Financial Aspects, Cost and Price Evaluation and Technical Proposal Evaluation to Avoid Protests

Intro:

- Contract Pricing in Federal Procurement
- Pricing Information & Data Requirements
- Technical Evaluation
- Cost & Price Analysis

Conclusion

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Intro:

TASC/TGIC:

NCMA Certifications

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Upcoming Events:
- June 11, 2019: Naval Information Warfare Center (NIWC) Information Day
- June 13, 2019: TGIC Exec. Meeting
NCMA Certifications
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Contract Pricing in Federal Procurement

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Contract Pricing in Federal Procurement

- Pricing Development
- Fair & Reasonable
- Price Analysis
- Cost Analysis
- Cost Realism
- Market Research
Pricing Development

Pricing Objectives
- Seller
  - Pricing Perspectives
  - Pricing objectives
  - Approaches to pricing
  - Market based pricing strategies
  - Cost based pricing strategies

Pricing Perspectives
- Buyers
  - The buyer looks at the price
  - Different organizations have different pricing objectives
  - Different customers have different pricing objectives
  - Different products have different prices

Approaches to Pricing
- Product
  - Long-term oriented
  - Short-term oriented
  - Technological leadership
  - High productivity

Pricing Objectives
- To lower costs
- To contribute to corporate objectives
- To lower production costs
- To improve market share
- To increase profitability
- To contribute to the overall cost

8.
Price Defined

- **Price**
  - General Business - The amount a willing buyer pays a seller for the delivery of a product or service
  - ASPM - A fair and reasonable price is one that is fair to both parties to the contract, considering the quality and timeliness of contract performance
  - FAR 15.401 – cost plus any fee or profit applicable to the contract type
- Contract pricing is the function that gathers, assimilates, evaluates and, in establishing objectives, brings to bear all the skills and techniques needed to shape the eventual pricing arrangement.
- Pricing services include price analysis, cost analysis and the use of accounting and technical evaluations and systems analysis techniques to facilitate negotiation of realistic pricing arrangements.
Pricing Objectives

• Seller
  • Pricing Perspectives
  • Pricing objectives
  • Approaches to pricing
  • Market based pricing strategies
  • Cost based pricing strategies
Pricing Perspectives

- Buyers and sellers look at the same price from different perspectives. Each party to a sales transaction has unique pricing objectives.
  - Sellers in different markets often have different approaches to contract pricing.
  - Different sellers in the same market may have different pricing objectives and approaches.
  - A single firm may have different objectives and approaches in different contracting situations.
Pricing Objectives

• To cover costs
• To contribute to corporate operational objectives:
  • Short term/long term profitability
  • Market share
  • Long term survival
  • Product quality
  • Technological leadership
  • High productivity
Approaches to Pricing

- In pricing – Sellers commonly use one of two approaches to price products
  - Market-based Pricing
  - Cost-based Pricing
Fair & Reasonable

Fair and Reasonable

- Fair to the buyer
  - The fair market value of the contract should reflect the agreed price of the purchase and ensure the seller receives a fair compensation.
  - The contract should be written in clear, concise language that is easy to understand.
- Fair to the seller
  - The contract should establish the seller’s ability to satisfy the terms and conditions of the contract.
  - The seller should be aware of the potential risks and liabilities associated with the sale.
Fair and Reasonable

- **Fair to the buyer**
  - The fair market value of the contract deliverable given the prices of market transactions between informed buyers and sellers under similar competitive market conditions for deliverables with similar product, quality, and quantity requirements.
  - The (1) total allowable cost of providing the contract deliverable that would have been incurred by a well managed, responsible firm using reasonably efficient and economical methods of performance plus (2) a reasonable profit.

- **Fair to the seller**
  - realistic in terms of the seller’s ability to satisfy the terms and conditions of the contract
Price Analysis

Price Analysis Considerations

- Definition of Price Analysis: Price analysis is the process of examining and evaluating a proposed price to determine if it is fair and reasonable, without evaluating its separate cost elements and proposed profit. Price analysis may be, when necessary, supplemented by evaluation of cost elements.
- Price analysis must be performed for all procurement to ensure that the overall price is fair and reasonable.

Basis for Price Analysis

- Price analysis should include some form of comparison with other prices such as:
  - Historical price data from previous contracts similar in nature
  - Market prices from competitors
  - Prices of similar items
  - Prices of similar contracts
  - Prices from the same vendor
  - Prices from other contracts
  - Other relevant factors that can affect pricing
- Price analysis should consider all relevant factors that affect pricing.
Price Analysis Considerations

- Definition of Price Analysis. *Price analysis is the process of examining and evaluating a proposed price to determine if it is fair and reasonable, without evaluating its separate cost elements and proposed profit. Price analysis may be, when necessary, supplemented by evaluation of cost elements.*

- Price analysis must be performed for ALL procurement to ensure that the overall price is fair and reasonable.
Basis for Price Analysis

Price analysis always involves some form of comparison with other prices such as:

- Proposed prices received in response to the solicitation;
- Commercial prices including competitive published price lists, published commodity market prices, similar indexes, and discount or rebate arrangements;
- Previously-proposed prices and contract prices for the same or similar end items, if you can establish both the validity of the comparison and the reasonableness of the proposed price;
- Parametric estimates or estimates developed using rough yardsticks;
- Independent Government Estimates; or
- Prices obtained through market research for the same or similar items
Cost Analysis

Cost Analysis Considerations

- Definition of Cost Analysis. Cost analysis is the volume and evaluation of the separate cost elements and proposed profitability.
- An estimate of the construction cost or pricing of labor in the difference from cost or pricing data.
- The subtotal factor applied as a percentage on the estimated cost.

To prepare the evaluation is to form proportion on the degree to which the proposed cost represents what the cost of the contract should be, ensuring reasonable economy and efficiency.

When to Perform Cost Analysis

- Perform cost analysis in all of the following situations:
  - When the Construction Team submits a proposal and the owners request an analysis on the pricing of labor.
  - When the work cost is so important that the cost of the contract should be, ensuring reasonable economy and efficiency.

Review only the information contained in the proposal plus reasonable cost value.
Cost Analysis Considerations

- **Definition of Cost Analysis.** *Cost analysis is the review and evaluation of the separate cost elements and proposed profit/fee of:*
  - An offeror’s or contractor’s cost or pricing data or information other than cost or pricing data and
  - The judgmental factors applied in projecting from the data to the estimated costs.
- **The purpose of the evaluation is to form an opinion on the degree to which the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency.*
When to Perform Cost Analysis

- Perform cost analysis in either of the following situations:
  - When the Truthful Cost or Pricing Data (TINA) applies and the offeror is required to submit cost or pricing data. In this situation, the offeror must provide complete, accurate, and current data to support all proposed costs and profit/fee.
  - When you require an offeror to submit cost information other than cost or pricing data to support your decision on price reasonableness or cost realism.

  *Require only the information necessary to determine price reasonableness or cost realism!*
Cost Realism

Cost Realism Analysis Considerations
- Definition of Cost Realism Analysis: Cost realism analysis is the process of independently reviewing and evaluating specific elements of each offerer’s proposed cost estimate to determine whether the estimated proposed cost statement:
  - accurately reflects all work to be performed;
  - reflects a clear understandability of the requirements and goals of the project;
  - reflects a clear understandability of the offerer’s proposal; and
  - reflects a clear understandability of the offerer’s construction approach and construction technique in the offerer’s technical proposal.
- What is the Cost Realism Analysis?
  - A cost realism review offers an opportunity for the evaluators to determine the probable cost of contract performance;
  - may be used to evaluate competitive offers for fixed-price contracts or contracts in which performance is uncertain due to unforeseen factors or conditions;
Cost Realism Analysis Considerations

• Definition of Cost Realism Analysis. Cost realism analysis is the process of independently reviewing and evaluating specific elements of each offeror’s proposed cost estimate to determine whether the estimated proposed cost elements:
  • Are realistic for the work to be performed;
  • Reflect a clear understanding of the requirements; and
  • Are consistent with the unique methods of performance and materials described in the offeror’s technical proposal.

• When to Use Cost Realism Analysis
  • All cost-reimbursement contract offers to determine the probable cost of contract performance
  • May be used in evaluating competitive offers for fixed-price incentive contracts or, in exceptional cases, on other fixed-price contracts.
When to do Market Research
- Before developing new requirements documents for an acquisition
- Before soliciting offers above the Simplified Acquisition Threshold
- Before soliciting offers below the Simplified Acquisition Threshold if there is not adequate information available and the circumstances justify the cost
- Before soliciting offers that could lead to bundled contracts under the Small Business Act

Market Research Techniques
- Small and -to the best extent to keep costs
- Subjective (e.g., interviews, surveys, focus groups, etc.)
- Combination approaches (e.g., Delphi method, scenario planning, etc.)
- Customer-centric and stakeholder-centric strategies
- Break down the market research into steps
- Benchmarking and competitive analysis
- SWOT analysis
- PESTLE analysis
- BCG Growth-Share Matrix
- Decision tree
- Stages and implementation plan
- Communication and consultation
- Collaboration and cooperation
- Innovation and creativity

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Market Research

- Defined as collecting and analyzing information about the capabilities within the market to satisfy agency needs
- Thoroughly executed process will provide information on:
  - Existing products
  - Capable sources – including small businesses
  - Competitive market forces
  - General pricing information
  - Varying levels of products and performance
  - Commercial practices
  - Support capabilities
  - Successful acquisition practices of other organizations
When to do Market Research

- Before developing new requirements documents for an acquisition
- Before soliciting offers above the Simplified Acquisition Threshold
- Before soliciting offers below the Simplified Acquisition Threshold if there is not adequate information available and the circumstances justify the cost
- Before soliciting offers that could lead to bundled contracts under the Small Business Act
Market Research Techniques

- **Surveillance** – a continuous process to keep up with technology and the market place – not generally tied to a specific acquisition
- **Investigation** – a specific and comprehensive research in response to definite Government requirements
  - **Step 1** – Describe the Government’s needs
  - **Step 2** – Determining the availability of NDIs or Commercial items
    1. Contact knowledgeable individuals within Government and industry
    2. Review recent, relevant Market Research
    3. Publish formal RIFs
    4. Query Government and commercial databases
    5. Participate in interactive, on-line communications with industry, acquisition personnel and customers
    6. Obtain source lists
    7. Review catalogs and product literature
    8. Conduct conferences and exchange meetings
Market Research Techniques

– Step 3 – Evaluate data – reassess agency requirements to permit use of NDI or commercial items
– Step 4 – Determine the appropriate procurement method
– Step 5 – Document the results
Other uses for Market Research

- To determine the appropriate procurement strategy
- To determine the scope of technical proposals and other submissions
- To develop appropriate contract terms and conditions
- To determine the appropriateness of financing payments
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Summary

Pricing Information and Data
- What type of data is needed to support the pricing decision?
  - Certified Cost or Pricing Data
  - Information Other Than Certified Cost or Pricing Data
  - Recent updates to FAR Part 15
Pricing Information and Data

- What type of data is needed to support the pricing decision?
  - Certified Cost or Pricing Data
  - Information Other Than Certified Cost or Pricing Data
- Recent updates to FAR Part 15
Requirement

What is Cost or Pricing Data?

- FAS 21/01. An all facts that, as of the date of price agreement or, if applicable, another date agreed upon between the parties, that have a reasonable bearing on the price of the goods or services to be delivered. Costs that are not relevant or that have reasonable bearing on the price of the goods or services are not included.

- Include only factors as:
  - Material, labor, and overhead costs.
  - Information on alternative production methods or products.
  - Data supporting competitiveness of business proposals.
  - Material usage estimates.
  - Material cost estimates.
  - Information on management decisions that would have a significant bearing on costs.

- Exclude factors such as:
  - Volume discounts.
  - Information on market conditions.
  - Information on technical specifications.
  - Information on future demand.

- Include only factors as:
  - Material, labor, and overhead costs.
  - Information on alternative production methods or products.
  - Data supporting competitiveness of business proposals.
  - Material usage estimates.
  - Material cost estimates.
  - Information on management decisions that would have a significant bearing on costs.
What is Cost or Pricing Data?

- FAR 2.101- Are all facts that, as of the date of price agreement or, if applicable, another date agreed upon between the parties that is as close as practicable to the date of agreement on price, prudent buyers and sellers would reasonably expect to affect price negotiations significantly.
  - Are factual, not judgmental, and are therefore verifiable.
  - Include the data that form the basis for the prospective offeror's judgment about future cost projections. The data do not indicate the accuracy of the prospective contractor's judgment.
  - Are more than historical accounting data. They are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred.
• **Include such factors as:**
  • Vendor quotations;
  • Nonrecurring costs;
  • Information on changes in production methods and in production or purchasing volume;
  • Data supporting projections of business prospects and objectives and related operations costs;
  • Unit-cost trends such as those associated with labor efficiency;
  • Make-or-buy decisions;
  • Estimated resources to attain business goals; and
  • Information on management decisions that could have a significant bearing on costs.
Certified Cost or Pricing Data

What is Certified Cost or Pricing Data?

- FAR 21.101 - Cost and pricing data that were required to be submitted in accordance with FAR 15.609-4 and 15.609-5 and have been certified, or are required to be certified, in accordance with FAR 31.409-1.
- This certification states that, to the best of the person’s knowledge and belief, the cost or pricing data are accurate, complete, and current as of a date certain before contract award.
What is Certified Cost or Pricing Data?

• FAR 2.101 - Cost and pricing data that were required to be submitted in accordance with FAR 15.403-4 and 15.403-5 and have been certified, or are required to be certified, in accordance with FAR 15.406-2.

• This certification states that, to the best of the person's knowledge and belief, the cost or pricing data are accurate, complete, and current as of a date certain before contract award.
Information Other Than Cost or Pricing Data

How Much Data Do I Need?

- Order of Preference (420 & 422)
  - S3 Data in Multiple (420)
  - 422 (Is the market in the) information required to show and accurate determination that a contract price is the most reasonable.
- When CPFD are not required:
  1. No additional data from the offerer if the price is based on adequate price competition.
  2. Data Other Than CPFD

Exception for Obtaining CPFD

- Order of Preference (420 & 422)
  - S3 Data in Multiple (420)
  - 422 (Is the market in the) information required to show and accurate determination that a contract price is the most reasonable.
- When CPFD are not required:
  1. No additional data from the offerer if the price is based on adequate price competition.
  2. Data Other Than CPFD
What is Data Other Than Certified Cost or Pricing Data?

- FAR 2.101 - pricing data, cost data and judgmental information necessary for the contracting officer to determine a fair and reasonable price or to determine cost realism that are not required to be certified as accurate, complete, and current, in accordance with FAR 15.406-2.

- May include sales data and any data reasonably required to explain the offerors estimating process including but not limited to:
  - The judgmental factors applied and the mathematical or other methods used in the estimate, including those used in projecting from known data; and
  - The nature and amount of any contingencies included in the proposed price.

- Includes "cost or pricing data" but for which certification is not required.
How Much Data Do I Need?

• **Order of Preference (FAR 15.402)**
  — Obtain the MINIMUM amount of information required to allow and adequate determination that a contract price is fair and reasonable.

• **When CCPD are not required:**
  1. No additional data from the offeror if the price is based on adequate price competition
  2. Data Other Than CCPD
Exception for Obtaining CCPD

- Certified cost or pricing data shall not be obtained for acquisitions at or below the simplified acquisition threshold.

- Effective 01 July 2018, contracting officers shall use $2 million as the threshold for obtaining certified cost or pricing data, in lieu of the threshold of $750,000.

- Standards for exceptions from certified cost or pricing data requirements:
  1. When the contracting officer determines that prices agreed upon are based on adequate price competition
  2. When the contracting officer determines that prices agreed upon are based on prices set by law or regulation
  3. When a commercial item is being acquired
  4. When a waiver has been granted; or
  5. When modifying a contract or subcontract for commercial items
Format for Data Submission

• CCPD – FAR Table 15-2

• Data Other Than CCPD:
  • May require only require limited cost information from the offeror/contractor.
  • May contain similar types of data as CCPD but does not require a Certificate of Current Cost or Pricing Data and does not require submission of data in the format at Table 15.2.

• While under TINA requirements the offeror is required to disclose all facts that a prudent buyer or seller would expect to have a significant impact on price
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Cost & Price Analysis

Price Analysis

Cost Analysis

Profit/Fee Analysis
Definition of Price Analysis

- Process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit.
  - FAR 15.401-1(b)
Why Price Analysis?

• Price analysis is performed whenever you compare one price to another
• Price analysis provides a basis for detecting unreasonable or unrealistic offers
• Price analysis is integral to the cradle to grave procurement process
• Best practice
• Price analysis is required for every acquisition
Comparison Roadmap

• Selecting prices for comparison
• Identify factors that affect comparability
• Determine the effect of identified factors
• Adjust prices for comparison
• Compare offered and adjusted prices
Selecting Prices for Comparison

- **Primary comparisons:**
  - Other proposed prices
  - Commercial prices
  - Previously proposed prices and contract prices

- **Secondary comparisons:**
  - Historical prices
  - Parametric estimates or rough yardstick estimates
  - Independent Government estimates
Identify factors that affect comparability

- Market and economic conditions
- Quantity size
- Geographic location
- Purchasing power of the dollar
- Extent of competition
- Technology
- Contract Ts & Cs
Determining Effects of Differences

- After you have identified the factors that may affect comparability, the next step is to determine the effect on each specific comparison with the offered price:
  - What factors affect this comparison?
  - How do these factors affect the comparison?
  - Does this comparison, even with its limitations, contribute to the price analysis?
Adjusting Prices

• Identify and document price-related differences, taking into account the factors affecting comparability
• Determine the technique for making the adjustment
• Factor out price related differences
Compare Prices

• Have all price-related differences been documented?
• Is a common basis for comparison established?
• If not, to what extent is the comparison still valid? Should an adjustment be considered?
Cost Analysis

What is Cost?
- Direct Cost
  - Direct Labor
  - Direct Material
  - Direct Service
- Indirect Cost
  - Overhead
  - Indirect Cost
  - Cost of Money

Composition of Total Cost - FAR 31.205-1
- Direct cost - FAR 31.202
- Indirect cost - FAR 31.203
- Cost of Money - FAR 31.205-10
Cost Analysis Definition

• Cost analysis is the review and evaluation of any separate cost elements and profit or fee in an offeror’s or contractor’s proposal, as needed to:
  • determine a fair and reasonable price
  • to determine cost realism

• And the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency
What is Cost?

- Direct Cost
  - Direct Labor
  - Direct Material
  - Other Direct Costs
  - Subcontracts

- Indirect Cost
  - Overhead
  - G&A Cost
  - Cost of Money
Composition of Total Cost - FAR 31.201-1

- Direct cost - FAR 31.202
- Indirect cost - FAR 31.203
- Cost of Money – FAR 31.205-10
Cost Analysis Techniques

Cost Analysis Techniques and Procedures

- Cost analysis involves reviewing the costs associated with a project or decision.
- Identify all relevant costs in the project.
- Determine the cost drivers for each cost.
- Categorize costs into direct and indirect costs.
- Track costs throughout the project's life cycle.
- Ensure accuracy and completeness of cost data.

Cost Analysis Techniques . . . II

- Evaluate the impact of different options on the project.
- Calculate the average cost and the average cost per unit.
- Use sensitivity analysis to assess the impact of cost variations.
- Compare the total cost with the budgeted cost.
- Evaluate the profitability of the project.

Cost Analysis Techniques . . . III

- Analyze the cost-benefit ratio to determine the viability of the project.
- Conduct a break-even analysis to identify the break-even point.
- Use productivity analysis to assess the efficiency of the project.
- Evaluate the project's impact on the organization.
- Identify opportunities for cost reduction and efficiency improvement.
Cost Analysis Techniques and Procedures

Cost analysis includes the following techniques and procedures as appropriate:

- Verify cost or pricing data or information other than cost or pricing data.
- Evaluate cost elements, including:
- The necessity for and reasonableness of proposed costs, including allowances for contingencies;
- Projections of the offeror's cost trends, on the basis of current and historical cost or pricing data or information other than cost or pricing data;
- Reasonableness of estimates generated by appropriately calibrated and validated parametric models or Cost Estimating Relationships; and
- The application of audited or negotiated indirect cost rates, labor rates, cost of money factors, and other factors.
Cost Analysis Techniques . . Il

• Evaluate the effect of the offeror’s current practices on future costs.
  • Ensure that the effects of inefficient or uneconomical past practices are not
    projected into the future.
  • In pricing production of recently developed complex equipment, perform a
    trend analysis of basic labor and materials even in periods of relative price
    stability.
• Compare costs proposed by the offeror for individual cost elements with:
  • Actual costs previously incurred by the offeror;
  • Previous cost estimates for the same or similar items;
  • Other cost estimates received in response to the Government’s request;
  • Independent Government cost estimates by technical personnel; and
  • Forecasts of planned expenditures.
Cost Analysis Techniques . . . III

- Verify that the offeror's cost submissions are in accordance with the contract cost principles and procedures in FAR Part 31 and any applicable Cost Accounting Standards.
- Determine whether any cost or pricing data necessary to make the contractor's proposal accurate, complete, and current have not been either submitted or identified in writing by the contractor. If there are such data:
  - Attempt to obtain the data and negotiate using the data obtained, or
  - Make satisfactory allowance for the incomplete data.
- Analyze the results of any make-or-buy program reviews, in evaluating subcontract costs.
Profit/Fee Analysis

Profit Motivation
- The underlying assumption behind government structured opportunities to profit/fee analysis is that such contracts are motivated by profits.
- Structured opportunities provide a discipline for ensuring all contract terms are considered in developing government profit/fee negotiation objectives.
- It is in the Government's best interest to offer contractor opportunities for financial rewards sufficient to:
  - Encourage efficient and effective performance
  - Promote self-interest, government regulation, and cost control
  - Encourage contractors to finance contracts, and
  - Incentivize a wider interest base in entering a market.

Statutory Limitations
- Civil Works Contractor
- Department of Development – 50%
- Other 50%
Profit/Fee Analysis

- Statutory Limitations
- General Factors Affecting Profit or Fee
- Weighted Guidelines Profit Analysis
Profit Motivation

- The underlying assumption behind Government structured approaches to profit/fee analysis is the belief that contractors are motivated by profit/fee.

- Structured approaches provide a discipline for ensuring that all relevant factors are considered in developing Government profit/fee negotiation objectives.

- It is in the Government’s best interest to offer contractor’s opportunities for financial rewards sufficient to:
  - Stimulate efficient contract performance;
  - Attract the best capabilities of qualified large and small business concerns to Government contracts; and
  - Maintain a viable industrial base to meet public needs.
Inconsistent Practices

- If the Government is to use profit/fee to motivate contractor performance and achieve the above goals, practices primarily intended to reduce profit/fee or diminish the impact of profit/fee analysis are not in the Government’s best interest.

- The following are practices that are inconsistent with Government profit/fee goals:
  - Negotiations aimed at reducing prices by reducing profit/fee without proper consideration of the profit function.
  - Negotiation of extremely low profits/fees.
  - Use of historical average profit/fee rates without regard to the unique circumstances of the immediate negotiation.
  - Automatically applying predetermined profit/fee percentages without regard to the unique circumstances of the immediate negotiation.
Statutory Limitations

• **Cost Plus Fixed Fee**
  • Experimental or Developmental – 15%
  • All other CPFF – 10%
Financial Aspects, Cost and Price Evaluation and Technical Proposal Evaluation to Avoid Protests
Adequacy Checklist

• Prior to submitting proposal to the CO, perform self assessment of the adequacy by utilizing Adequacy of a Contractor’s Pricing Proposal Checklist (www.dcaamil)
Cost or Pricing Data Required:

1. TINA requires contractors to submit cost or pricing data if the procurement is above the TINA threshold and none of the exception to cost or pricing data requirements applies.
2. Under TINA, the CO obtains accurate, complete, and current data from the contractor to establish a fair and reasonable price (FAR 15.403).
CO may require:

1. Proposal submission of cost or pricing data in the format prescribed in FAR 15.408, Table 15-2
2. Specify an alternative format, or
3. Permit submission in the contractor’s own format.

It is extremely important to prepare proposals in accordance with these instructions unless the CO specified an alternate format or approved the contractor’s own format.
Information Other Than Cost or Pricing Data Required

• Even when an exception to cost or pricing data applies (FAR 15.403-1), the CO is still required to establish a fair and reasonable price.

• To make this determination, CO may require information other than cost or pricing data, including information related to prices and cost information that would otherwise be defined as cost or pricing data if certified. Critical for sole source basis.

• Submission of information may be submitted in offeror’s own format, unless the CO decide that a specific format is essential and outlined in solicitation (FAR 15.403-5(b)(2)).
DCAA Audit

Audit Initiation

- The auditor reviews the proposal submitted to the cognizant DCAA office.
- Auditors will identify the type of data required by the contractor and
review the proposal and negotiate for relevant.
- During the contract, representatives are required to provide a
full understanding of the basis of the proposal.
- Auditors will review proposals and determine if they are
adequately prepared in accordance with the instructions of FAR.

Audit Process

- The responsibility for providing adequate supporting data lies solely
with the contractor.
- Contractors bear the burden of proof in establishing the
reasonableness of proposed costs; therefore, it is in the contractor's best interest to
submit a fully supported and well-prepared cost proposal.
- Basis for rationale for all proposed costs should be provided as part of the
project so that the government can have reliance on the information.
- The contractor is required to provide all relevant information.
Audit Initiation

- The auditor initiates an audit when the PCO or ACO submits request to the cognizant DCAA office.
- Auditor will identify the type of data required of the contractor and review the proposal package for adequacy.
- DCAA will then contact company representative and coordinate walk-through of the proposal to gain an understanding of the basis of the proposal and related supporting documentation.
- Auditor will review proposal assertions to determine if it has been adequately prepared (in accordance with the instructions of FAR 15.408, Table 15-2 or format specified). PCO to returned if inadequate.
Audit Process

• The responsibility for providing adequate supporting data lies solely with the contractor.

• Contractor bears the burden of proof in establishing reasonableness of proposed cost, therefore, it is the contractors best interest to submit a fully supportable and well-prepared cost proposal.
  • Basis and rationale for all proposed costs should be provided as part of the proposal so that the government can place reliance on the information as current, complete, and accurate.
Audit Process (cont.)

- When auditor requests supporting documentation from a contractor (verbally or written), the request will clearly state what support is needed and when it should be provided.
- Support includes access to personnel, in addition to the documentation/data supporting the contractor’s assertion (i.e. cost records, policies and procedures, management reports).
- It is critical to meet the deadline for requested information.
- In addition, FAR 15.404-1(c)(2)(iv) states that cost analysis also shall include appropriate verification that the offeror’s cost submissions are in accordance with contract cost principles.
- Upon completion of audit, the auditor will hold an exist conference which will address all factual aspects of the proposal audit. If exceptions are taken to the judgement aspects of the proposal, the auditor will not disclose detailed conclusions or amounts that may be questioned. These judgmental differences are subject to negotiations by the CO.
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Conclusion

Questions?

Resources:
email today
jacob@barclaygroupllc.com
and I'll send you support
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