

Course Introduction

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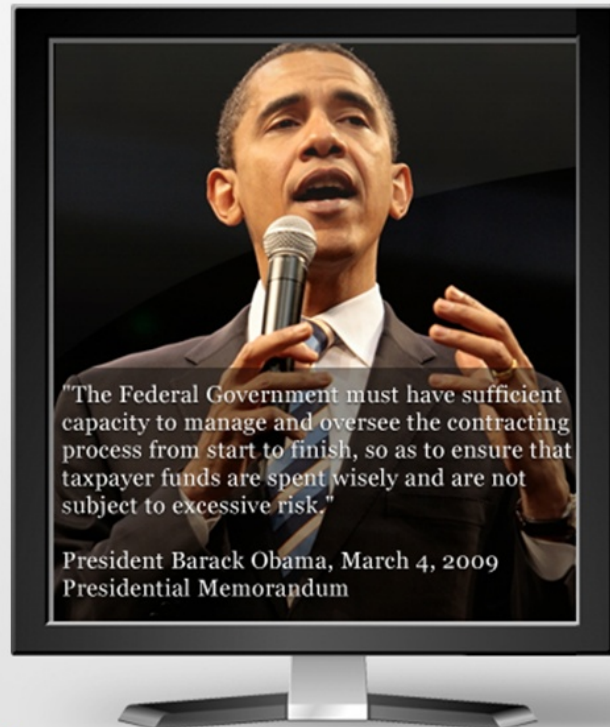
Welcome!

Welcome to CLC 056, Analyzing Contract Costs. Many of you are taking this continuous learning course (CLC) as a prerequisite to CON 217, Contract Pricing and Negotiation or CON 270, Intermediate Cost and Price Analysis, as part of your Defense Acquisition Workforce Improvement Act (DAWIA) Acquisition Professional Development Program (APDP) Level II certification requirements.

Some of you are taking this CLC to satisfy your continuing education requirements, to refresh your skills, or simply because you have an interest in contract pricing.

Regardless of why you are taking this course, CLC 056 is a positive step toward enhancing your cost and price analysis skills and knowledge.

Having these qualities is necessary to a successful contracting career and, more importantly, to ensuring a fair and reasonable price for the government when procuring goods and services while ensuring fair treatment of our contracting partners.



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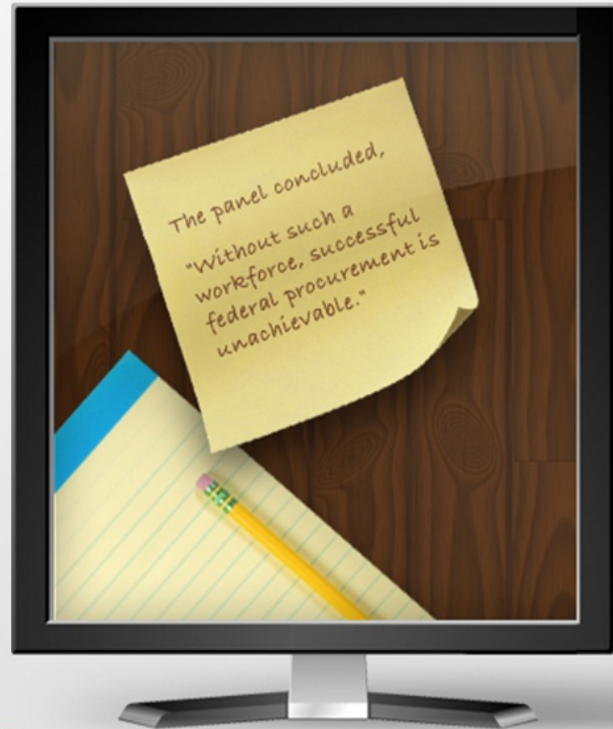
Welcome! (cont.)

Over the past several years, the Department of Defense (DoD) has come under increasing criticism for a lack of cost and price analysis skills within the workforce.

The Acquisition Advisory Panel was authorized by Section 1423 of the Service Acquisition Reform Act of 2003, and enacted as part of the National Defense Authorization Act for Fiscal Year 2004.

The panel was tasked to review the laws, regulations, and policies pertaining to government acquisition. As part of this study, the panel assessed the health of the contracting workforce.

The panel stated, "A qualitatively and quantitatively adequate and adapt workforce is essential to the successful realization of the potential of the procurement reforms of the last decade."



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Welcome! (cont.)

There have been several other studies, DoD Inspector General (IG) reports, and Government Accountability Office (GAO) Bid Protest Decisions that further highlight the need for a robust cost and price analysis capability within the contracting workforce.

Most recently, Dr. Ashton Carter, Undersecretary of Defense for Acquisition, Technology, and Logistics issued a memorandum to all acquisition professionals, dated June 28, 2010, entitled, "Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending."

In this memorandum, Dr. Carter reminded the acquisition workforce that the DoD spends \$400B annually on contracts for supplies and services.

Dr. Carter exhorted the workforce to scrutinize the terms and conditions of the contracts, especially in terms of costs, fees, and overheads paid, to eliminate inefficient or uneconomical practices, while ensuring the viability of our defense industrial base.



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Welcome! (cont.)

It is important for you to know that the Defense Acquisition University is embarking on a journey to infuse cost and price analysis skills, and to include selection and use of quantitative techniques into our DAWIA certification curriculum at all levels.

CLC 056 is just one step in that direction!

In this CLC, you will assume the role of a contract specialist/intern who has been afforded the opportunity to work with the Contracting Officer of a large complex base operating services contract.

The Contracting Officer acts as your mentor, providing guidance and direction as you perform various cost and price analysis tasks presented in this CLC. This course is a simulation and highly interactive, requiring your active participation.

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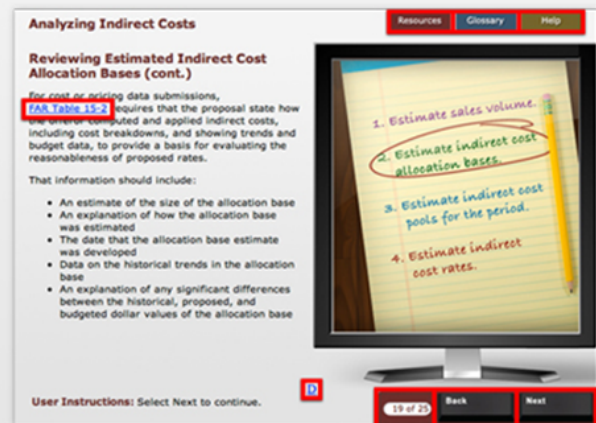
Navigation

The CLC 056 provides navigation to help you access or enrich content and to assist you as you move around the course through specific components.

These components include:

- Resources Tab
- Glossary Tab
- Help Tab
- Hyperlinked Text
- D-Link
- Next and Back Buttons
- Page Counter

The image on the next screen is a sample screen that shows an example of each of the components along with its description. Select each red highlighted area on the following screen to learn more.



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Select each red highlighted image to learn more about its function.

Analyzing Indirect Costs

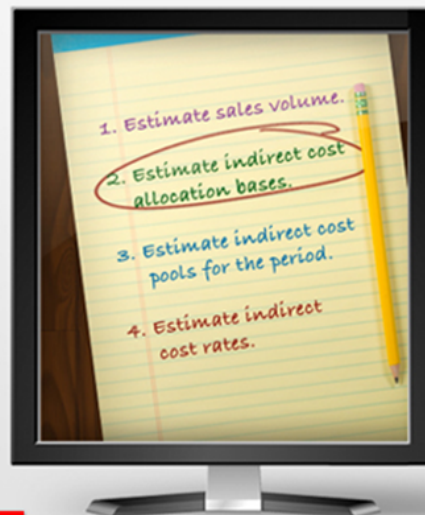
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Reviewing Estimated Indirect Cost Allocation Bases (cont.)

For cost or pricing data submissions, **FAR Table 15-2** requires that the proposal state how the offeror computed and applied indirect costs, including cost breakdowns, and showing trends and budget data, to provide a basis for evaluating the reasonableness of proposed rates.

That information should include:

- An estimate of the size of the allocation base
- An explanation of how the allocation base was estimated
- The date that the allocation base estimate was developed
- Data on the historical trends in the allocation base
- An explanation of any significant differences between the historical, proposed, and budgeted dollar values of the allocation base



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Introduction to Simulation

**Why is the analysis of contract costs important?
And you may be thinking, what's in it for me?**

Let's say that you have been tasked by your supervisor to determine if cost analysis should be used to evaluate a contractor's proposal. Will you be able to make the decision?

To help you make that decision and to reinforce the information that you will learn in this CLC, you will be presented with a real-world simulation to help you understand the relationship between what you do and the many facets of analyzing contract costs.

Throughout this course, your Contracting Officer, Jessica, will present different situations that require you to review materials and answer challenge questions.

Select the contract file to the right to learn some basic information about the contract used in the simulation.




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REWINDPLAYCAPTIONS

Hi, I'm Jessica. Welcome to the project. I heard that you have been making great progress on your certification courses.

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REWIND ▶ PLAY CAPTIONS


I thought this project would be a perfect opportunity for you to work with our team on this modification to the base operations support contract.

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I am going to be your mentor throughout this process. Since you have completed all of your prerequisite training, you are ready to take CLC 056. Good luck!

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Simulations and Challenge Questions

Simulations will be presented primarily in an office setting or a conference room setting. As part of these simulations, you will receive prompts from Jessica, the Contracting Office, or Matt, a Cost/Price Analyst, through phone calls, emails, visits, and notes.

Once you have reviewed these prompts, you will answer a challenge question. If you answer the question correctly, you have the option to review content pertinent to the question or continue to the next challenge question.

If you answer the question incorrectly, you will be required to review content pertinent to the question before you can move to the next challenge question. On the second incorrect try, you are given the correct answer and the option to review the content again or proceed to the next challenge question.



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Course Introduction[Resources](#)[Glossary](#)[Help](#)**Terminal Learning Objectives (TLOs)**

Finally, here are the terminal learning objectives (TLOs) for CLC 056:

- Determine when cost analysis should be used
- Determine when the Truth-in-Negotiations Act (TINA) applies
- Determine when a contract is covered by the cost accounting standards
- Define the terms associated with cost allowability
- Describe the basic principles regarding proposal modeling
- Determine the adequacy of the contractor's estimating and accounting systems
- Identify the use and application of a contract audit
- Calculate a cost objective for direct material costs
- Calculate a price/cost objective using statistics
- Calculate a cost objective for direct labor costs
- Calculate a cost objective for other direct costs
- Calculate a cost objective for indirect costs
- Calculate a price/cost objective using simple regression analysis
- Calculate a price/cost objective using learning curve analysis
- Calculate a cost objective for Facilities Capital Cost of Money
- Calculate a cost objective for profit or fee
- Outline the process for conducting contract negotiations

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