

ATTACHMENT B

DIRECT LABOR SUPPORTING DOCUMENTATION

Direct labor is the wages and salaries paid to workers that can be attributed to the services, production, assembly, or fabrication of the end product or service. It may include overtime and weekend differential costs. In general terms, direct labor can be called 'touch labor': if you touch the part during manufacturing, you are probably direct labor.

It does not include machine runtime (although the hours needed for the machine operator are direct labor), employer or employee taxes or benefits (labor overhead), support personnel (secretaries, CEO, finance personnel (G&A expense)) to name a few exclusions.

The following is the type of information you should provide with your proposal. The end goal is a fully documented (supported) proposal sufficient for NCDMM to make a formal determination that the direct labor costs are fair and reasonable.

Justification of skill mix: Provide job description or list of tasks (tied to the Statement of Work element if possible) that each person will perform. Provide a narrative explanation of why that skill is needed to accomplish the effort and why the proposed skill mix is necessary to perform the effort. If quoting different levels of the same labor category (Engineer I vs Engineer II), support the need for a higher-level skill set.

Explanation of labor hours proposed: Describe the methodology used to determine the number of hours proposed. This explanation could be previous in-house efforts similar in nature (provide project number and name), industry standard (provide source), or historical data (multiple previous awards over a period of time, provide source of information).

Labor Rate: Discuss the calculation/determination of the labor rate. This could be salary divided by 2,080 annual hours, could be blended rate (for example: three level of engineer's average rate), could be union labor contract (provide copy of labor agreement). Narrative needs to provide rationale to support the proposed labor rate.

Note If you choose to quote labor rate as a loaded rate, please indicate the indirect elements included in your loaded rate. For instance: did you apply only labor overhead; did you include G&A expense; did you include profit? A loaded rate is also referred to as a wrap rate, a fully loaded rate or company billing rate.

If you have more labor categories than lines available on the pricing form, move the entire table to this attachment.