.301, 16.304 and 16.405-1; PGI 216-405-1 | FAR 16.30, 16.305 and 16.405-2; DFARS 216.405-2 | FAR 16.301 and 16.306; DFARS 216.306 | FAR 16.301 and 16.303 | FAR 16.601 |
| Principal Risk to be Mitigated | None. Thus, the contractor assumes all cost risk. | Unstable market prices for labor or material over the life of the contract. | Moderately uncertain contract labor or material requirements. | Risk that the user will not be fully satisfied because of judgmental acceptance criteria. | Price of performance after the first year because they cannot be estimated with confidence. | Highly uncertain and speculative labor hours, labor mix, and/or material requirements (and other things) necessary to perform the contract. The Government assumes the risks inherent in the contract -benefiting if the actual cost is lower than the expected cost-losing if the work cannot be completed within the expected cost of performance. | | | | |
| Use When . . . | The requirement is well-defined. ·Contractors are experienced in meeting it. ·Market conditions are stable. ·Financial risks are otherwise insignificant. | The market prices at risk are severable and significant. The risk stems from industry-wide contingencies beyond the contractor's control. The dollars at risk outweigh the administrative burdens of an FPEPA. | A ceiling price can be established that covers the most probable risks inherent in the nature of the work. The proposed profit sharing formula would motivate the contractor to control costs to and meet other objectives. | Judgmental standards can be fairly applied by the fee determining official. The potential fee is large enough to both: ·Provide a meaningful incentive. ·Justify related administrative burdens. | The Government needs a firm commitment from the contractor to deliver the supplies or services during subsequent years. The dollars at risk outweigh the administrative burdens of an FPRP. | An objective relationship can be established between the fee and such measures of performance as actual costs, delivery dates, performance benchmarks, and the like. | Objective incentive targets are not feasible for critical aspects of performance. Judgmental standards can be fairly applied. Potential fee would provide a meaningful incentive. | Relating fee to performance (e.g., to actual costs) would be unworkable or of marginal utility. | The contractor expects substantial compensating benefits for absorbing part of the costs and/or foregoing fee or ·The vendor is a non-profit entity | No other type of contract is suitable (e.g., because costs are too low to justify an audit of the contractor's indirect expenses). |

| | Firm-Fixed-Price (FFP) | Fixed-Price Economic Price Adjustment (FPEPA) | Fixed-Price Incentive Firm Target (FPIF) | Fixed-Price Award-Fee (FPAF) | Fixed-Price Prospective Price Redetermination (FP3R) | Cost-Plus-Incentive-Fee (CPIF) | Cost-Plus-Award-Fee (CPAF) | Cost-Plus-Fixed-Fee (CPFF) | Cost or Cost-Sharing (C or CS) | Time & Materials (T&M) |
|------------------------------------|---|---|--|--|--|---|---|--|--|--|
| Elements | A firm-fixed-price for each line item or one or more groupings of line items. | A fixed-price, ceiling on upward adjustment, and a formula for adjusting the price up or down based on: | A ceiling price | A firm fixed-price. | Fixed-price for the first period. | Target cost | Target cost | Target cost | Target cost | A ceiling price |
| | | <ul style="list-style-type: none"> •Established prices. •Actual labor or material costs. •Labor or material indices. | <ul style="list-style-type: none"> •Target cost •Target profit •Delivery, quality, and/or other performance targets (optional) •Profit sharing formula | <ul style="list-style-type: none"> •Standards for evaluating performance. •Procedures for calculating a fee based on performance against the standards | <ul style="list-style-type: none"> •Proposed subsequent periods (at least 12 months apart). •Timetable for pricing the next period(s). | <ul style="list-style-type: none"> •Performance targets (optional) •A minimum, maximum, and target fee •A formula for adjusting fee based on actual costs and/or performance | <ul style="list-style-type: none"> •Standards for evaluating performance •A base and maximum fee •Procedures for adjusting fee, based on performance against the standards | <ul style="list-style-type: none"> •Fixed fee | <ul style="list-style-type: none"> •If CS, an agreement on the Government's share of the cost. •No fee | <ul style="list-style-type: none"> •A per-hour labor rate that also covers overhead and profit •Provisions for reimbursing direct material costs |
| Contractor is Obligated to: | Provide an acceptable deliverable at the time, place and price specified in the contract. | Provide an acceptable deliverable at the time and place specified in the contract at the adjusted price. | Provide an acceptable deliverable at the time and place specified in the contract at or below the ceiling price. | Perform at the time, place, and the price fixed in the contract. | Provide acceptable deliverables at the time and place specified in the contract at the price established for each period. | Make a good faith effort to meet the Government's needs within the estimated cost in the Contract, Part I the Schedule, Section B Supplies or services and prices/costs. | | | Make a good faith effort to meet the Government's needs within the ceiling price. | |

| | Firm-Fixed-Price (FFP) | Fixed-Price Economic Price Adjustment (FPEPA) | Fixed-Price Incentive Firm Target (FPIF) | Fixed-Price Award-Fee (FPAF) | Fixed-Price Prospective Price Redetermination (FP3R) | Cost-Plus-Incentive-Fee (CPIF) | Cost-Plus-Award-Fee (CPAF) | Cost-Plus-Fixed-Fee (CPFF) | Cost or Cost-Sharing (C or CS) | Time & Materials (T&M) |
|--|--|--|--|--|--|--|--|---|---|---|
| Contractor Incentive (other than maximizing goodwill) | Generally realizes an additional dollar of profit for every dollar that costs are reduced. | Generally realizes an additional dollar of profit for every dollar that costs are reduced. | Realizes a higher profit by completing the work below the ceiling price and/or by meeting objective performance targets. | Generally realizes an additional dollar of profit for every dollar that costs are reduced; earns an additional fee for satisfying the performance standards. | For the period of performance, realizes an additional dollar of profit for every dollar that costs are reduced. | Realizes a higher fee by completing the work at a lower cost and/or by meeting other objective performance targets. | Realizes a higher fee by meeting judgmental performance standards. | Realizes a higher rate of return (i.e., fee divided by total cost) as total cost decreases. | If CS, shares in the cost of providing a deliverable of mutual benefit | |
| Typical Application | Commercial supplies and services. | Long-term contracts for commercial supplies during a period of high inflation. | Production of a major system based on a prototype. | Performance-based service contracts. | Long-term production of spare parts for a major system. | Research and development of the prototype for a major system. | Research study, PBSA broad scope acquisitions. (e.g. OPNS, DPW, DOL, CAAS) | Research study. | Joint research with educational institutions. | Emergency repairs to heating plants and aircraft engines. |
| Principal Limitations in FAR/DFARS Parts 16, 32, 35, and 52₂ | Generally NOT appropriate for R&D. | Must be justified. | Must be justified. Must be negotiated. Contractor must have an adequate accounting system. Cost data must support targets. | Must be negotiated. | MUST be negotiated. Contractor must have an adequate accounting system that supports the pricing periods. Prompt redeterminations. | The contractor must have an adequate accounting system. The Government must exercise surveillance during performance to ensure use of efficient methods and cost controls. Must be negotiated. Must be justified. Statutory and regulatory limits on the fees that may be negotiated. Must include the applicable Limitation of Cost clause at FAR 52.232-20 through 23. | | | Labor rates must be negotiated. MUST be justified. The Government MUST exercise appropriate surveillance to ensure efficient performance. | |

| | Firm-Fixed-Price (FFP) | Fixed-Price Economic Price Adjustment (FPEPA) | Fixed-Price Incentive Firm Target (FPIF) | Fixed-Price Award-Fee (FPAF) | Fixed-Price Prospective Price Redetermination (FP3R) | Cost-Plus-Incentive-Fee (CPIF) | Cost-Plus-Award-Fee (CPAF) | Cost-Plus-Fixed-Fee (CPFF) | Cost or Cost-Sharing (C or CS) | Time & Materials (T&M) |
|-----------------|---|--|---|-------------------------------------|---|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| Variants | Firm-Fixed-Price Level-of-Effort. FAR 16.207 | | Successive Targets (FPIS) FAR 16.403-2; PGI 216-403-2 | | Retroactive Redetermination FAR 16.206 | | | Completion or Term. | | Labor Hour (LH) |