

Cost Estimating & Earned Value Management

A focus of the military's transformation in the 21st century is on recapitalizing the Warfighter through savings and efficiencies while improving the readiness of today's military. Serco's Cost Estimating and Earned Value Management services provide the government with the tools to ensure that taxpayer funds are being spent in the most cost-wise manner. Serco offers a team of experts with deep experience in the full range of cost estimating techniques including: engineering or bottom-up; analogy; parametric; and actual cost.

Serco Helps Government Procurement Agencies Meet the Fiscal Pressures of Transformation for the 21st Century Mission.

- Serco's proven methods have delivered savings, cost avoidance and efficiency
- Our strong OCI program ensures objectivity
- We are trusted by OEMs and other vendors to protect proprietary data



Serco helps the US Army efficiently manage the multi-billion dollar Logistics Civil Augmentation Program (LOGCAP) by providing support in the development of Independent Cost Estimates, analytical support of contract proposal evaluation, and monitoring of contractor cost and schedule performance. Our analysts deploy with the Army around the globe, providing expert front-line business support to combatant commanders. We have helped the Army to definitize dozens of LOGCAP tasks, reducing claimed costs by billions of dollars.

Under our Price Fighters support program, we are the industry leader in providing engineering-based cost estimating and economic analysis on mission critical projects ranging from F/A-18 fighter aircraft to the Patriot Missile to turn-key data processing centers. Serco's cost and program analysts have helped procuring officials save over \$1 billion over the past five years by thorough analysis of contractor proposals. We follow through on these analyses by assisting contracting officers during negotiation sessions – providing them solid, defensible estimates from which to negotiate fair and reasonable prices.

Life Cycle Cost Estimate

A Life Cycle Cost Estimate specifies the expected cost to develop, procure, operate, support and finally dispose of a system. Serco provides the government with accurate LCC estimates that provide the visibility required for agencies to develop defensible budgets, while allowing the agency to compare the cost of project alternatives and determine which alternative provides the most cost-effective use of resources.

Independent Cost Estimates

Serco is the industry leader in providing independent cost estimates for spare parts, weapon systems, and services. Our accurate estimates provide the government with visibility of all resources required in the performance of a contract.

Business Case Analysis

We help the government assess the ability of a Performance Based Logistics (PBL) contract to generate efficiencies and cost savings. using Business Case Analysis. This analysis requires the government to determine the costs of traditional logistics support and compare it to the costs proposed by the PBL contractor to provide the same support.

Cost/Benefit Analysis

Cost-Benefit Analysis (CBA) provides an estimate of the present money value of benefits and costs to an organization, to establish whether projects are worthwhile. Serco uses CBA as a systematic process for calculating and comparing benefits and costs of a project for two purposes: 1) to determine if the project is a sound investment (justification/feasibility) and 2) to see how it compares with alternate projects (ranking/priority assignment). Our analysts define the project and alternatives; then identify, measure, and value the benefits and costs of each

Lease/Purchase Trade-Offs

There are many situations when alternative methods of obtaining equipment provide the most feasible and cost-effective means. A lease/purchase analysis requires more than simply comparing the price of the lease to the price of the equipment. The savings and efficiencies come from an analysis of the complete life cycle management process, such as support and disposal costs, and are dependent upon the situation at the individual agency.

Cost Risk Analysis

Cost Risk Analysis is the prediction of likely rises in costs due to unforeseen schedule, technical, or programmatic problems. Our extensive experience with cost estimating will verify the accuracy of the cost estimate, and our in-house subject matter experts will track the program schedule using Earned Value Management. Additionally, using Monte Carlo Simulations, with inputs from previous assessments of cost probability distributions for each element by WBS, we obtain a program level probability distribution. These results are then used to determine the actual risk of cost overruns and to identify risk drivers.

Outsourcing/Privatization

Given the current military environment, it is essential that the government continue to find innovative ways to do more with less through outsourcing and privatization. Serco has the expertise to help the government maximize efficiency and effectiveness while accomplishing its mission of delivering combat capability. Specific outsourcing/privatization services include:

- Most Efficient Organization Studies
- Development of Performance Work Statements
- Development of In-house Government Cost Estimates
- Initial Study Planning

Contract Price Negotiation

We understand the delicate nature of the negotiation process between the government and contractors. At Serco, we pride ourselves on having over ten years experience working with the government and many defense contractors in contract price negotiation. Our independent cost estimates provide full visibility of the baseline cost that opens dialogue between negotiating parties to arrive at a cost that is fair and reasonable to all parties.

Cost Realism/Should Cost Analysis

Whether the procuring item is a spare part, a weapon system or a support service, Serco has the expertise to arm the government with accurate and defensible cost estimates to use in the negotiation of fair and reasonable pricing. We start with an analysis of manufacturing drawings or statement of work and break the product down into its component parts. From there we build a cost estimate from the bottom-up to arrive at a realistic price.

Activity-Based Costing (ABC)

ABC is an accounting technique that allows an organization to determine the actual cost associated with each product and service produced by the organization without regard to the organizational structure. Our organization reviews your production processes and traces overhead or indirect costs to the actual activity that causes the cost to be incurred. The use of ABC provides for more accurate product costs and reduced overhead costs which, in turn, allows for more competitive pricing.

Earned Value Management (EVM)

EVM allows managers to see the required before project start and then provides visibility of the status of funds spent in comparison to the work that has been performed, or earned. EVM provides early warning signals when a project requires corrective action.

For more information
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