

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



*barclay*GROUP  
Government Contractor Consulting

# 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
- June 25, 2019: Financial Aspects, Cost & Price Evaluation, and Technical Evaluation



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The graphic features a large, light blue oval in the center, containing the text "NCMA Certifications". The oval is set against a background of abstract, overlapping shapes in shades of blue and grey. To the right of the oval, there is a faint, stylized image of a building's glass facade with diagonal lines.

# NCMA Certifications



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



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# Contract Pricing in Federal Procurement

Pricing  
Development

Market  
Research

Fair &  
Reasonable

Cost Realism

Price Analysis

Cost Analysis

# Pricing Development

## Price Defined

- [illegible]

### Approaches to Pricing

- in pricing – Sellers consistently use one of two approaches to price products:
  - Market-based Pricing
  - Cost-based Pricing

## Pricing Objectives

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

## 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

### Pricing Perspectives

- Buyers and sellers look at the same price from different perspectives. Each party to a sales transaction has unique pricing objectives.
  - Sellers & different stakeholders have different approaches to construct pricing.
  - Different sellers in the same market may have different pricing objectives and approaches.
  - Using a 70-30 rule have different objectives and a price that is different to each selling situation.



## 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

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## 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.

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## Pricing Objectives

- To cover costs
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  - Market-based Pricing
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# Fair & Reasonable

## 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.

## Fair and Reasonable

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  - 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 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 commercial prices, vendor catalogs, and discount or other price reductions;
- Previously purchased prices and contract prices for the same or similar items, if one can establish the validity of the comparison and the reasonableness of the proposed price;
- Parametric estimates or estimates developed using rough order of magnitude;
- Independent Government Estimates; and
- Prices obtained through market research for the same or similar items.

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## Basis for Price Analysis

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- 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

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# Cost Analysis

## 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 (TICPD) 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!*

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

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# 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 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 mix of performance and services described in the offeror's technical proposal.
- **When to Use Cost Realism Analysis.**
  - All cost-reimbursable 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.

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# Market Research

## Market Research

- Follows on collecting and analysing information about a service or the ability for a market to satisfy a requirement.
- Use supplementary evidence and provide information on:
  - Costs and prices
  - Market size and growth
  - Supply and demand
  - Competition
  - Customer requirements
  - Customer behaviour
  - Market structure
  - Market trends and opportunities

## 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

## 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

- Step 3 – Evaluate data – reassess agency requirements to permit use of FAR or commercial items
- Step 4 – Determine the appropriate procurement method
- Step 5 – Document the results

## Market Research Techniques

- Survey group – a continuous process to keep up with both buyers and the market place – but generally is not a specific plan or guide
- Investigation – a specific and comprehensive research in response to defined Government needs or interests
  - Step 1 – Identify the Government's needs
  - Step 2 – Determine the availability of relevant commercial items
    - 1. Market investigation – review available information
    - 2. Determine market structure
    - 3. Determine market size
    - 4. Determine market growth
    - 5. Determine market trends
    - 6. Determine market opportunities
    - 7. Determine market risks
    - 8. Determine market barriers
    - 9. Determine market entry strategies
    - 10. Determine market exit strategies

# 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

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





Pricing Information &  
Data Requirements

Summary

Cost or  
Pricing Data

# 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

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# Cost or Pricing Data

```
graph TD; A[Cost or Pricing Data] --- B[Requirement]; A --- C[Certified Cost or Pricing Data]; A --- D[Information Other Than Cost or Pricing Data]
```

Requirement

Certified Cost  
or Pricing  
Data

Information  
Other Than  
Cost or  
Pricing Data



# Requirement

## 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;
- Non-recurring costs;
- Information as to 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.

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- Information on management decisions that could have a significant bearing on costs.

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# Certified Cost or Pricing Data

## 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.

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- 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.

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# Information Other Than Cost or Pricing Data

## What is Data Other Than Certified Cost or Pricing Data?

- FAR 15.402, "pricing data, cost data, and other information necessary for the contracting officer to determine if the total proposed price is fair and reasonable, or whether a price is not proposed as an estimate, complete, a firm contract, or an estimate with FAR 15.406.2."
- It includes costs and any other reasonably necessary to support the effort and pricing process, as an input, not limited to:
  - The agreement to supply and the manufacturing or other services used in the contract, including those used in producing the final data, cost.
  - The value and amount of any savings included in the proposed price.
- It does not include pricing data that the contractor certifies is not required.

## Format for Data Submission

- CCPD – FAR Table 15.3
- Data Other Than CCPD
  - It may be submitted in any format, but must be submitted in a format that is consistent with the format of the CCPD.
  - It may be submitted in a format that is consistent with the format of the CCPD.
- While under TFRMS, the contractor is required to disclose all facts that a prudent business person would expect to know in order to make a prudent business decision.

## 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 required for any contract or below the simplified acquisition threshold.
- However, if a contract is a CCPD, the contractor shall submit a CCPD for any contract or below the simplified acquisition threshold, if the contract is a CCPD.
- Standards for exceptions from certified cost or pricing data requirements:
  1. Where the contract is a CCPD, the contractor shall submit a CCPD for any contract or below the simplified acquisition threshold.
  2. Where the contract is a CCPD, the contractor shall submit a CCPD for any contract or below the simplified acquisition threshold.
  3. Where a contract is a CCPD, the contractor shall submit a CCPD for any contract or below the simplified acquisition threshold.
  4. Where a contract is a CCPD, the contractor shall submit a CCPD for any contract or below the simplified acquisition threshold.



## 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.

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## 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

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## 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

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## 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

```
graph TD; A[Cost & Price Analysis] --> B[Price Analysis]; A --> C[Cost Analysis]; A --> D[Profit/Fee Analysis];
```

Price Analysis

Profit/Fee  
Analysis

Cost Analysis



# Price Analysis

## Definition of Price Analysis

- Process of determining the reasonableness of a proposed price
- Comparison of proposed price with market prices
- For acquisition

## Why Price Analysis?

- Price analysis is performed whenever you compare one price to a similar
- Price analysis provides a basis for detecting unreasonable or excessive price offers
- Price analysis is integral to the cost to grow procurement process
- Best practice
- Price analysis is required for every acquisition

## Compare Prices

- Identify price differences between
- Identify price differences between
- Identify price differences between

## Adjusting Prices

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

## Determining Price Differences

- Identify price differences between
- Identify price differences between
- Identify price differences between

## Comparison Roadmap

- Selecting prices for comparison
- Identifying factors that affect comparability
- Determine the effect of differences
- Adjust prices for comparability
- Compare adjusted prices

## Selecting Prices for Comparison

- Primary comparisons
  - Offer proposed price
  - Government price
- Secondary comparisons
  - Historical prices
  - Independent Government estimates

## Identify factors that affect comparability

- Market and economic conditions
- Quantity size
- Geographic location
- Purchasing power of the dollar
- Level of competition
- Technology
- Government P.W. etc.

## 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)

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## 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
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## 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

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## 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

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## 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

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## 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?

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## 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

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## 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?

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# Cost Analysis

## Cost Analysis Definition

- Cost analysis is the review and evaluation of any separate cost elements and profit or loss 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.

## Cost Analysis Techniques

## 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

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## 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 includes the following techniques and procedures as appropriate:
  - Verify and analyze data on information other than cost or pricing data.
  - Inspect subcontract accounting.
  - The accuracy for cost reasonableness of proposed costs, including services, materials, and supplies.
  - Inspection of the offeror's contracts, on the basis of current past performance and pricing data information other than cost or pricing data.
  - Review of subcontract information for opportunity to receive and subcontract government contracts or Cost Accounting, field surveys, etc.
  - The application of adjusted or regulated indirect and other, labor rates, cost of expenses, facilities, and other factors.

## Cost Analysis Techniques . . . III

- Verify that the offeror's cost submissions are in accordance with the contract cost principles and procedures in FAR Part 23 and any applicable Cost Accounting Standards.
- Determine whether or not cost or pricing data is necessary to make the contractor's proposal accurate, complete, and consistent with other submitted or identified information by the contractor. If there are such data:
  - Adjust to correct the data or discontinue as the data obtained, or
  - Make satisfactory allowance for the incomplete data.
- Analyze the results of any on or off program reviews, including subcontract costs.

## Cost Analysis Techniques . . . II

- Evaluate the effect of the offeror's current practices on future costs:
  - Ensure that the effects of efficient 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 material elements in periods of enterprise 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 used.
  - Forecasts of planned expenditures.

## 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.

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## Cost Analysis Techniques . . II

- 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;
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  - Independent Government cost estimates by technical personnel; and
  - Forecasts of planned expenditures.

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## 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.

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# Profit/Fee Analysis

## Profit/Fee Analysis

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

## Statutory Limitations

- Cost Plus Fixed Fee
- Expert Month or Developmental – 15%
- Actual Fee (CPI) – 10%

## 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 a contractor is to be paid a fee for its services, it is reasonable to expect that the fee will be based on the contractor's costs and a reasonable profit margin. It is generally accepted to avoid profit/fee as a measure of the reasonableness of a fee and as the Government's best interest.
- The Government should ensure that its fee structure is consistent with the Government's profit/fee goals:
  - Government should consider making profit or fee a separate item of discussion in the contract award process.
  - Government should not use its own profit/fee.
  - Government should not use its own profit/fee as a basis for determining the reasonableness of a fee.
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## 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.

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# Statutory Limitations

- Cost Plus Fixed Fee
  - Experimental or Developmental – 15%
  - All other CPFF – 10%

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



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# Technical Evaluation

## Adequacy Checklist

• Prior to submitting proposal to the CO, perform self assessment of the adequacy of your CO's Adequacy of a Contractor's Pricing Proposal Checklist (<https://www.acquisition.gov/far/25.403-5>)

## DCAA Audit

## 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 25.403).

## CO may require:

1. Proposal submission of cost or pricing data in the format prescribed in FAR 25.403, Table 25-2
2. Specify an alternative format, or
3. Permit to be broken in the contractor's own format.

It is extremely important to prepare proposals in accordance with these instructions as directed by the CO specified in alternative format or approved by a contractor's own format.

## Information Other Than Cost or Pricing Data Required

- Even when an exception to cost or pricing data applies (FAR 25.403-1), 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 25.403-5)(b)(2).



## 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.dcaa.mil](http://www.dcaa.mil))

## 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.
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- 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 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 return if inadequate.

## Audit Process (cont.)

- When audit for 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 15.408-11 (2) (vi) states that cost analysis also shall include appropriate verification of the contractor's cost system and its accordance with contract cost principles.
- Upon completion of audit, the auditor will build an audit conclusion which will address all factual aspects of the proposal audit. If assumptions are taken to the judgment aspects of the proposal, the auditor will not disclose detailed cost items or areas that may be questioned. These judgmental differences are subject to negotiations by the CO.

## 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.

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## 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.

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



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# Conclusion

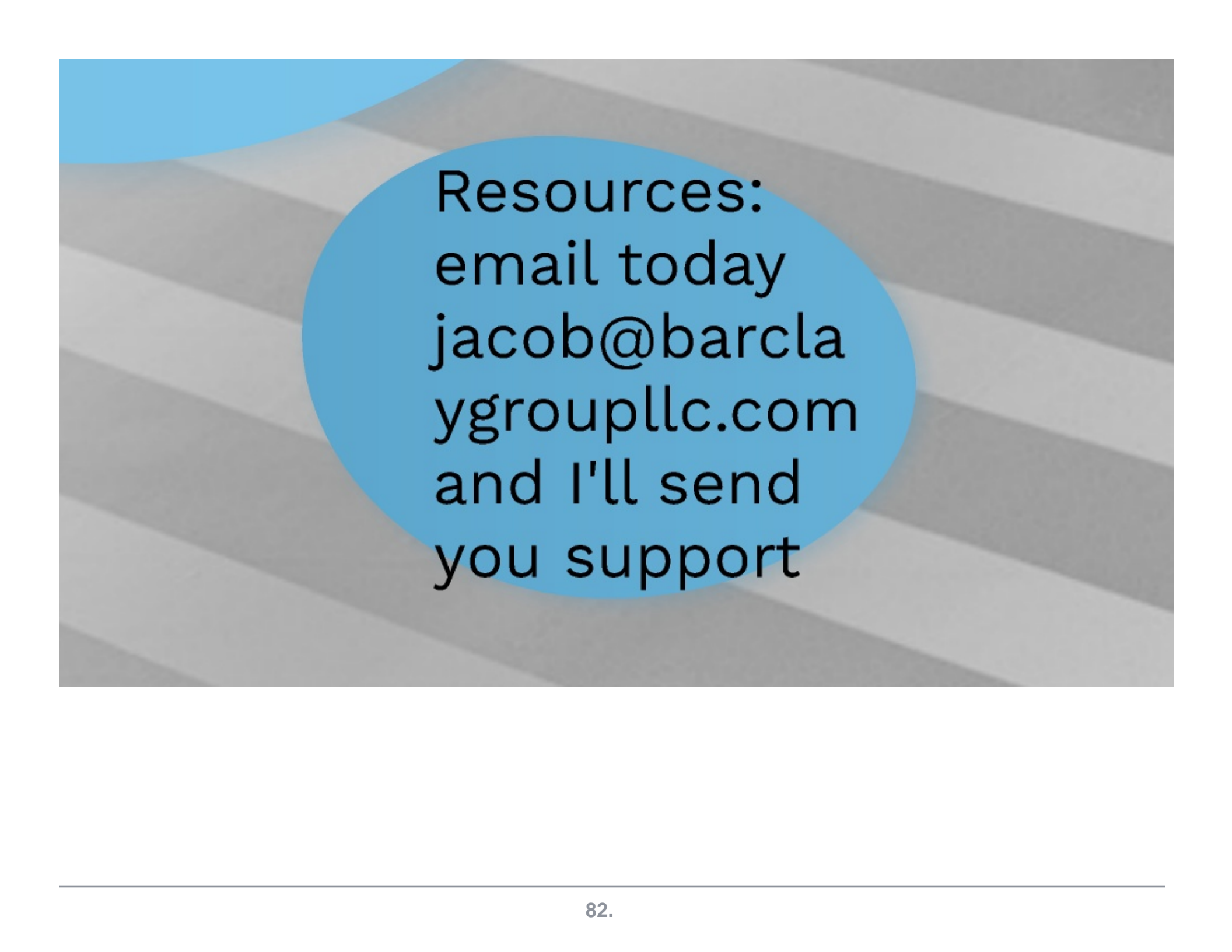
Questions?

Resources:  
email today  
[jacob@barclaygroupllc.com](mailto:jacob@barclaygroupllc.com)  
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