1. **Policy:** The Environmental Management Program shall operate under the following programmatic requirements:

   a. Independent Government Cost Estimates (IGCE) are required to support proper planning of acquisitions and to implement program management and oversight per Office of Management and Budget's (OMB) Circular A-11, Part 7, Capital Programming Guide. It is also considered as one of the best practices in the Office of Procurement Planning's "Guide to Best Practices for Performance-Based Service Contracting." Consequently, it is the policy of the Office of Environmental Management (EM) that an IGCE be prepared and furnished to the Contracting Officer (CO) at the earliest practicable time for each proposed contract action anticipated to exceed ten million dollars as an aid in proposal analysis, unless otherwise requested by the Head of Contracting Activity (HCA). The CO may request an IGCE at their discretion to aid in proposal evaluation for procurement actions with an anticipated value below ten million dollars. The estimate shall be prepared in sufficient detail to allow comparisons to and/or reconciliation with Offeror/Contractor's submitted proposals.

   b. The CO is responsible for evaluating the reasonableness of the offered prices in accordance with FAR 15.404-1(a)(1). Proposal analysis techniques addressed in FAR 15.404-1 should be used for this evaluation. Comparison of proposed prices and costs to the IGCE are identified as price and cost analysis techniques in FAR 15.404-1(b)(2)(v) and FAR 15.404-1(c)(2)(iii)(D). Although this directive sets thresholds for IGCE requirements, there are circumstances where the IGCE would not be useful as an evaluation technique to support the CO in the evaluation of the proposal. In those instances, the CO may request a waiver of IGCE requirements providing detailed rationale as to why an IGCE is not recommended. The IGCE waiver will be developed by the CO, approved by the site Procurement Director\(^1\) and maintained in the contract file. The CO shall notify the EM Cost Quality Program Manager when the IGCE waiver is approved. IGCE waivers may be developed based on the following

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\(^1\) For Portsmouth Paducah Project Office (PPPO), the Lead Procurement Official.
circumstances:

i. When a proposed work scope, or a portion of the scope, has been completed and the CO can evaluate the reasonableness of the offered prices using the proposal analysis techniques addressed in FAR 15.404-1, the CO may request a waiver of the IGCE requirement, addressed in section 1.a above, for portion of the work where costs have been incurred. If the remaining scope has not been performed the provisions of section 1(a) apply.

ii. If the reasonableness evaluation can be made using the alternative cost and pricing evaluation techniques in FAR 15.404-1 the CO may request a waiver of the IGCE requirement.

iii. If the IGCE is waived, the CO may request that an Independent Cost Review (ICR) to support the reasonableness evaluation be performed. The ICR should be performed in accordance with the provisions in the EM Independent Cost Review Guide (EM CE&A G 001).

c. It is the policy of EM that an IGCE will be used as the Government's estimated cost/price of the proposal. Its purposes are to: (1) serve as the basis for reserving funds for the contract as part of acquisition planning; (2) serve as a basis for comparing costs or prices proposed by offerors; (3) assist in determining cost/price realism and/or reasonableness; (4) assist in determining whether or not the offeror/contractor understands the scope and contract requirements; and (5) assist in establishing the Government's initial negotiation position.

d. The IGCE is a tool for assisting the CO in validating contractor proposals presented during the acquisition or contract management phase of the procurement. The IGCE is based on the scope of work outlined in the solicitation and established contract requirements. During contract administration, post-award, the IGCE is based upon the requirements that are understood to be changed, added, or deleted, as identified in the request for change proposal.

2. **Objective:** The objective of this directive is to establish the policy and institutionalize the use of IGCEs to improve EM's acquisition and contract management processes.

a. FAR Part 15.404-1 addresses analysis of price/cost to determine whether the contract price is reasonable. The completion of an accurate and reliable IGCE can be used as a key element supporting cost realism and reasonableness evaluation.

b. An IGCE should be developed based on the same Statement of Work (SOW) or Performance-Based Work Statement (PWS) (describing scope, terms and conditions, contract clauses, etc.) used by the contractor. Ideally, the IGCE is also based upon the same or a similar technical approach as that proposed by the contractor, and based upon the same assumptions about the work scope, that are made by the contractor. Any variations in technical approach and/or assumptions between the IGCE and the
contractor should be reconciled as part of the analysis of contractor proposals.

c. The IGCE plays an important role in the contractor proposal evaluation and selection/award processes, and its development can also be of value in making the actual proposal documents and contract language more effective by clearing up ambiguous elements and identifying possible scope omissions.

d. The IGCE is the government's estimate of the resources and projected costs a 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 expenses, profit or fee. A detailed and well-documented IGCE is a valuable tool for supporting cost realism. The IGCE also supports a Price Analysis, which is an estimate of what the Government reasonably "should pay" based on current competitive market conditions.

e. The IGCE is an aid in deciding whether to continue with the acquisition as well as provide supportive documentation that is used during the source selection phase.

3. **Applicability:** This directive applies to all EM organizations.

EM personnel having contracting authority to obligate EM or non-EM funds and personnel otherwise involved in processing EM procurements under the cognizance of the EM Head of Contracting Activity (HCA).

4. **Requirements:**

   **All EM Priced Contract Actions:**

   a. An IGCE of total contract costs shall be prepared for each proposed contract action anticipated to exceed the threshold stated in section 1(a) above and shall be furnished to the CO at the earliest practicable time for each proposed contract action.

   b. The IGCE is a cost estimate based on the requirements [SOW, Performance Work Statement (PWS), Statement of Objectives, or other specifications], and historical experience, without the influence of potential contractor sources.

   c. When an Acquisition Integrated Project Team (AIPT) or Source Evaluation Board (SEB) is established for the priced contract action, a cost engineer/estimator who is responsible for leading the development of the IGCE shall be included on the AIPT. The Acquisition Planning Manager (APM), CO, and AIPT shall provide all necessary acquisition documentation (i.e., SOW or PWS that describes scope, contract terms and conditions, contract clauses, etc.) that will be used as the basis for the contractor's proposal to the cost engineer/estimator to be used as the basis for the IGCE. Input from the program or project-specific technical and business disciplines is also essential to ensure the IGCE is comprehensive, high quality, and credible. A preliminary IGCE shall be furnished before the final Request for Proposal (RFP) is released, and may be
amended based on changes to the RFP. A final IGCE reflecting any changes to the scope of work shall be furnished before receipt of proposals.

d. For any other priced contract action not covered by paragraph 4.c, the CO, in coordination with the site or project technical authority, shall be responsible for obtaining the resources necessary to prepare the IGCE.

e. This HCA Directive does not apply to Financial Assistance instruments executed or managed by EM.

Cost Engineer/Cost Estimator:

a. The cost engineer/cost estimator shall ensure an IGCE of total contract costs for any priced contract action shall be prepared and furnished to the CO at the earliest practicable time for each proposed contract action. An IGCE should be:

   • Credible when the assumptions and estimates are realistic. It has undergone a rigorous peer review, the level of confidence associated with the point estimate has been identified and a sensitivity analysis (i.e., an examination of the effect of changing one variable relative to the cost estimate while all other variables are held constant in order to identify which variable most affects the cost estimate) has been conducted;
   • Well-documented when supporting documentation includes a narrative explaining the process, sources, and methods used to create the estimate and identifies the underlying data and assumptions used to develop the estimate;
   • Accurate when actual costs deviate little from the assessment of costs likely to be incurred; and
   • Comprehensive when it accounts for all possible costs associated with the priced contract action, is structured in sufficient detail to insure that costs are neither omitted nor duplicated, and has been formulated by an estimating team that is knowledgeable about the work scope being addressed.


c. For actions below the stated threshold identified in section 1(a) above, if requested, a less rigorous estimating practice may be used based on the complexity of the requirement to achieve a credible, well- documented, and accurate IGCE.

d. A detailed cost estimate is required for services, construction, and non-commercial supplies when the total acquisition price is estimated to exceed the threshold for obtaining certified cost and pricing data. IGCEs must address the separate cost elements for major components of the proposal including but not limited to labor, labor hours, direct labor rates, payroll additives (burden or fringe), other direct costs, indirect
costs (overhead), G&A, and profit/fee in accordance with FAR 15.408, Table 15-2 requirements.

5. **Safeguarding Independent Government Cost Estimates:**

   a. IGCEs are considered procurement sensitive information and will be marked with the following statement: “OFFICIAL USE ONLY.” Detailed identification and protection requirements are contained in DOE Order 471.3, “Identifying and Protecting Official Use Only Information” and DOE Manual 471.3-1, “Manual for Identifying and Protecting Official Use Only Information.” In addition, if the IGCE has been prepared for a competitive source selection, the following marking should be applied: "Source Selection Information - see Federal Acquisition Regulation (FAR) 2.101 and 3.104".

7. **References:**

   a. OMB, Circular A-11

   b. OFPP, “Guide to Best Practices for Performance-Based Service Contracting”

   c. Federal Acquisition Regulation (FAR Part 15 & 36)

   d. DOE Acquisition Regulation (DEAR Part 915 & 936)

   e. DOE Acquisition Guide (Chapter 15.4-3)

   f. DOE Cost Guide (DOE G 413.3-21)

   g. GAO Cost Estimating and Assessment Guide (GAO-09-3SP)

   h. DOE O 413.3B (Program and Project Management for the Acquisition of Capital Assets)

   i. DOE O 430.1B, Change 1 (Real Property Asset Management)

   j. DOE O 471.3, Admin. Chg. 1 (Identifying and Protecting Official Use Only Information)

   k. DOE M 471.3-1, Admin. Chg. 1 (Manual for Identifying and Protecting Official Use Only Information)

   l. DOE O 423.1 (Records Management Program)

8. **Directive Point of Contact:** M. Allen Moe, Supervisory Cost Estimator, Office of Cost Estimating and Project Management Support, (513) 246-0230, allen.moe@emcbe.doe.gov (EM Cost Quality Program Manager)
APPROVED:

Ralph E. Holland, EM Head of Contracting Activity

Signature: ___________________________  Date: ___________________________