



Pricing for Government Contracts

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Premier Consulting & Integration

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Helping project-based businesses power Deltek products with simple, fast & affordable solutions.

Premier Consulting & Integration, LLC (PCI) is the leading provider of financial management consulting services, implementation and audit support for government contractors, marketing agencies, and professional service firms.

Our consultants combine 40+ years of relevant experience acting as former CFO's, controllers and accountants. We offer business solutions that are affordable, easy to use and profitable.



Agenda

01. Planning
02. Elements of the RFP
03. Estimating Direct Costs
04. Estimating Indirect Costs
05. Fee Considerations
06. Alignment with Narratives in Each Volume
07. Audit Readiness
08. Other Considerations
09. Common Pricing Mistakes

Planning

- Read the solicitation in its entirety (then read it again)
- Note all deadlines
 - Q&A
 - Proposal Deadline (and means of submittal)
- Build a team; use experts where needed
- Create a schedule with deadlines and responsibilities
 - Include technical volume
 - Include Pink team and red team
- Schedule regular meetings with entire proposal team



Considerations

- Cost of proposal preparation vs probability of win
- Potential competitors
- Financial capability
 - Cash flow if awarded
- Past performance
- Teaming partners/Subcontractors



Sections of the RFP

- Section A: Solicitation/Contract Form
 - One page form with basic information about the contract
- Section B: Supplies or Services and Price/Costs
 - Estimated costs/fees
 - Schedule of line items (CLINS)
 - Negotiated indirect rates
- Section C: Description/Specifications/Statement of Work
 - Very important to proper pricing
- Section D: Packaging and Marking
- Section E: Inspection and Acceptance



Sections of the RFP

continued

- Section F: Deliveries or Performance
 - Periods/Places of Performance
- Section G: Contract & Administration Data
 - Invoicing and Technical Direction
- Section H: Special Contract Requirements
 - Personnel Qualifications
 - Wage Determination
 - Non-Personal Services



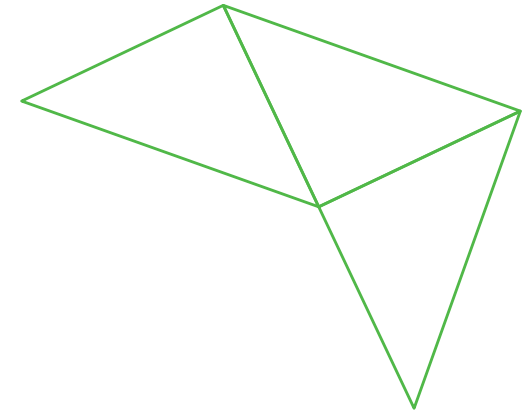
Sections of the RFP

continued

- Section I: Contract Clauses
 - Identify Which Ones to Pass Down to Subcontractors
- Section J: List of Attachments
- Section K: Representations, Certifications & Other Statements of Offerors
- Section L: Instructions, Conditions, and Notice to offerors
- Section M: Evaluation Factors for Award



Planning – Other Things to Consider



- Attend pre-bid conference
- What type of contract will be awarded?
- Is your company the Prime or subcontractor?
- Is this a Joint Venture? If so, how will that be structured?
- Is incumbent information available?
- What are your escalation factors if long term contract
- Be careful of ‘Word on the Street’

Elements of a Cost Proposal



A Cost Proposal includes two elements: Projections or Estimates of Costs and the Data used to support those estimates. That data should include:

- Labor Hours – Time phased breakdown of hours, rates by category AND basis of estimate
- Bill of Materials identifying item, source, quantity, and price
- Price Analyses of all subcontracts
- Indirect Costs – rates, cost breakdowns, and how costs are computed
- Other Costs, such as travel, along with bases for pricing

Pricing Templates

Pricing templates or excel pricing model (EPM)

- Normally included with the solicitation
- May have to develop own templates
- Determine if provided templates can be modified if needed
- Double check formulas
- Linking spreadsheets in template



A photograph of a desk with a laptop, paper clips, and a notebook, partially obscured by a green diagonal overlay.

Estimating Direct Costs

- Labor
 - Sources of pay rates
 - Existing employees
 - Wage determination or union agreement
 - Paid Salary surveys or multiple unpaid sources
 - Offer letters to key employees
- Labor Categories and FTE's
 - Provided in solicitation?
 - If not, create basis of estimate based on scope of work



Estimating Direct Costs

- Other Labor Considerations
 - Existing Workforce – Current Pay and Benefits
 - Overtime
 - Turnover in workforce
 - Qualified personnel/recruiting
 - Seniority of SCA personnel



Estimating Direct Costs

- Non-Labor
 - Determine if information is provided in solicitation
 - May be included as one total
 - May include assumptions about items to procure
 - May include assumptions about travel

A photograph of a desk with a laptop, paper clips, and a notebook, partially obscured by a green diagonal overlay.

Estimating Direct Costs

- Non-Labor
 - Subcontractors
 - Teaming Partners – Prepare teaming agreement
 - Major Subcontractors – Independent pricing incorporated into Prime
 - Other Subcontractors
 - Travel
 - Document Assumptions
 - Maintain information used for estimates (Locations, # of Days, etc.)
 - Other Non-Labor/ODC's
 - Multiple Quotes
 - Maintain Documentation on Quotes

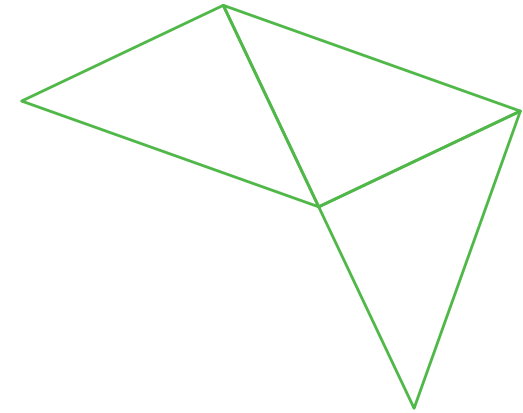
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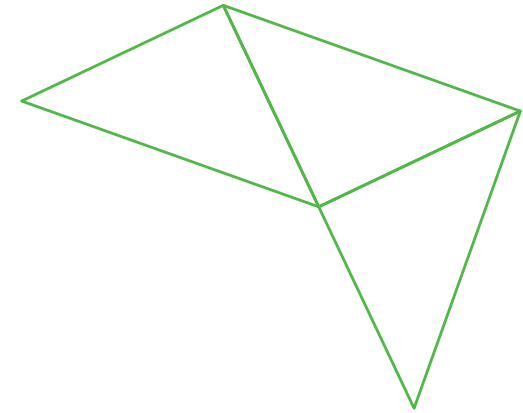
Estimating Indirect Costs

- Indirect costs include all costs that cannot be directly attributed to a project, product, or contract. These include such items as fringe benefits, overhead expenses, and general and administrative expenses. Costs that are considered unallowable by the federal government must be subtracted from overall indirect costs in calculating indirect cost rates. These indirect cost rates are then applied to direct costs in determining total costs.



Estimating Indirect Costs

- Do you have approved provisional billing rates?
 - What is the impact of adding this contract?
- No approved provisional billing rates
 - Build budget including impact of award
 - Strategy may involve including assumptions of other 'wins'
 - Impact of current contracts ending or option years not exercised
 - Analyze impact of modifying pool structure, if needed



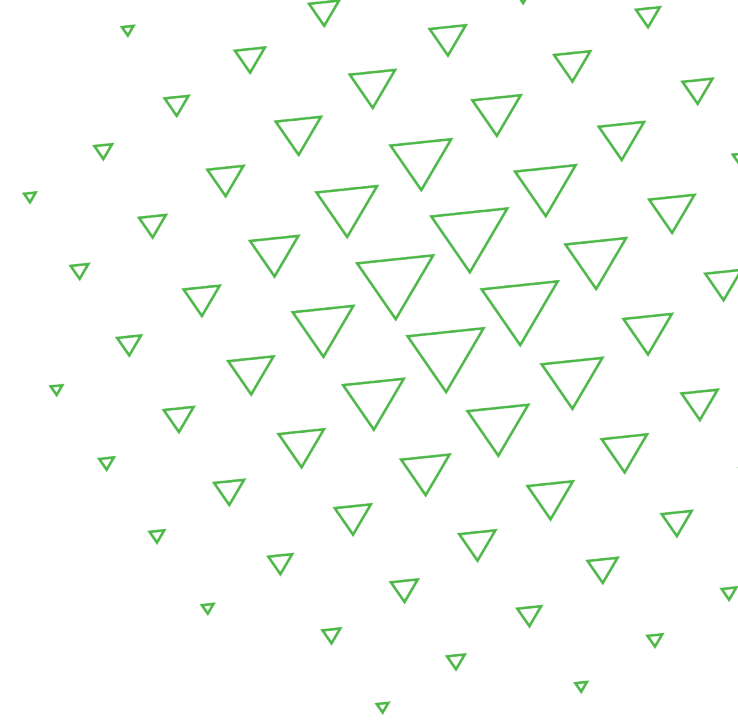
Indirect Pool Options

- Fringe
 - Does this warrant separate fringe pool?
 - Does current benefit structure meet requirements?
 - Any state specific requirements to consider?
- Overhead
 - Incorporate with current overhead or separate?
 - Consistent costs with current OH?
 - Identify any special requirements included in OH?
 - Potential recruiting costs



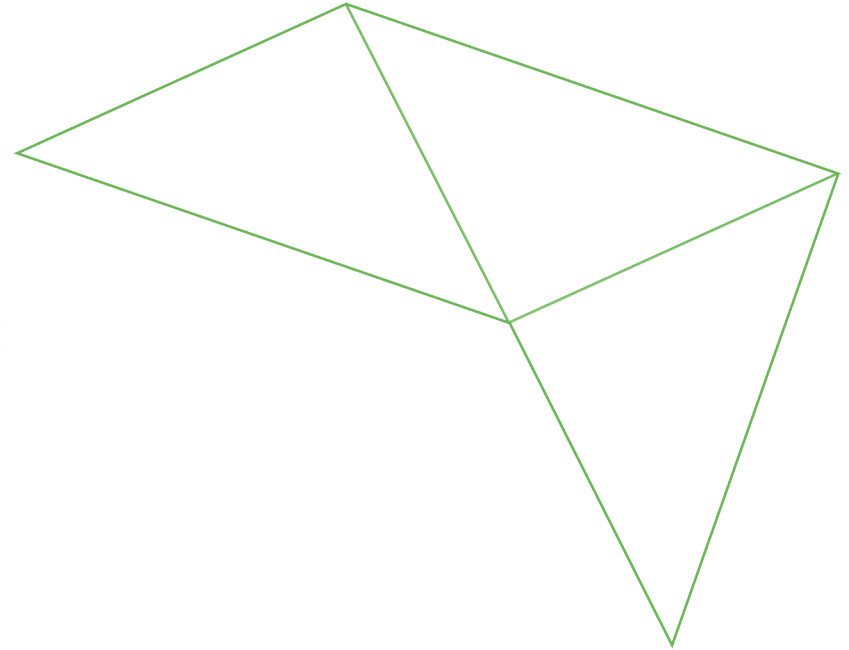
Indirect Pool Options

- Handling Pool
 - Significant Material or Subcontractor Costs
- G&A Pool
 - Additional costs to support contract is awarded
 - Rent
 - G&A Labor
 - Software Licensing
 - Payroll Processing
 - General Liability Insurance
 - Local Tax/Gross Receipts



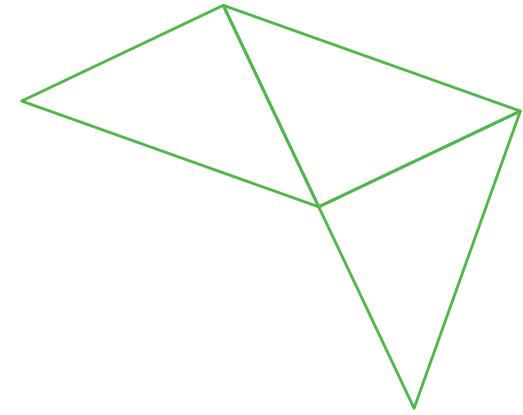
Indirect Pool Options

- G&A Base
 - Additional increases/decreases to base (biggest impact on G&A Rate)
 - Direct costs added by this award
 - Review impact of additional awards
 - May base on probability
 - Consider risk of not adding additional projects
 - Consider impact of projects ending during period of performance

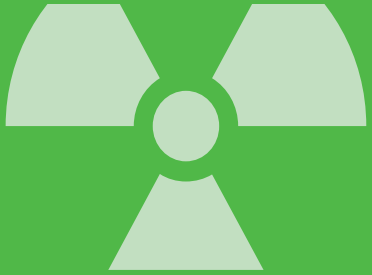


Wrap Rate/Multiplier

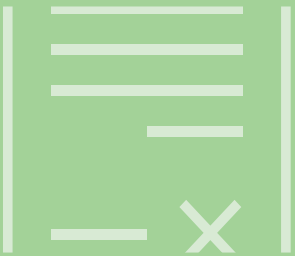
- Calculate wrap rate/multiplier
- Consider options to modify wrap rate
- Look at expected competition wrap rate
- Understand if fee is part of wrap rate in discussions



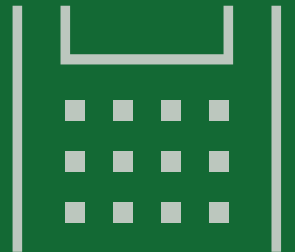
Fee Considerations



Amount of Risk



Type of Contract



Fee Calculation

Strategies



- Beware of risky strategies – assess the risk
- Lowering projected indirect rates used on bid
- Reducing or eliminating direct costs
- Transition period costs
- Fee application

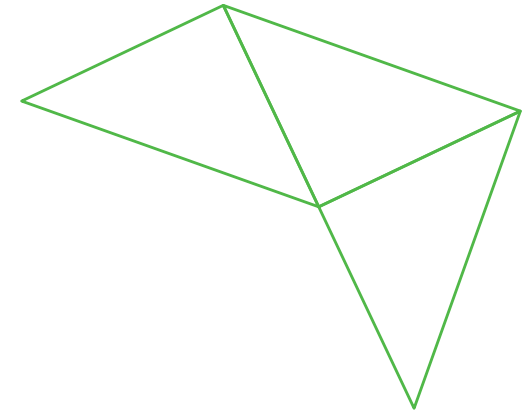
Audit Implications



Triggered by Submission of Proposal

- Proposal Audit
- Accounting System Audit
- Financial Capability Audit

FAR Clauses



- Allowable Cost & Payment (52.216-7)
- Limited of Funding/Limitation of Costs (52.232-22 & 52.232-20)
- Termination for Convenience/Termination for Default (52.249-X)
- Limitation on Subcontracting (52.219-14)
- Retainage – Within Contract
- Service Contract Act (52.222-41)

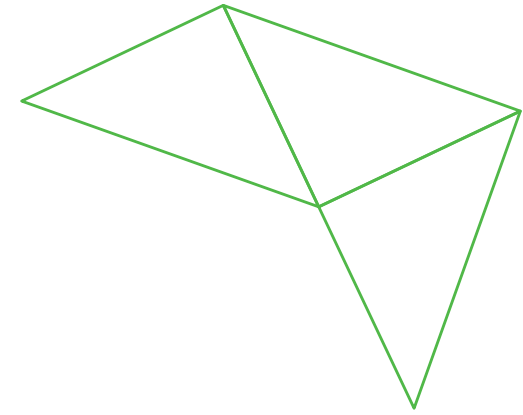
Other Requirements

- Required Reporting
- Incurred Cost Submission
- Billing Requirements
- Manpower Reporting



Common Pricing Mistakes

- Incumbent
- Errors in Pricing Sheets
- Not Following Requirements
- Technical and Cost Volume not Aligning with Pricing



Questions?

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