



ASC Group, Inc.
Vienna, VA
San Francisco, CA
888.576.3330
www.ascginc.com

TF![©] - Its Fit in the Contracting Process

*By Daniel Everest
Stephen Blancq
Agnes Jackle*

Contents

| | |
|-----------------------------------|---|
| Summary | 2 |
| TF! Modules | 2 |
| TF! – Role in Contracting Process | 3 |
| TF! – Mandatory vs. Optional | 3 |
| Attachment – VIQ, IQ and PIF | 5 |

Summary

There are a number of misconceptions regarding TF![®], with the biggest being that TF! is in fact a contracting process, as opposed to a collection of tools (modules) that have been designed to facilitate Acquisition and Post-Award Contracting stages, primarily for multi-activity service contracts. The TF! role can be better understood through an examination of the TF! modules and their contribution to the applicable parts of the Contracting Process. This paper explains those modules and where they fit. Upon completion, the reader will have a better understanding of the role of TF!, including approaches sometimes used in Contracting that are considered “TF!” when actually they are not.

TF! Modules

- 1. TF! Bid Module** – A resource and cost estimating software tool based on the contract Technical Requirements. Bidders develop resource and cost estimates (labor hours, materials, equipment) as well as Staffing levels, traceable back to the requirements. These costs “roll forward” in the module, having overheads and profit added and resulting in a fully developed Price Schedule. This module creates a common front-end to each bidder’s technical and cost proposals to facilitate an accurate analysis and therefore understanding of each offer. The buyer or Government Estimate is also configured in this module.
- 2. TF! Importance Ranking Module (IRM)** – A tool for assigning Customer importance to every evaluation criteria, including those in the Contract Technical Requirements. The Technical Requirements weightings are further used for post-award performance measurement (SeeSOR).
- 3. TF! Evaluation Module** – A tool for Customers to record their evaluation of bidders’ responses to each evaluation criteria. Customer decisions regarding the success of bidders’ responses to the criteria

are “importance-weighted” thanks to the IRM, with the overall summary providing a Customer-centric evaluation of each bidder.

TF! – Role in Contracting Process

1. Technical Requirements Development –

In modern Performance-Based Service Contracting (PBSC), certain key criteria need be met:

- a. Requirements that describe output, not methodology or procedure;
- b. Performance Standards that define a measurable level of performance below which the Contractor is failing; and
- c. Estimated Quantities that specify the anticipated scope for each Requirement.

Response – ASC has developed a standardized template, “Tabular Format” for preparing Requirements that meet the above criteria while also maintaining compatibility with the TF! Modules, including the Contractor prepared Bid Module.

2. Independent Government Estimate

(IGE) – Customers prepare their estimate of costs for budgeting purposes and to prepare a comparison against which to evaluate Bid costs and pricing.

Response – The TF! Bid Module is also used by Customers to prepare their IGE in exactly the same format they expect to receive the bids.

3. Technical Evaluation –

Customers decide the level of success Bidder has achieved against each Evaluation Criteria.

Response – The TF! Importance Ranking Module, prepared prior to Bid Review, and incorporated into the TF! Evaluation Module, is used by Customers to record evaluation results, as well as generating Charts and Graphs summarizing their evaluation. The Bidder’s TF! Bid Module (scrubbed to remove pricing information) is reviewed in connection with Requirement responses, as well as compared to the IGE to determine suitability. Issues are documented in the TF! Evaluation Module to be forwarded to those Bidders who will

be going forward in the competition. There is no implied correct answer; evaluators determine the compatibility of proposed resources to methodology (consistent with the principles of PBSC).

4. Cost/Price Analysis –

Customers determine the Financial suitability of each Bidder’s solution.

Response – The TF! Bid Module IGE is compared to each Bidder’s TF! Bid Module to help identify variances associated with the proposed solution which may indicate risks that are worth closer scrutiny and evaluation. Issues are documented using extracts from Bidder’s own TF! Bid Module to be forwarded to those Bidders determined to be in the competitive range.

5. Post-Award Financial Management –

Customers prepare an IGE and determine reasonableness of Contractor’s proposals for sole-source changes to the contract after award.

Response – The IGE and Contractor’s solution are independently prepared using the Contractor’s winning solution in the TF! Bid Module as a starting point. This serves as the basis for the pre-negotiation position.

TF! – Mandatory vs. Optional

The following is a partial list of items sometimes mistaken as mandatory TF! components, with an explanation for why they are not:

1. Contractually Binding Estimated

Quantities (EQ’s) – While EQ’s are required in order for a bidder to demonstrate their understanding of the resourcing required to perform, they do not have to be contractually binding. This applies to cost-reimbursable contracts, as well as firm lot contracts where the customer does not wish to negotiate amendments, but instead desires bidders to price their risk up front during the bid process to accommodate the possibility of changing quantities. The primary purpose of the EQ is to provide a common basis

upon which all bidders will propose; this applies to both Firm Price and Cost Reimbursable competitive acquisitions.

2. **Importance Ranking of Evaluation Criteria** – All criteria can be equally weighted, meaning each item will carry the same level of importance as any other during the evaluation.
3. **Independent Government Estimate (IGE)** – Does not have to be prepared in the TF! Bid Module. It is usually required to be prepared in any case, but can be prepared using traditional methods.
4. **Post-Award Financial Management** – Approaches such as “Additional Work Requests” (with Contractor’s proposal prepared in a “blank” spreadsheet and evaluated directly by Customer) or Contractor price based on pre-pricing the risk of future changes to quantities can be used in the place of the Contractor’s solution as modelled in the TF! Bid Module.
5. **Variation-in-Quantity** – A method of reducing the number of Amendments per year in a Firm Lot contract with binding Estimated Quantities. VIQ is not a part of TF!, but the TF! Bid Module can be used if

a Customer determines they wish to use the formal VIQ process. See Attachment 1.

6. **Indefinite Quantity** – A method of pre-pricing the labor component for deliverables which are within the scope of the contract but not specifically identified and quantified in the Technical Requirements. IQ is not a part of TF!, but the TF! Bid Module can be tailored to accommodate it if a Customer determines they wish to use IQ provisions in the contract. See Attachment 1.
7. **Performance Incentive Fee (PIF)** – A profit motivator to incentivize better than satisfactory performance when some key elements of performance cannot be objectively/quantitatively measured or areas of importance could shift over the course of the contract. While PIF is not a part of TF!, ASC’s Performance Management Software SeeSOR can be used to objectively evaluate and document a Contractor’s performance against the published Performance Standards in the Technical Requirements. This measured performance may be a contributing factor to other less objective elements of the PIF.

Attachment – VIQ, IQ and PIF

VIQ, IQ and PIF are Basis of Payment items used on some service contracts. Since TF! is a resource and cost estimating software tool, these Basis of Payment items can readily be modeled within the TF! software when desired by the customer.

Variation in Quantity (VIQ)

Objective: VIQ is designed to avoid contract amendments each time an actual quantity differs from the stated Estimated Quantity, while addressing both increasing AND decreasing changes in service scope.

Contract Type(s): Firm Fixed (Firm Lot) Price, Fixed Price.

Prerequisite(s):

1. Contractually binding Estimated Quantities, usually linked to their applicable Technical Requirement
2. Complex or multi-activity service contracts with a large number of Estimated Quantities.
3. A mechanism (usually Contractor provided as specified in the contract) for capturing and reporting Actual Quantities to be compared to the Estimated Quantities.
4. The ability to correlate actual costs to the Technical Requirements in the competitive winning Contract Price [*TF! provides this prerequisite*]
5. Allocates a defined level of performance risk to the service provider who is best able to control and contain the potential financial impact of variations in workload within operational norms.

Description: VIQ is a mechanism to address changes in quantities without Amending the contract each time they occur. Instead, there is an annual retroactive price “consideration“ (but not a “given”), based upon the differences in Actual from Estimated Quantities (both higher AND lower). The “trigger” for consideration is usually set at +/-10%. Variations outside of operational norms can be identified for contract amendment to future periods or for execution through other contract provisions. VIQ has provisions to ensure that there are no unfunded obligations created on the part of the service receiver while ensuring the continuity of contracted services.

Pros:

1. Fewer amendments simplifies day-to-day management of the Basis of Payment during the year
2. Reduces risk to a contractor (thus reducing contractor price)
3. Basis of negotiation is original Contractor price buildup, so competitive pricing is sustained
4. Since estimated quantities are replaced with actual, the quality of the technical requirements improves with time, flowing into contract re-competitions which can improve competition and pricing by eliminating incumbent advantage (or disadvantage) because of inaccurate basis of competition.
5. Addresses both increasing AND decreasing changes in service levels, resulting in reduced costs through scope reduction offsets to scope increases.
6. Eliminates potential disruption to the continuity of services that can be caused by the Amendment process.

Cons:

Annual effort, particularly first year, required to conduct the negotiation can be complex and labor intensive. This will be OFFSET in subsequent years as Quantity accuracy improves, making VIQ “self-destructive” for contracts that are reasonably stable in scope.

Indefinite Quantity (IQ)

Objective: Used to expose a known but indefinite quantity of effort to competitive pricing and to simplify negotiations for deliverables which are within the scope of the contract but not specifically identified and quantified in the Technical Requirements.

Contract Type(s): Firm Fixed (Firm Lot) Price or Fixed Price, all with IQ provisions

Prerequisite(s):

1. Fully loaded hourly labor rates obtained during the competitive process that are proposed against the expected or historical level of effort and an indication of the qualifications or skill requirements of such work [*TF! design facilitates this prerequisite*]
2. A Task Order system defines requirements that are not already addressed by another Basis of Payment clause (i.e. non-priced deliverables)
3. Collateral consumable material or specialist equipment is usually treated as cost reimbursable.
4. Expected start and completion dates are a part of the IQ delivery order.

Description: Only the direct level of effort is negotiated and the contracted IQ labor rates are then applied to the level of effort to arrive at the labor cost for the non-priced deliverables, regardless of the source of the effort (prime or sub-contract).

Pros:

1. With pricing already known, the negotiation centers in the Technical Expert's area of expertise, the amount of hours required to perform the deliverable.
2. Simplified negotiations as the only variable is hours, no added complexity of cost
3. Labor Rates are from original Contractor price buildup, so competitive pricing is sustained
4. Many IQ delivery orders become recurring and can be easily and cost effectively added into the FFP elements of the contract.

Cons:

Contractor will be discouraged from performing IQ work if they underbid their IQ rates [*TF! analysis can identify underbidding of IQ rates*].

Performance Incentive Fee (PIF)

Objective: To incentivize better than satisfactory performance when some specific key elements of performance cannot be objectively/quantitatively measured and areas of importance may shift over the course of the contract.

Contract Type(s): Can be used for all types of firm and reimbursable contracts

Prerequisite(s): Obligated funding for the PIF and a PIF management structure that includes the documentation of performance and both formal and informal communication channels.

Description: PIF is an amount available in addition to fixed profit to be disbursed to a contractor based on a performance assessment by the customer following a documented process to conduct the assessment. The criteria to be used by the customer in the assessment are as determined by the customer (one example, though not mandatory, is performance above and beyond the contract Performance Standards [*SeeSOR will measure against this criteria*]), and can change from PIF period to PIF period. The PIF provides not only profit or fee motivation, but also the motivation resulting from periodic evaluations by professional peers.

Pros:

1. Allows the Customer to influence the more subjective aspects of a service delivery contract while the objective aspects are addressed through other Basis of Payment mechanisms.

2. Can be “free” in that confident Contractors may offset a component of their fixed profit for the PIF in order to provide the lowest total price - thus putting the Customer “in charge” of some or all of their profits

Cons:

1. Customer effort in administering the program
2. Potential for Customer abuse (PIF withheld in order to be used for other Customer needs)