



Maryland
PTAP

Procurement Technical Assistance Program
A program of the Maryland SBDC Network



Understanding & Winning
Cost Proposals

Presented by: Mary Lee Kolich



Getting Started

MD PTAP Office will....

- Help with Federal, State and Local Government Marketing Strategies
- Provide Insight on Government Buying Procedures
- Provide an Electronic Bid Matching Service
- Maintain a Client/Vendor Database
- Assist with registrations and certifications
- Assist in Proposal and Bid Preparations
- Assist in Pre and Post Award Contract Compliance
- Assist in Identifying Subcontracting Opportunities
- Provide assistance with the Federal & State Procurement Regulations
- Provide SBIR/STTR Proposal Assistance
- Provide Business Assessments
- Refer to SBDC for relevant business assistance
 - Contract financing
 - Development of marketing materials
 - Financial management systems



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- Did you know
 - A winning Cost proposal can produce one of the following results for your company
 - Meet or exceed profit objectives OR
 - Fall short of profit objectives with marginal returns OR
 - Lose money and endanger your company's survival

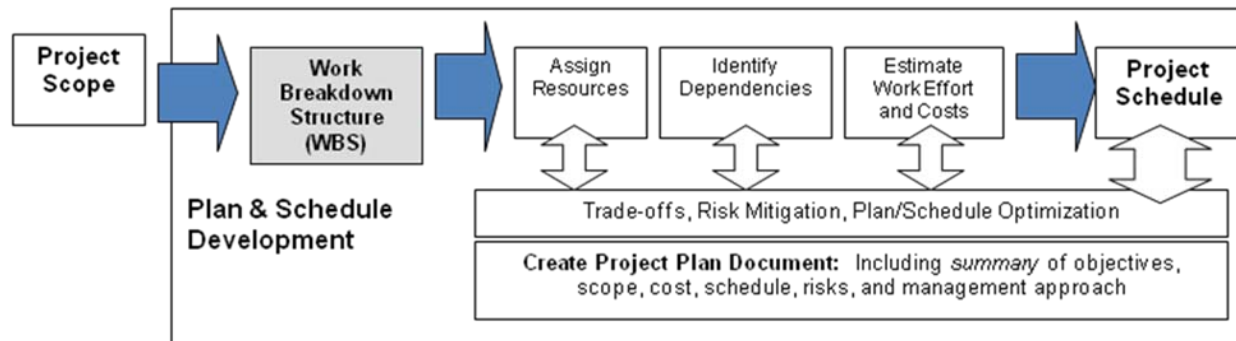
Proposal Manager _____
Office Location _____
Business Unit _____
Estimated B&P Cost _____

Client Name _____
Procurement Name _____
Estimated Total Value _____
Per Year Value _____

Go/No Go Decision

Bid Factors	Bid Factor Scoring Scale										Estimated Score	
	Negative			Neutral			Positive				Our Company	Top Competitor
	1	2	3	4	5	6	7	8	9	10		
1. Are you known by the client?	Unknown to this client			Known to client, but not fully cultivated			Well-developed working relationship; previous contracts					
2. Is this the first you heard of procurement?	Did not expect RFP; unprepared			Generally up-to-date; no major negatives			Known 3-12 months; good favorable, confirmed intelligence					
3. What is our overall technical capability/position?	Not qualified; weak relevant experience			Capable; understand problem; experienced			Can meet/exceed every requirement; technically superior					
4. Can we provide proof of qualified staff?	Limited in-house staff available			Good in-house staff available			Best in-house staff available					
5. Are subcontractors needed?	Yes, but will dilute position			Yes, but will have little or no effect			Yes, and will enhance overall proposal					
6. What is the financial potential?	Marginal long term; no short term return			Good long term; questionable short term			Excellent long term; excellent short term					
7. Can we respond with a complete, compelling proposal?	Unclear understanding of problem/project needs; limited response			Understand problems, project & client needs; can respond			Can meet/exceed all requirements; have compelling story; know hot buttons					
8. Who are our competitors?	Competitor is strongly favored or UNKNOWN			Open competition with no strong favorite			We are strongly favored over competition; incumbent					
9. Is project within our geographic region?	Poor geographic presence/experience			Good geographic presence/experience			Strong geographic presence and experience					
10. What is our pricing competitiveness?	Must cut corners; cost share; risky			Reasonable & competitive; reasonable risks			Honest, credible price within known limits; acceptable risks					
Total score of factors evaluated												
Maximum potential score (number of factors evaluated times 10)												
Decision (Total score should be about 75+% of maximum score for a "Go" decision, or better than the top competitor.)											Go	No Go

ESTABLISH A SOLID PROJECT PLAN



The ultimate goal in breaking the work down is to ensure that all of the WORK AND COSTS needed to meet the project's objectives is recognized and planned for as accurately as possible from the beginning.



Rules Governing Procurements GO TO

- <http://www.princegeorgescountymd.gov/>
– CODE 10A-101 THROUGH 10A-156

UNDERSTAND HOW THEY PERTAIN TO THE
PROCUREMENT YOU ARE BIDDING

Direct Costs

- Costs identified specifically with a contract are direct costs of the contract and are to be charged directly to the contract. (Derived from WBS)

Indirect Costs

- An indirect cost is “any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective.



UNDERSTAND OVERHEAD & G&A

- **Overhead** is a window in time going back 12 months and is in direct support of the contract being bid, i.e. Department supervision, Fringe benefits for direct labor, ie.
- **G&A** is a window in time going back 12 months and represents the activities necessary to support the overall business, i.e accounting personnel, human resources, etc.

SAMPLE CALCULATING CONTRACT COSTS

The following is a simple example of how to calculate the total contract cost for each cost-reimbursement contract owned by a company. Suppose your company incurred the following direct and indirect costs as of December 31, 2001.

Direct Costs:

Direct labor	\$700,000
Direct materials	\$650,000

Indirect Costs:

Overhead:	
O/H labor	\$110,000
O/H vacation expense	\$25,000
O/H sick leave	\$15,000
Holidays	\$12,000
FICA expense	\$8,000
Unemployment taxes	\$700
Workers comp.	\$500
Disability insurance	\$1,200
Group health insurance	\$10,000
Conferences & seminars	\$500
Consultants	\$850
Depreciation	\$20,000
Dues & subscriptions	\$700
Copy charges\	\$5,450
Equipment rentals	\$2,000
Recruiting	\$400
Repairs & maintenance	\$700
Postage & shipping	\$200
Rent	\$80,000
Office Supplies	\$5,500
Travel costs	\$520
Misc.expenses	\$2,780
Total O/H claimed	\$302,000

General and Administrative

G&A labor	\$126,000
Marketing labor	\$5,000
G&A vacation expense	\$28,000
G&A sick leave	\$18,000
Holidays	\$14,000
FICA expense	\$9,000
Unemployment taxes	\$1,000
Workers comp	\$800
Disability insurance	\$1,500
Group health insurance	\$11,500
Bank service charges	\$8,000
Conferences & seminars	\$3,000
Consultants	\$8,000
Postage & shipping	\$750
Depreciation	\$3,500
Dues & Subscriptions	\$2,000
Copy Charges	\$2,800
Equipment rental	\$850
Legal costs	\$6,500
Recruiting	\$1,500
Office supplies	\$3,600
Rent	\$15,000
Repairs & maintenance	\$3,500
Taxes	\$1,000
Travel	\$2,400
Misc. expenses	\$2,800
Total G&A Expenses	\$280,000

HOW TO CALCULATE YOUR RATES

- Overhead Calculation

Indirect O/H costs

\$302,000

Total direct labor

\$700,000

Overhead = 43%

Direct labor dollars were used for allocating the base for this example

- G & A Calculation

Indirect G&A costs \$280,000

*Total cost input \$1,651,000

G&A = 17%

*Total cost input consists of:

Direct labor \$700,000

Direct materials 650,000

O/H costs 302,000

Total cost input \$1,652,000



Determining Direct Labor (Cost Chargeable Directly to a Contract)

Fringe Covered Elements

Max Annual Hrs.	Vacation Hrs	Holiday Hrs	Sick Hrs	DL Hrs	Vacation Repl.	Tot DL to Bid
2080	80	80	40	1880	80	1960
2080	80	80		1920	80	2000
2080	40	80		1960	40	2000
2080	120	80	40	1840	120	1960
2080	120	80		1880	120	2000
2080	160	80	40	1800	160	1960

Balance Fringe Covered Items with Max Allowable Hrs and Add Back any Replacement Time. An Agency may dictate the Direct Labor Hours to use.

**Advanced Tank Technologies
Washington, DC
Proposal Submitted in Response to RFP DAAH01-02-R-0001**

Figure 3-5-1

SCHEDULE 1

Labor Category	2002 Engineering Labor Cost			2003 Engineering Labor Cost			2004 Engineering Labor Cost			Total Engineering Labor	
	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Hours	Total
Program Manager	\$ 33.93	683	\$ 23,174	\$ 35.63	760	\$ 27,079	\$ 37.41	507	\$ 18,968	1,950	\$ 69,221
Senior Engineer	26.39	1,200	31,668	27.71	900	24,939	29.10	700	20,367	2,800	\$ 76,974
Junior Engineer	22.12	1,800	39,816	23.23	1,500	34,845	24.39	900	21,952	4,200	\$ 96,613
Engineering Aide	14.50	1,800	26,100	15.23	550	8,377	15.99	50	800	2,400	\$ 35,276
Technical Writer	16.00	-	-	16.80	-	-	17.64	900	15,876	900	\$ 15,876
Metallurgist	18.85	1,900	35,815	19.79	1,200	23,748	20.78	700	14,546	3,800	\$ 74,109
Draftsman	18.95	2,200	41,690	19.90	1,500	29,850	20.90	600	12,537	4,300	\$ 84,076
Total Direct Labor - Engineering		9,583	\$ 198,263		6,410	\$ 148,837		4,357	\$ 105,044	20,350	\$ 452,145

Labor Category	2002 Manufacturing Labor Cost			2003 Manufacturing Labor Cost			2004 Manufacturing Labor Cost			Total Manufacturing Labor	
	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Hours	Cost
Fabrication	\$ 10.85	400	\$ 4,340	\$ 11.39	600	\$ 6,836	\$ 11.96	600	\$ 7,177	1,600	\$ 18,353
Assembly	9.25	-	-	9.71	200	1,943	10.20	600	6,119	800	\$ 8,062
Total Direct Labor - Manufacturing		400	\$ 4,340		800	\$ 8,779		1,200	\$ 13,296	2,400	\$ 26,415
Total Direct Labor			\$ 202,603			\$ 157,616			\$ 118,340		\$ 478,560
Direct Labor Overhead @ 56.7%			\$ 114,876			\$ 89,369			\$ 67,099		\$ 271,343

All hours proposed are based on historical costs, reference contract DAAH01-99-C-0001, account 9271

The supporting data showing the historical hours and the development of the proposed hours are in file "DAAH01-02-R-0001, Hours" and is available immediately upon request.

The direct labor rates are based on actual average rates as of 31 October 2001 and escalated 5 percent each year. The supporting data and rate calculations are located in file "DAAH01-02-R-0001, Direct Labor Rates" and is available immediately upon request.



<u>Cost Type</u>	<u>Acceptable Support Documentation</u>
Direct Labor	<ul style="list-style-type: none">• Current Employees – Payroll Records (Per Employee Or Average For Labor Category)• Contingent Hires – Contingent Hire Agreements With Payment Terms.• Contingent Hires – DOL Wage Determination Schedules.• Contingent Hires – Labor Survey Data (I.E. Watson Wyatt, Mercer, Other Recognized Sources.
Subcontractor	<ul style="list-style-type: none">• Subcontractor’s Cost Proposal or Quotes



Acceptable Support Documentation

Consultant	<ul style="list-style-type: none">• Proposal/Quotes
Travel	<ul style="list-style-type: none">• Hotel and Per Diem – JTR• Air Fare – Quotes from: Travel Agents, Airline or Travel Websites• Rental Car Quotes
Materials	<ul style="list-style-type: none">• Vendor Invoices or Quotes
Other Direct Costs (ODC)	<ul style="list-style-type: none">• Vendor Invoices or Quotes



Acceptable Support Documentation

Project Office Rent	<ul style="list-style-type: none">•Lease Agreements•Rental Broker Quotes
Fringe Benefits	<ul style="list-style-type: none">•Budget Based On Statutory Requirements, Worker's Comp Rates, Company Leave Policy, And Other Company Fringe Benefits
Overhead	<ul style="list-style-type: none">•Budget Based On Historical Rates Modified For Best Estimate.
G&A	<ul style="list-style-type: none">•Budget Based On Historical Rates Modified For Best Estimate.

CONTRACTING OFFICERS ARE CONCERNED ABOUT

1. How does your proposal measure up? Is it....
 - REASONABLE (Are the costs reasonable?)
 - ALLOCABLE (Are the Cost Elements Related to the Work?)
 - ALLOWABLE (Are All costs Allowable?)
 - SUPPORTABLE (Are cost elements adequately supported?)



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2. Is your cost proposal...

- ACCURATE (As of Contract signing)
- CURRENT (As of Contract signing)
- COMPLETE (As of Contract signing)

**IF NOT....YOUR COST PROPOSAL IS
DEFECTIVE**

Meet the MD PTAP Staff

- **Mary Lee Kolich**
Program Director
- **Morgan Allyn**
Procurement Specialist
- **Ralph Blakeney**
Procurement Technology Specialist
- **Arthenia Le Flore**
Procurement Specialist
- **Bonnie Maliszewski**
Procurement Specialist
- **Denise Warner**
Procurement Specialist
- **Melissa Simpson**
Intake & Program Coordinator



**MD Procurement Technical Assistance
Center is located in College Park at:**
7100 Baltimore Avenue, Suite 402
College Park, Maryland 20740
Call Toll Free: 866-228-0432 x27 for a PTAP office
in your area