



WEIGHTED GUIDELINES: DATA DRIVEN PROPOSALS AND NEGOTIATIONS



Jessica Johnson, CFCM, CPCM, Fellow

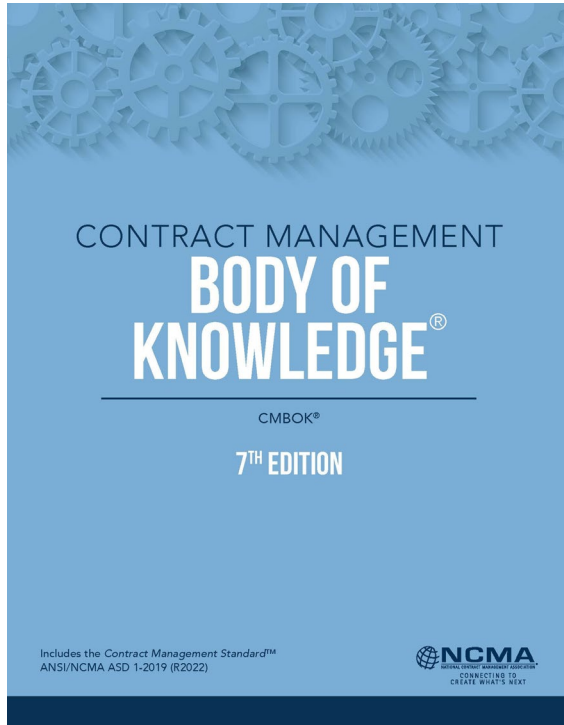
October 12, 2023

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ACCESSING RESOURCES

The screenshot displays the NCMA website interface. At the top, a navigation bar includes links for 'NCMA', 'Live Virtual Trainings', 'Self Paced Virtual Trainings', 'Training Bundles', a 'Search' icon, a 'TN Test' button, and an external link icon. Below this, a breadcrumb trail shows 'Self Paced Virtual Trainings' with a double arrow. The main content area features a dropdown menu with a red notification dot and a downward arrow. Two tabs are visible: 'Overview' and 'Resources', with an orange arrow pointing to the 'Resources' tab. Under the 'Resources' tab, there is a document icon, the text 'Slide Deck', and the filename 'Slidedeck.pdf'. To the right of the resources, a section displays the time 'Thu 12:00 PM EDT' with a clock icon, and below that, the text 'Audio Options:'.



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PRESENTER

Jessica Johnson

CFCM, CPCM, Fellow

CMLDP Class of 2012



LEARNING OBJECTIVES



Understand the purpose of the weighted guidelines method and when it is used



Gain working knowledge of how to complete the weighted guidelines worksheet using scenario inputs



Gather techniques to use technical, risk, and other program data factors to support target profit/fee

AGENDA

Familiarity Check

Definition & Purpose of Weighted Guidelines

Required & Suggested Use; Scenario Planning (Ballpark Fee)

Completing the Weighted Guidelines Worksheet

Elements: Performance Risk, Contract Type Risk, and Cost Efficiency

Reflections - Calculated Fee vs Ballpark Fee

Questions

Poll #1 - What is your comfort level with using weighted guidelines (WGL)?

- a) This is the first time I've heard of weighted guidelines.
- b) I am not very comfortable using weighted guidelines.
- c) Comfortable, but I would like some tips/guidance.
- d) I'm an expert!

WEIGHTED GUIDELINES WORKSHEET

<https://www.dau.edu/tools/dd-form-1547-weighted-guidelines-tool>

RECORD OF WEIGHTED GUIDELINES APPLICATION							REPORT CONTROL SYMBOL
1. REPORT NO.		2. BASIC PROCUREMENT INSTRUMENT IDENTIFICATION NO.			3. SPIIN		4. DATE OF ACTION
a. PURCHASING OFFICE		b. FY	c. TYPE PROC INST CODE		d. PRIOR		e. YEAR
							f. MONTH
5. CONTRACTING OFFICE CODE					ITEM	COST CATEGORY	OBJECTIVE
6. NAME OF CONTRACTOR					13.	MATERIAL	
					14.	SUBCONTRACTS	
7. DUNS NUMBER			8. FEDERAL SUPPLY		15.	DIRECT LABOR	
					16.	INDIRECT EXPENSES	
9. DOD CLAIMANT PROGRAM			10. CONTRACT TYPE CODE		17.	OTHER DIRECT CHARGES	
					18.	SUBTOTAL COSTS (13 thru 17)	\$0
11. TYPE EFFORT			12. USE CODE		19.	GENERAL AND ADMINISTRATIVE	
					20.	TOTAL COSTS (18 + 19)	\$0
WEIGHTED GUIDELINES PROFIT FACTORS							
ITEM	CONTRACTOR RISK FACTORS		ASSIGNED WEIGHTING	ASSIGNED VALUE	BASE (Item 20)		PROFIT OBJECTIVE
21.	TECHNICAL						
22.	MANAGEMENT/COST CONTROL						
23.	PERFORMANCE RISK (COMPOSITE)				\$0		#VALUE!
24a	CONTRACT TYPE RISK (based on incurred cost)			N/A	N/A		
24b	CONTRACT TYPE RISK (based on Government estimate)				\$0		
24c	CONTRACT TYPE RISK - TOTAL (Line 24a + 24b)				\$0		\$0
25.	WORKING CAPITAL		COSTS FINANCED	LENGTH FACTOR	INTEREST RATE		
CONTRACTOR FACILITIES CAPITAL FINANCED				ASSIGNED VALUE	AMOUNT EMPLOYED		
26.	LAND						
27.	BUILDINGS						
28.	EQUIPMENT						\$ -
29.	COST EFFICIENCY FACTOR			ASSIGNED VALUE	BASE (Item 20)		
					\$0		\$0
30.	TOTAL PROFIT OBJECTIVE (Line 23 + 24c + 25 + 28 + 29)						
NEGOTIATED SUMMARY							
				PROPOSED	OBJECTIVE	NEGOTIATED	
31.	TOTAL COSTS			Incomplete	\$0		
32.	FACILITIES CAPITAL COST OF MONEY (DD Form 1547)			Incomplete	\$0		
33.	PROFIT			Incomplete			
34.	TOTAL PRICE (Line 31 + 32 + 33)			Incomplete	\$0	\$0	
35.	MARKUP RATE (Line 32 + 33 divided by 31)			Incomplete	0.000%	0.000%	
CONTRACTING OFFICER APPROVAL							
36. TYPED/PRINTED NAME OF CONTRACTING OFFICER (Last, First, Middle)				37. SIGNATURE OF CONTRACTING OFFICER		38. TELEPHONE NO.	39. DATE
OPTIONAL USE							
36.				37.			38.
							39.

WHAT IS THE WEIGHTED GUIDELINES METHOD?

AKA WGL; DoD uses DD Form 1547

Reference: DFARS 215.404-71 Weighted guidelines method

The weighted guidelines method focuses on four profit factors:

- Performance risk;
- Contract type risk;
- Facilities capital employed; and
- Cost efficiency.

WHEN IS THE USE OF WGL REQUIRED?

Used ***primarily*** by government contracting officers (KOs)

- Department of Defense (DOD)
- Department of Energy (DOE)

Required when cost analysis is performed:

- Absence of adequate price **competition**
- Certified cost or pricing data is required

However, MAY ALSO be used by KOs even when cost analysis is not required

- EXCEPT for Cost Plus Award Fee (CPAF) contracts
- Reference: [CFR 216.405-2, Cost-plus-award-fee contracts](#)

EVERYONE *SHOULD* USE WGL.



Contractors: Speak the same language as your KO!

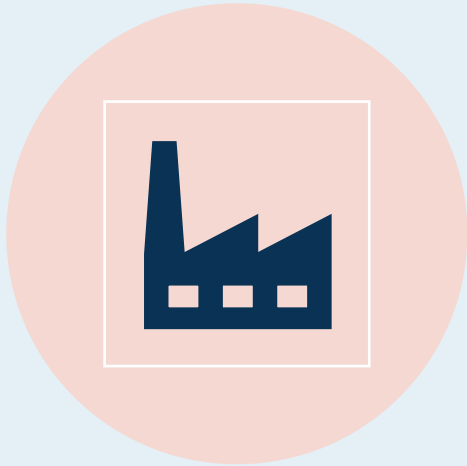


Rely on data, not company or agency-prescribed fee/profit targets.



Negotiate individual WGL fee/profit levers, vs a strategy of "meeting in the middle"

IS THIS NORMAL?



Is this a standard, run-of-the-mill procurement?



Is there anything unusual or special?



What about the current environment?

Poll #2 - Type into the chat

What are we buying and selling today?

1. What is the product or service? Can be real or fictional!
2. What's the contract length? 12 months? 36 months? 60 months?
3. What's the contract type? FFP? T&M? CPFF?

STATUTORY PROFIT LIMITATIONS

15% Experimental, developmental, research

6% Architect-engineer services

10% All other CPFF contracts

Reference: [FAR15.404-4 Profit](#) / [48 CFR § 15.404-4 - Profit](#)

Poll #3 - Type into the chat

What is a reasonable profit margin?

IT'S TIME FOR THE DD 1547

The DD Form 1547

- Provides a vehicle for performing the analysis necessary to develop a profit objective; and
- Provides a format for summarizing profit amounts subsequently negotiated as part of the contract price.

Reference: [PGI 253.215-70 DD Form 1547, Record of Weighted Guidelines Application](#)

HEADER INFORMATION

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	a. PURCHASING OFFICE	b. FY	c. TYPE PROC INST CODE	d. PRISN			a. YEAR	b. MONTH
5. CONTRACTING OFFICE CODE				ITEM	COST CATEGORY		OBJECTIVE	
6. NAME OF CONTRACTOR				13.	MATERIAL			
				14.	SUBCONTRACTS			
7. DUNS NUMBER		8. FEDERAL SUPPLY CODE		15.	DIRECT LABOR			
				16.	INDIRECT EXPENSES			
9. DOD CLAIMANT PROGRAM		10. CONTRACT TYPE CODE		17.	OTHER DIRECT CHARGES			
				18.	SUBTOTAL COSTS (13 thru 17)		\$0	
11. TYPE EFFORT		12. USE CODE		19.	GENERAL AND ADMINISTRATIVE			
				20.	TOTAL COSTS (18 + 19)		\$0	

HEADER INFORMATION

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	a. PURCHASING OFFICE	b. FY	c. TYPE PROC INST CODE		d. PRISN	a. YEAR

This part of the form is only used by the contracting office.

COST INPUTS

RECORD OF WEIGHTED GUIDELINES APPLICATION						REPORT CONTROL SYMBOL		
1. REPORT NO.	2. BASIC PROCUREMENT INSTRUMENT IDENTIFICATION NO.				3. SPIIN		4. DATE OF ACTION	
	a. PURCHASING OFFICE	b. FY	c. TYPE PROC INST CODE	d. PRISN			a. YEAR	b. MONTH
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11. TYPE EFFORT		12. USE CODE		19.	GENERAL AND ADMINISTRATIVE			
				20.	TOTAL COSTS (18 + 19)		\$0	

COST INPUTS

Materials

Subcontracts

Direct Labor

Indirect Expenses

Other Direct Charges

General & Administrative

ITEM	COST CATEGORY	OBJECTIVE
13.	MATERIAL	
14.	SUBCONTRACTS	
15.	DIRECT LABOR	
16.	INDIRECT EXPENSES	
17.	OTHER DIRECT CHARGES	
18.	SUBTOTAL COSTS <i>(13 thru 17)</i>	\$0
19.	GENERAL AND ADMINISTRATIVE	
20.	TOTAL COSTS <i>(18 + 19)</i>	\$0

PROFIT FACTORS

215.404-71-1 General

- (a) The weighted guidelines method focuses on four profit factors—
- (1) Performance risk;
 - (2) Contract type risk;
 - (3) Facilities capital employed; and
 - (4) Cost efficiency.

KNOW YOUR PROJECT



Do you understand the Statement of Work (SOW)/Performance Work Statement (PWS)?



Is the work particularly complex, or standard?



You must know the project in order to defend the proposed fee (contractor) or target fee (customer).

PERFORMANCE RISK FACTORS

- Box 12 - Technology Incentive or Standard?
- Box 21 – Technical Weighting
- Box 22 – Mgmt/Cost Control Weighting
- Box 23 – Performance Risk - Calculated

			18.	SUBTOTAL COST
11. TYPE EFFORT		12. USE CODE	19.	GENERAL AND
			20.	TOTAL COSTS
		WEIGHTED GUIDELINES PROFIT FACTORS		
ITEM	CONTRACTOR RISK FACTORS	ASSIGNED WEIGHTING	ASSIGNED VALUE	
21.	TECHNICAL			
22.	MANAGEMENT/COST CONTROL			
23.	PERFORMANCE RISK (COMPOSITE)			
24.	CONTRACT TYPE RISK (based on insured cost)		N/A	

PERFORMANCE RISK FACTORS

Split 100% between the factors...Where does the risk lie?

3) Assign the weight (a percentage, 0 to 100) TECHNICAL, vs. MGT/COST CONTROL, plays in total performance risk?					Technical
WEIGHTED GUIDELINES PROFIT FACTORS					
ITEM	CONTRACTOR RISK FACTORS	ASSIGNED WEIGHTING	ASSIGNED VALUE	BASE (Item 20)	PROFIT OBJECTIVE
21.	TECHNICAL				
22.	MANAGEMENT/COST CONTROL				
23.	PERFORMANCE RISK (COMPOSITE)			\$ -	

- Technical
- Management/Cost Control

	Normal Value	Designated Range
Standard	5%	3% - 7%
Technology Incentive	9%	7% - 11%

TECHNOLOGY INCENTIVE

What are examples of above normal conditions?

- Stringent specifications!
- ***Highly skilled personnel!***
- State-of-the-art machinery!
- Exacting standards!
- Independent development and investment!
- ***Accelerated delivery schedule!***
- Warranty provisions!
- Reasonably difficult!
- Complex, large-scale integration!
- ***Major international activities!***
- It's just difficult

CONTRACT TYPE RISK

		WEIGHTED GUIDELINES PROFIT FACTORS			
ITEM	CONTRACTOR RISK FACTORS	ASSIGNED WEIGHTING	ASSIGNED VALUE	BASE (Item 20)	PROFIT OBJECTIVE
21.	TECHNICAL				
22.	MANAGEMENT/COST CONTROL				
23.	PERFORMANCE RISK (COMPOSITE)			\$0	#VALUE!
24a	CONTRACT TYPE RISK (based on incurred cost)		N/A	N/A	
24b	CONTRACT TYPE RISK (based on Government estimate to complete)			\$0	
24c	CONTRACT TYPE RISK - TOTAL (Line 24a + 24b)			\$0	\$0

CONTRACT TYPE RISK

Low Risk	↔	High Risk
Cost Plus Fixed Fee (CPFF)	Firm Fixed Price, Progress Payments	Firm Fixed Price, No Financing
	Normal Values	
.5%	3%	5%

3) What is the Contract Type?		JUST SELECT FROM PULL DOWN MENU)					
		ASSIGNED VALUE	BASE	PROFIT OBJECTIVE	Low	Normal	High
24a	CONTRACT TYPE RISK (based on incurred cost)		N/A	N/A			
24b	CONTRACT TYPE RISK (based on Government estimate to complete)		\$ -	\$ -			
24c	CONTRACT TYPE RISK (totals, 24a + 24b)		\$ -	\$ -			

Consider:

- Contract length
- Economic environment
- Extent of subcontract activity

CAPITAL

- Working Capital
- Facilities Capital Financed

	CONTRACTOR FACILITIES CAPITAL FINANCED	ASSIGNED VALUE	AMOUNT EMPLOYED	
26.	LAND			
27.	BUILDINGS			
28.	EQUIPMENT			
				\$ -

COST EFFICIENCY FACTOR

This special factor provides an incentive for contractors to reduce costs.

26.	CONTRACTOR FACILITIES CAPITAL FINANCED	ASSIGNED VALUE	AMOUNT EMPLOYED	
26.	LAND			
27.	BUILDINGS			
28.	EQUIPMENT			\$ -
29.	COST EFFICIENCY FACTOR	ASSIGNED VALUE	BASE (Item 20)	
			\$0	\$0
30.	TOTAL PROFIT OBJECTIVE (Line 23 + 24c +25+ 28 + 29)			

COST EFFICIENCY FACTOR

29.	COST EFFICIENCY FACTOR	ASSIGNED VALUE	BASE (<i>Item 20</i>)	
			\$0	\$0

No normal value, but... 4% is the highest objective.

Consider:

- Elimination of excess/idle facilities!
- Prior cost savings!
- Process improvements!
- Improved productivity!

What is being done or used which will result in cost efficiencies?

Poll #4 - Type into the chat

After going thru this exercise...

What do you believe is a
reasonable profit margin?

CONVERSATIONS

Government

- Max, min, target

Industry

- Goal profit... based on what?
- What minimum fee is supportable?

Challenges in negotiating reasonable fee

Weighted Guidelines in Action

DAU Weighted Guidelines Tool

- <https://www.dau.edu/tools/dd-form-1547-weighted-guidelines-tool>

DFARS 215.404-71


- <https://www.acquisition.gov/dfars/215.404-71-weighted-guidelines-method>

QUESTION & ANSWER

Please type your questions in the Q&A box at the bottom of your screen.

Jessica Johnson, CFCM, CPCCM, Fellow

October 12, 2023



If you have any questions that didn't get answered, please message us at memberservices@ncmahq.org and we will pass them along to our presenter.

SURVEY



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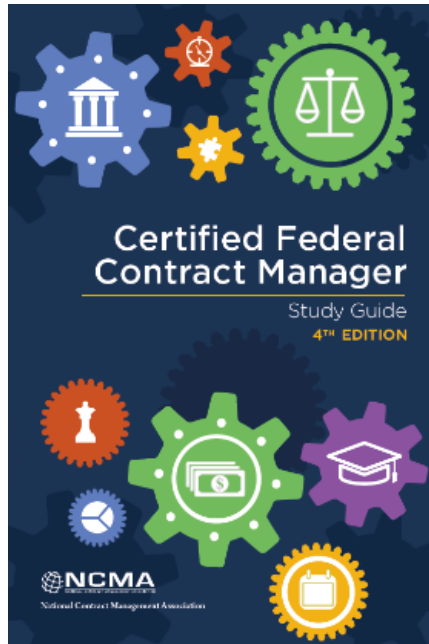


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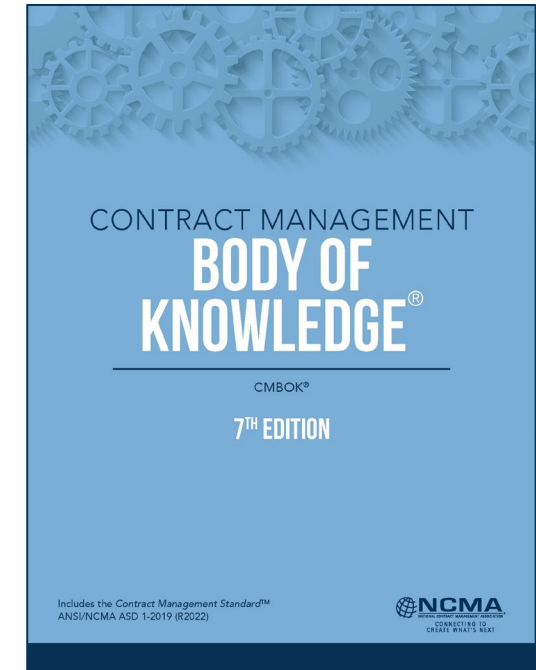
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Requirements				
Bachelor's Degree	Yes	Yes	Yes	Yes OR
Work Experience	> 5 years	> 2 years	> 2 years	1 year
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today's virtual training.



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