

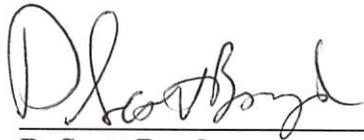
Department of Energy
Oak Ridge Office of Environmental Management
Procedure

INDEPENDENT GOVERNMENT COST ESTIMATES

OREM-CM-IP-03
Revision 0

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9/2/2015

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9/2/2015

Date



EM Environmental Management

safety ✦ performance ✦ cleanup ✦ closure

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Revision Log

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List of Acronyms

| | |
|---------|---|
| BOE | Basis of Estimate |
| CE | Cost Estimators |
| CO | Contracting Officer |
| DOE | Department of Energy |
| DOE EM | Department of Energy Office of Environmental Management |
| EMCBC | DOE Office of Environmental Management Consolidated Business Center |
| FPD | Federal Project Director |
| GAO | Government Accountability Office |
| HCA | Head of Contracting Activity |
| IGCE | Independent Government Cost Estimate |
| OREM | Oak Ridge Office of Environmental Management |
| PCG | Procurement and Contracts Group |
| PFPD | Portfolio Federal Program Director |
| PM | Project Manager |
| PMD | Project Management Division |
| PWS | Performance Work Statement |
| QL | Quality Level |
| REA | Request for Equitable Adjustment |
| SAT | Simplified Acquisition Threshold |
| SOW | Statement of Work |
| STRIPES | Strategic Integrated Procurement Enterprise System |

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1.0 PURPOSE

This procedure implements the Department of Energy (DOE) Office of Environmental Management (EM) Head of Contracting Activity (HCA) Directive 2.10, Revision 0, dated February 21, 2013. This HCA Directive requires development of Independent Government Cost Estimates (IGCE).

2.0 SCOPE

This procedure applies to all Oak Ridge Office of Environmental Management (OREM) priced contract actions above the Simplified Acquisition Threshold (SAT) of \$150K.

3.0 REFERENCES AND DEFINITIONS

3.1 Use References

- Office of Management and Budget Circular A-11, Chapter 7, *Capital Planning Guide*
- DOE EM Head of Contracting Directive 2.10, Revision 0, *Independent Government Cost Estimates*
- DOE Office of Environmental Management Consolidated Business Center (EMCBC) Cost Estimating Handbook
- OREM-QA-IP-05, *Quality Records*
- OREM-QA-IP-03-F-01, *QL-1 OREM Work Activity List*

3.2 Source References

- Federal Acquisition Regulation Part 15 & 36
- Government Accountability Office (GAO) Cost Estimating Assessment Guide (GAO-09-3SP)
- DOE Acquisition Regulation Part 915 and 936
- DOE Acquisition Guide (Chapter 15.4-4)
- DOE Cost Guide (DOE Guide 413.3-21)
- DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*
- DOE Order 430.1B, Change 1, *Real Property Asset Management*
DOE Order 471.3 Admin Chg. 1, *Identifying and Protecting Official Use Only Information*

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- DOE Order 243.1B, *Records Management Program*

3.3 Forms Prescribed

- None

3.4 Definitions

Basis of Estimate (BOE): A written narrative that details the premise or basis from which critical aspects of an IGCE are developed including estimates of labor, material, equipment, other direct costs, fringe benefits, travel, general and administrative costs, and fee. A written BOE documents estimating ground rules and assumptions, any historical costs, estimating studies, or other sources used as a basis to build the estimate. It also includes any other details that impact the cost estimate.

Independent Government Cost Estimate (IGCE): A cost estimate of some future work task or on-going effort that is created by people who are not part of the company actually performing the work.

Estimating Independence: There is no undue influence of estimating details between the two estimating parties. True independence exists when the estimator or estimating team performing the independent estimate does not have any reporting responsibility to the company performing the work.

“Costable” Work Statement: A Statement of Work (SOW) or Performance Work Statement (PWS) document that contains sufficient detail for an experienced Cost Estimator (CE) to build a work breakdown structure, apply existing cost data, and develop estimating methodologies to reasonably estimate the cost of the task described in the document.

Comprehensive, High Quality, and Credible Cost Estimate: A cost estimate that includes all relevant aspects of the project; is based on the best available estimating methodology; and is well-documented, understandable, and makes logical sense.

Merit: When a Request for Equitable Adjustment (REA) has 1) entitlement based on a Government act or failure to act; 2) a contractor suffers damages in the form of an increase in the cost or time of performance; and 3) there is a causal link between the act or failure to act and the damages. Contracting Officers (CO) have final say on whether or not all, part, or none of an REA has merit.

4.0 RESPONSIBILITIES

4.1 Oak Ridge Office of Environmental Management (OREM) Manager

The OREM Manager is responsible for ensuring that the OREM organization awards new contracts and contract modifications that support the mission of the EM

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organization. The OREM Manager is responsible for ensuring that qualified cost estimating resources are made available to support the Contracting Officers (CO). Ensure the necessary Statement of Work (SOW) or Performance Work Statement (PWS) meets the needs of the CO for each priced contract action. Overall responsibility also includes ensuring that these contract actions represent good value to the Department.

4.2 Project Management Division (PMD) Director

The PMD Director is responsible for ensuring that the necessary SOW or PWS meets the needs of the Cost Estimators (CE) to produce a comprehensive, high quality, and credible IGCE for each priced contract action. This responsibility includes ensuring that Project Managers (PM) have the required training, mentoring, and leadership support to write SOWs and PWSs that are clear, understandable, and have sufficient detail for CEs to create the IGCE and contractors to submit a proposal.

4.3 OREM Procurement and Contracts Group (PCG)

The PCG is responsible to the DOE EM HCA for exercising sound judgement in approving contract actions for the OREM Site Office. Sound judgement includes ensuring that the value awarded on contracts is fair and reasonable.

4.4 OREM Procurement and Contracts Group (PCG) Contracting Officers (CO)

PCG COs are responsible for ensuring that the dollar value of contract awards and contract modification awards are fair and reasonable. When the item, task, or project is not generally available in the open marketplace and the dollar value of the item, task, or project is expected to be greater than \$150,000, an IGCE is required to support a Government negotiating position. The CO should make arrangements to obtain an IGCE prior to release of the final Request for Proposal, or after receipt of the contractor's Request for Equitable Adjustment (REA) that has merit.

4.5 OREM Project Manager (PM)/Federal Project Director (FPD)

OREM PM/FPDs are responsible for creating "costable" SOWs or PWSs that accurately describe the work in sufficient detail to produce a comprehensive, high quality, and credible cost estimate. OREM PM/FPDs are also responsible for communicating all changes in contract requirements in a timely manner to involved COs and CEs. SOWs and PWSs must have sufficient technical detail to describe the work being performed. Sufficient technical detail may include schedule milestones, performance metrics, site measurements such as square feet, radioactivity level, and other important project/program assumptions and conditions.

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4.6 OREM Portfolio Federal Project Directors (PFPDs)

OREM PFPDs are responsible for overseeing development of SOWs or PWSs that are estimated in the IGCE. PFPDs also ensure that all technical details, project schedules, drawings, site measurements, available cost data, work breakdown structures, and all other supporting documents are provided in a timely manner to the PCG CEs to support completion of the IGCE. This support ensures continuous movement toward completion of the IGCE so that the contract modification or REA is awarded in a timely manner.

4.7 OREM Procurement and Contracts Group (PCG) Cost Estimators (CE)

PCG CEs are responsible for the creation of IGCEs in accordance with established DOE orders, policies, guides, recommended practices, HCA Directive 2.10, and this procedure. CEs must ensure that IGCEs include all relevant costs, are provided to COs as soon as practicable, and are credible and accurate.

PCG CEs must follow recommended practices for documenting IGCEs using the OREM template. This template can be found on the OREM SharePoint drive common documents library and is heavily based on the EMCBC prescribed documentation template. PCG CEs are responsible for becoming familiar with the SOW/PWS and program requirements.

IGCEs are typically created by either in-house Government CEs, or by independent support contractors. PCG CEs are responsible for ensuring that the scope and structure of both the IGCE and proposal match as much as possible to form the foundation of the technical evaluation and pre-negotiation memo.

OREM CEs are responsible for ensuring that a peer review of the IGCE is performed by a qualified individual and that the peer review is incorporated into the content of the final IGCE.

OREM CEs are available to support COs by providing comments on SOWs and PWSs to help ensure that these documents can support a valid IGCE.

OREM CEs are responsible for delivering an IGCE in a timely manner, with technical evaluation tables, and pre-negotiation support to both OREM operational activity PMs and COs.

PCG CEs are responsible for maintaining and dispositioning IGCEs in accordance with the DOE Records Management Order (DOE Order 243.1B).

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5.0 PROCEDURES

Creation and use of IGCEs in the acquisition process is considered a Best Practice. Consequently, it is the policy of OREM that an IGCE shall be prepared and furnished to the CO at the earliest practicable time for each proposed contract action anticipated to exceed the SAT of \$150,000. The estimate shall be prepared with the same amount of estimating rigor as if the Government were competing for the award. Should the SOW be changed and/or the scope of the required work is modified for any reason, it is suggested that the IGCE be revisited and appropriate adjustments made.

5.1 Independent Government Cost Estimate (IGCE) Development

IGCEs for contract modifications and REAs are developed using the overall steps outlined below.

5.1.1 Contract Modifications

- Step 1 – Government Integrated Project Team identifies the need for a contract modification.
- Step 2 – PM/FPD develops a SOW or PWS, consults CO/CEs as needed.
- Step 3 – PM/FPD transmits costable SOW or PWS to the PCG, applicable CO, and CEs. This step indicates a need for an IGCE.
- Step 4 – Development of the IGCE follows the GAO 12 step quality cost estimate process which includes a peer review and briefing to management. This step may or may not include a PM/FPD review depending on the timing of delivery of the proposal. In cases where the proposal is completed and delivered to the PM/FPD prior to completion of the IGCE, the PM/FPD will not be given an opportunity to provide comments on the IGCE. If the proposal is not yet completed and delivered, the PM/FPD will be asked to offer comments on the IGCE. The OREM CEs must be free of undue influence from PM/FPDs and must remain independent of the contractor.
- Step 5 – The Author, Peer Reviewer, and PCG Manager signs the document. When the PCG Manager has signed the IGCE, the document is considered final. In rare cases, only when the scope of the project changes will an IGCE addendum be created. An IGCE addendum will clearly show what changed and compare the updated IGCE to the original IGCE.
- Step 6 – The IGCE is submitted to the PM/FPD, Cost Price Analyst, and CO to support development of the technical evaluation, pre-negotiation memo, and eventual award of the contract modification.

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Note: Step 6 creates a contract record that is maintained in the Strategic Integrated Procurement Enterprise System (STRIPES). Step 6 does not create a Quality Level (QL) 1 or QL-2 quality record as defined in OREM-QA-IP-05, *Quality Records*, or OREM-QA-IP-03, *Graded Approach Program*.

5.1.2 Contractor Requests for Equitable Adjustment (REAs)

- Step 1 – Contractor sends REA to CO.
- Step 2 – CO, with PM/FPD advice determines merit for the REA (all, part, or none). If none, no IGCE is needed.
- Step 3 – If part or all of the REA has merit, PM/FPD develops a SOW or PWS, consults CO/CE's as needed.
- Step 4 – PM/FPD transmits costable SOW or PWS to the PCG, applicable CO, and CEs. This step indicates need for an IGCE.
- Step 5 – Development of the IGCE follows the GAO 12 step quality cost estimate process. Since, by their nature REA's provide the contractor's estimated cost there is no PM/FPD review of the Draft IGCE.
- Step 6 – The Author, Peer Reviewer, and PCG Manager signs the document. When the PCG Manager has signed the IGCE, the document is considered final. When the scope of the project changes an IGCE revision may be required or an addendum is created.
- Step 7 – IGCE is submitted to PM/FPD and CO to support development of the technical evaluation, pre-negotiation memo, and eventual award of the contract modification.

Note: Step 7 creates a contract record that is maintained in STRIPES. Step 7 does not create a QL-1 or QL-2 quality record as defined in OREM-QA-IP-05, *Quality Records*, or OREM-QA-IP-03, *Graded Approach Program*.

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6.0 RECORDS

The following Records are generated during the performance of this procedure:

| Record Description (section) | Record Type (QL-1, QL-2, N/A)* | Form Number (if applicable) | Record Owner |
|---|---------------------------------------|------------------------------------|---------------------|
| Final IGCE for contract modification (5.1.1) Step 6 | N/A | N/A | N/A |
| Final IGCE for REA (5.1.2) Step 7 | N/A | N/A | N/A |

- * QA records for QL-1 activities shall be processed and submitted per OREM-QA-IP-05, *Quality Records*. OREM-QA-IP-03-F-01, *QL-1 OREM Work Activity List*, contains a listing of OREM QL-1 Activities.

Non QA records and QL-2 Activities Records shall be processed as a Federal Record and submitted following the Office of Science Management System Description Records Management System procedures.

7.0 ATTACHMENTS

None.