

# Guidance for Developing an Independent Government Cost Estimate (IGCE) for TIPSS-2 Contractor Support

## INTRODUCTION:

The Independent Government Cost Estimate (IGCE), required as a component of the Task Placement Request Package, directly influences the time it takes to place a task order and the cost of performance.

Procurement utilizes the IGCE as a baseline for conducting negotiations with the Contractor. For labor, these negotiations focus on the number of hours estimated to execute the task along with labor categories. Separate labor rates by Principle Task Area are not required for purposes of the TIPSS-2 IGCE. Because hourly rates vary across labor categories, it is important that the estimator take care to provide realistic hourly estimates. Travel, materials, supplies, and other direct costs must also be considered when developing an IGCE. A well-constructed IGCE helps to ensure that the Government receives the services requested at a fair and reasonable cost and that any negotiations involved are kept to a minimum. This may result in faster task placement.

The following describes the IGCE Worksheet and how it may be employed.

## INDEPENDENT GOVERNMENT COST ESTIMATE WORKSHEET (IGCEW):

### Aspects and Attributes:

- The IGCE Worksheet (IGCEW) is an Excel workbook comprised of one single page worksheet (*igcework.xls*). Hourly labor rates shown in this worksheet are average rates used to assist in the development of cost estimates for proposed tasks. These rates are subject to change due to periodic reviews of Contractor labor charges reflected in their invoices.
- The IGCEW contains five sections (*reference IGCE Sample: igce-sho.xls*):
  - Section 1, Task Identification Data, is an area reserved for entering information to identify the customer point of contact and descriptive information about the statement of work, the customer name, and the period of performance covered by the IGCE Worksheet (Base Period, Modification 001, Option Year 1, etc).
  - Section 2, Estimated Direct Labor Hours, is used for entering estimated hours for the work to be performed.
  - Section 3, Rates, is used to store average hourly rates for labor categories.

(NOTE: The estimator may replace any of the rates stored in this section with other rates deemed to be more representative of the anticipated actual rates. Examples would include the case when the customer is planning a follow-on task order or

preparing a level-of-effort or deliverable modification to an existing task order. If different rates are used, they should be derived from related invoices or other reliable sources. The source should be noted in the Task Identification Information section for reference purposes.)

- Section 4, Estimated Direct Labor Dollars, is used to store automatically calculated dollar amounts (the hours entered in Section 2 multiplied by the hourly rates stored in Section 3).
- Section 5, Cost Estimate Summary, is used for entry of other-than-labor costs. Direct labor costs from Section 4 are summarized and carried forward, program/project management costs are calculated, subcontractor passthrough costs are calculated, Contractor's fee is calculated, and the total estimated cost is tallied.

### **Completing the IGCEW:**

#### **General:**

- For term task orders, separate IGCEW worksheets must be completed for the base period of performance, each optional period of performance, and each optional level of effort increase. Estimators are urged to estimate costs (labor, travel, material, supplies, other) at the sub-task level, summarize those costs, and transfer the summary quantities/amounts to the appropriate IGCEW.
- For completion task orders, separate IGCEW worksheets are to be completed for each deliverable, whether mandatory or optional.
- Since the IGCE is used in preparing the Statement of Work (SOW) and the Requisition for Equipment, Supplies, or Services (Requisition), originators of these documents must ensure that the SOW hours are equal to the IGCE hours and the Requisition dollars are equal to the IGCE dollars (except when the work is being incrementally funded).

#### **Specific:**

##### **Step 1** Enter Task Identification Information (Section 1):

- Date: This date is used to track IGCE revisions.
- TTS/Task Order No: If a task has not yet been awarded, this number will be the TIPSS Tracking System (TTS) number assigned by the Lead COTR. Otherwise, enter the Task Order number.
- SOW Title: This is the title of the Statement of Work.

- Customer Name: This is the COTR (or the SOW writer, if no COTR has been assigned).
- This IGCE covers the following period of performance: A separate IGCE Worksheet should be created for the base period and each option. Also, if a modification is requested that effects the Task Order cost, a revised IGCE must be created to show the new estimated costs.
- Notes: This area is used to record miscellaneous information about changes made by the estimator to worksheet default labor rates or percentages when they constructed the estimate.

**Step 2** Enter Hours (Section 2):

Enter the estimated hours for each labor category in the appropriate cells in Section 2, Estimated Direct Labor Hours.

- Total Hours are automatically calculated and posted to the right and below the title "Total Estimated Direct Labor Hours."
- The hours for each labor category (Total Estimated Direct Labor Hours) are multiplied by the corresponding hourly rates in Section 3 (Rates) and the results are automatically posted in the corresponding cells in Section 4 (Total Estimated Direct Labor Dollars).
- The total dollar amount is calculated and posted to the right and below the title "Total Estimated Direct Labor Dollars" in Section 4 and in the cell titled "Direct Labor, Task Staffing" in Section 5.

**Step 3** Calculating Program/Project Management Costs (Section 5):

The amount posted in the cell titled "Direct Labor, Task Staffing" is multiplied by 11.0% and the result is posted in the cell titled "Direct Labor, Program/Project Management."

The 11.0% is derived from hourly labor rates. If the estimator chooses to defer to this computed amount, program and/or project management labor hours should not be reflected in Section 2. However, in lieu of the 11.0% computed amount, the estimator may choose to estimate program and/or project management labor hours and enter them into the appropriate labor category cells in Section 2, "Total Estimated Direct Labor Hours". In that case, a 0 (zero) should be entered in the cell labeled "Direct Labor, Program/Project Management".

#### **Step 4** Calculating Subcontractor Passthrough Costs (Section 5):

Whenever a prime TIPSS-2 Contractor uses subcontractors, passthrough costs are incurred. These costs must be considered and accounted for in the IGCE.

If it is anticipated that the task will be staffed 100% with prime Contractor personnel then the number 1 is entered in the cell to the right of the cell titled "Direct Labor, Subcontractor Passthrough (1,2,3)."

If it is anticipated that the task will be staffed 50% with prime Contractor personnel and 50% subcontractor personnel then the number 2 is entered in the cell to the right of the cell titled "Direct Labor, Subcontractor Passthrough (1,2,3)" and a passthrough cost of 9% of the amount in the cell titled "Direct Labor, Task Staffing" is calculated.

If it is anticipated that the task will be staffed 100% with subcontractor personnel then the number 3 is entered in the cell to the right of the cell titled "Direct Labor, Subcontractor Passthrough (1,2,3)" and a passthrough cost of 18% of the amount in the cell titled "Direct Labor, Task Staffing" is calculated.

NOTE: The 9.0% and 18% factors are derived from an analysis of hourly labor rates.

#### **Step 5** Calculating Option Year Inflation Costs (Section 5):

When estimating costs for multi-year task orders, the estimator must consider the impact of inflation on labor rates for out year estimates. Historically, these rates have increased about 5% a year.

If estimating costs for the base year of performance, no inflation is to be calculated. The estimator makes no entry (or enters 0) in the cell to the right of the cell titled "Direct Labor, Option Year Inflation Factor (1,2)."

If estimating costs for the first option year of performance, a 5% inflation factor should be applied to labor costs. The number 1 is entered in the cell to the right of the cell titled "Direct Labor, Option Year Inflation Factor (1,2)." The amounts in the cells titled "Direct Labor, Task Staffing," "Direct Labor, Program/Project Management," and "Direct Labor, Subcontractor Passthrough (1,2,3)," will be automatically summed and multiplied by 5%. The result is then posted in the cell to the right of the cell that contains the number 1.

If estimating costs for the second option year of performance, a 10% inflation factor is to be applied to labor costs. The number 2 is entered in the cell to the right of the cell titled "Direct Labor, Option Year Inflation Factor (1,2)." The amounts in the cells titled "Direct Labor, Task Staffing," "Direct Labor, Program/Project Management", and "Direct Labor, Subcontractor

Passthrough (1,2,3)." will be automatically summed and multiplied by 10%. The result is then posted in the cell to the right of the cell that contains the number 2.

**Step 6 Enter Other Direct Costs (Section 5):**

Enter estimates of other direct costs (local travel, non-local travel, other) in the corresponding cells in Section 5, Estimated Cost Summary.

After all data has been entered into the appropriate worksheet cells additional calculations are automatically computed and posted as follows:

- The amounts posted in the cells titled "Direct Labor, Task Staffing", "Direct Labor, Program/Project Management", and "Direct Labor, Subcontractor Passthrough (1,2,3)" are tallied and the result is automatically posted in the cell titled "Total Direct Labor."
- The amounts posted in the cells titled "Local Travel", "Non-Local Travel", and "Other" are tallied and the result is posted in the cell titled "Total Other Direct Costs."
- The amount posted in the cell titled "Fee @ 8.25%" is the Contractor's fee applied to all costs and is represented by the average fee charged by all TIPSS-2 Contractors.
- The amounts posted in the cells titled "Total Direct Labor", "Total Other Direct Costs", and "Fee @ 8.25%" are tallied and the result is posted in the cell titled "Total Estimated Cost."

**Printing the IGCEW:**

The entire worksheet is contained in range A1 through K94. However, when printing a copy that is to become part of the task's documentation, only range A1 through K68 should be printed. If the hourly labor rates were changed, the entire range A1 through K94 should be printed.

<b>File</b>	<b>Template or Document Description</b>
<i>igce-sho.xls</i>	Independent Government Cost Estimate Sample
<i>igce-prc.doc</i>	Independent Government Cost Estimate Instructions
<i>igcework.xls</i>	Independent Government Cost Estimate Worksheet