

CRITERIA FOR ADEQUATE CONTRACT PRICING PROPOSALS

PURPOSE - A well supported cost proposal reduces effort needed for review and will facilitate negotiations. Proposals should be evaluated for adequacy within seven days after receipt so that corrective action can be taken immediately (CAM 9-103). The criteria, found in the table below, can be used to evaluate the adequacy of a contract price proposal when the proposal is based on certified cost or pricing data (CAM 9-204).

When the proposal is based on information other than certified cost or pricing data, the contracting officer is responsible for obtaining information that is adequate for evaluating price reasonableness. Inadequacies exist when the offeror does not comply with the contracting officer's requirements. The following criteria, while specifically not applicable to information other than certified cost or pricing data, may provide a guideline to the auditor in reaching an opinion as to the adequacy of the proposal (CAM 9-208). Consideration should also be given to any specific requirements in the request for proposal (RFP).

If the proposal is so deficient that an examination cannot be performed, notify the contracting officer immediately of the inadequacies and recommend to the PCO/ACO that the proposal be returned to the offeror without audit until such time as an adequate proposal is received. This approach is intended to permit the efficient use of audit resources (CAM 9-205).

Most of the criteria in the table below are specifically required by the Federal Acquisition Regulation (FAR) and are referenced accordingly. The items not referenced to the FAR are items that will still, in most cases, be needed for negotiations and Government review. Items may be added to the list if required by the contracting officer, as described in the solicitation.

The existence of some of the criteria in the questions (especially, 11.a., 11.b., and 16) can be determined only by discussing it with the offeror or during the course of a detailed audit. Therefore, an initial finding of adequacy may be changed once the audit has started.

DOES THE PROPOSAL INCLUDE THE FOLLOWING:				
Criteria	YES	NO	N/A	Comments
General				
1. Is there a properly completed first page of the proposal or a summary format as specified by the contracting officer in the solicitation (FAR 15.408, Table 15-2 I.A.)?				
2. Is an index appropriately referencing all certified cost or pricing data and information accompanying or identified in the proposal provided (FAR 15.408, Table 15-2 I.B.)?				
3. Is there a summary of total cost by element cross-referenced to supporting cost or pricing data (FAR				

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15.408, Table 15-2 I. D & E.)? Breakdowns for each cost element must be consistent with the cost accounting system.				
4. Is the proposal mathematically accurate and does the supporting data reconcile to the proposal?				
5. If more than one CLIN (or sub-CLIN if required by the RFP) is proposed, is there a summary total of all CLINs for each element of cost and is it cross referenced to the supporting cost or pricing data (FAR 15.408, Table 15-2 I., D. & E.)?				
6. Is the total price by cost element provided by year? Identify if by Calendar Year (CY) or Fiscal Year (FY) or both, as required.				
7. Are CLIN prices provided by cost element by year? Identify if by Calendar Year (CY) or Fiscal Year (FY) or both, as required.				
8. Are recurring and non-recurring costs segregated at both the CLIN and total cost levels?				
9. Are all cost element breakdowns provided using the applicable format prescribed in FAR 15.408, Table 15-2 III (or alternative format if specified in the RFP) and does it reflect any specific requirements established by the contracting officer?				
10. If an incentive contract type is proposed, is contract geometry included (e.g., contractor proposed target cost, target profit or fee, min/max, ceiling, and share ratio)?				
11. The proposal should contain identification of cost or pricing data (i.e., data that are verifiable and factual) and an explanation of the estimating process. When applicable, the following items must be specifically identified (FAR 15.408, Table 15-2 I.C.):				
a. Does the proposal disclose judgmental factors and the methods used in the estimate, including those used in projecting from known data?				
b. Does the proposal disclose the nature and amount of any contingencies?				
c. Does the proposal explain the basis of all cost estimating relationships (CERs) (labor hrs or material) proposed on other than a discrete basis?				
12. Does the proposal identify any incurred costs for work performed before submission of a proposal (FAR 15.408, Table 15-2, I.F.)?				

DOES THE PROPOSAL INCLUDE THE FOLLOWING:				
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13. Does the proposal identify and include a description of any agreements with Government representatives on use of forward pricing rates/factors (FAR 15.408, Table 15-2 I.G.)?				
14. Does the proposal contain the location and point of contact for any cost or pricing data which is identified, but not included, in the proposal?				
15. Does the proposal include identification of any CAS non-compliances, or other estimating deficiencies that may impact the proposed price (FAR 15.408 Table 15-2 I. A. (8))?				
16. Does the proposal identify the need for government furnished material/tooling/test equipment (including the lending contract number and contracting officer contact information, if known) (FAR 15.408, Table 15-2. I. A. (7))?				
17. Does the proposal disclose any other known activity that could materially impact the costs (e.g., existing excess material, company reorganizations, new technology acquisitions, labor union discussions, etc.)? (FAR 2.101 Definition of Cost or Pricing Data)				
18. If Economic Price Adjustments are being proposed, does the proposal show the rationale and application for the proposed indices?				
Materials and Services				
19. Consolidated Bill of Material (CBOM) A CBOM is a consolidated priced summary of individual material quantities included in the various tasks, orders, or contract line items being proposed and the basis for pricing (negotiated/invoice prices, vendor quotes, average unit pricing, prior purchase history, long term agreements, etc). The offeror must include raw materials, parts, components, assemblies, subcontracts and services to be produced or performed by others. For all items proposed, the offeror must identify at a minimum; the item and show the source, quantity, and price. (FAR 15.408, Table 15-2 II.A.) The auditor will need to exercise judgment in making the determination if a consolidated bill of material is required. The need for a bill of material will depend on the estimating techniques used and whether those techniques are appropriate in the circumstances. For example, a bill of material may not be feasible for products that are in the research and development stage.				

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<p>A parametric type estimate may be more appropriate in these circumstances.</p> <p>NOTE: The contractor should document why a CBOM is not prepared at the total contract level. Interorganizational transfers may be included as part of the total CBOM or may be estimated as a direct cost or Other Direct Cost (ODC) depending on the contractor's practices. The preference is for the CBOM to be in an electronic format that is sortable by supplier category (e.g. raw material, purchased parts, subcontracts, extended dollar of part numbers, etc.) Additional CBOMs may be required or requested for separate CLIN end item deliverables (e.g. spares, special test equipment, etc.).</p>				
<p>a. Is a CBOM included at the total contract level? NOTE: The Contracting Officer and auditor can exercise judgment in making the determination as to what elements/CLINs are included in the CBOM's depending on the contractor's estimating techniques used and whether those techniques are appropriate in the circumstances.</p>				
<p>b. If the CBOM is being provided at other than a total contract level, did the contractor address how the CBOM is provided? NOTE: Additional CBOMs may be required or desired for separate CLIN end item deliverables (e.g. Alternate Mission Equipment, Special Test Equipment, Spares, min/max quantities, etc.)</p>				
<p>20. In accordance with FAR 52.215-22 Limitations on Pass-through Charges – Identification of Subcontract Effort, if applicable, if the offeror intends to subcontract more than 70% of the total cost of work to be performed, does the proposal identify (i) the amount of the offeror's indirect costs and profit applicable to the work to be performed by the subcontractor(s) and (ii) a description of the added value provided by the offeror as related to the work to be performed by the subcontractor(s)?</p>				
<p>21. a. If a subcontract proposal or purchase order exceeds the threshold for certified cost or pricing data (FAR 15.403-4(a)) and is not otherwise exempt from other exceptions in accordance with FAR 15.403-1(b), does the proposal include the prime contractor's price/cost analyses establishing the reasonableness of each subcontract price?</p>				
<p>b. If the prime contractor's price/cost analyses are not</p>				

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<p>provided with the proposal, does the proposal include a matrix identifying dates for receipt of subcontractor proposal, completion of fact-finding for purposes of price/cost analyses, and submission of the price/cost analyses?</p> <p>NOTE: Analyses not included with the proposal shall be provided as soon as possible after the proposal submission date and shall be accomplished in sufficient time to support the Definitization/contract award schedule.</p>				
<p>c. Does the proposal identify those actions where assist audits have been requested by the prime or sub-tier contractors and identify the request date and scheduled receipt date?</p> <p>NOTE: The need for assist audits resulting from subcontractors denying release of proprietary data to the next higher tier must be identified to the contracting officer as soon as possible in the proposal build cycle. Notwithstanding assist audits performed by the government, contractors must still perform and provide price/cost analyses.</p>				
<p>d. In accordance with the thresholds in FAR 15.404-3(c) and FAR 15.408, Table 15-2 II.A.(2), cost and pricing data, does the proposal include a copy of the subcontractor's proposal?</p>				
<p>22. Adequate Price Competition – Does the proposal identify the degree of competition and the basis for establishing the source and reasonableness of price for each subcontract or purchase order priced on a competitive basis (FAR 15.408, Table 15-2, II. A. (1)) exceeding the threshold at FAR 15.403-4(a)?</p>				
Commercial Items				
<p>Commercial Item Determinations – This section may apply to multiple items in the proposal. If there is a “no” please explain what data is not available or complete for any commercial item assertion/claim.</p>				
<p>23. Is the contractor proposing commercial items at the subcontract level that would be exempt from cost or pricing data requirements (FAR 2.101 commercial item definition and FAR 15.403-1(b)(3) or (b)(5))?</p>				
<p>24. Has the contractor provided support for any subcontract Commercial Item Determinations (CIDs) addressing, at a minimum, the following:</p>				

DOES THE PROPOSAL INCLUDE THE FOLLOWING:				
Criteria	YES	NO	N/A	Comments
a. A description of supplies or services and the basis for which the supplies or services meets the Government's requirements?				
b. The specific type of commercial item claimed under the FAR 2.101 commercial item sub-definitions (1) through (8) and the basis on which the item meets the definition?				
c. Technical Assessment: For proposed commercial items "of a type, "evolved", or "modified" (FAR 2.101 commercial item sub-definitions (1) through (3)), did the contractor provide a technical description of the differences between the proposed item and the comparison item(s)?				
d. Price/Cost Analysis: Has the contractor provided, or made available, their price/cost analysis to establish price reasonableness of the proposed commercial item (based on sales data, market price assessments, cost information, etc.) (FAR 15.402(a), FAR 15.403-1(c)(3), FAR 15.403-3(c), FAR 15.404-3(b) and FAR 15.404-3(c)) NOTE: If the prime proposal includes a commercial subassembly from the prime (excluding interdivisional), the procedures in this section can be followed.				
Interorganizational Transfers				
25. a. For interorganizational transfers proposed at cost, is a cost proposal with a breakdown of the proposed costs by element included (FAR 15.408, Table 15-2 II.A.(2))? NOTE: Interorganizational work is considered to be part of the cost or pricing data submission of the prime. As such, the prime contractor's responsibility for conducting subcontract cost/price analyses does not apply to interorganizational transfers. Prior to the submission of the proposal, the prime contractor shall (a) ensure that all statement of work tasks are addressed without duplication and are consistent with the overall program performance schedule and, (b) ensure ground rules and assumptions are consistent with the prime's proposal.				
b. For interorganizational transfers proposed at price (other than cost in accordance with FAR 31.205-26(e)) does the proposal include information from the prime that supports the exception from cost or pricing data in accordance with FAR 15.403-1(b) and FAR 15.408, Table 15-2 II.A.(1)?				

DOES THE PROPOSAL INCLUDE THE FOLLOWING:				
Criteria	YES	NO	N/A	Comments
Direct Labor				
26. a. Does the proposal include a time phased (i.e., monthly, quarterly, etc.) breakdown of labor hours, rates and cost by category or skill level? If labor is the allocation base for indirect costs, the labor cost must be summarized in order that the applicable overhead rate can be applied. (FAR 15.408, Table 15-2 II.B.)				
b. Does the proposal include labor categories, task descriptions, Statement of Work (SOW) reference, applicable CLIN, Work breakdown Structure (WBS), BOE rationale, and applicable history?				
c. Are the Basis of Estimates (BOEs) included for all labor hours with detailed rationale (i.e. historical experience, engineering estimates, learning curves, basis for cost estimating relationships (CERs)) to support the estimates?				
Indirect Costs				
27. Does the proposal include all rates and factors by year utilized in the development of the proposal and the basis for these rates and factors (forward pricing rate proposal, FPRA/FPRP)? In the absence of any agreements on the use of forward pricing rates/factors, does the proposal show how indirect rates were computed and applied. Support for the indirect rates could consist of cost breakdowns, trends, and budgetary data. (FAR 15.408, Table 15-2 II.C.)				
Other Costs				
28. a. Does the proposal include identification of all other costs by category not described above (e.g., special tooling, travel, computer, consultant services, packaging, spoilage and rework) and bases for pricing (FAR 15.408, Table 15-2 II.D.)?				
b. If travel is discretely estimated does the proposal include number of trips, number of people, number of days, locations and rates?				
Royalties and License Fees				
29. If royalties exceed \$1,500, does the proposal provide the information identified in FAR 15.408, Table 15-2 II.E?				
Facilities Capital Cost of Money				
30. If facilities capital cost of money is proposed, does the proposal include submission of Form CASB-CMF and show the calculation of the proposed amount (FAR 31.205-10 and FAR 15.408, Table 15-2 II.F.)?				

DOES THE PROPOSAL INCLUDE THE FOLLOWING:				
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Change Orders, Modifications and Claims				
31. For Change Orders, Modifications and Claims proposals, did the contractor follow the format for submission contained in FAR 15.408, Table 15-2 III. B?				
<p>a. <u>Deleted Work</u>: The current estimates of what the cost would have been to complete the deleted work not yet performed (not the original proposal estimates), and the cost of deleted work already performed. The cost of all deleted work performed must be separately identified.</p>				
<p>b. <u>Added Work</u>: A current estimate of the cost of work added by the change. When nonrecurring costs are significant, or when specifically requested to do so by the contracting officer, the contractor must provide a full identification and explanation of the nonrecurring costs. When any of the costs have already been incurred, these must be described on an attached supporting schedule.</p>				
Letter Contracts				
32. Does the proposal identify actual hours, and cost incurred as well as hours/cost to complete and the time phasing associated with these hours/costs? This information is to be provided consistent with cost element summaries as identified in FAR 15.408, Table 15-2, III.A.?				
Price Revision/Redetermination				
33. For price revision/redetermination, does the proposal follow the format in FAR 15.408, Table 15-2 III.C?				
Adequacy/Inadequacy Determination				
34. Is the proposal adequate? If not, list the inadequacies below and indicate when the information was requested. If the proposal is so deficient that an examination cannot be performed, contact the contracting officer to discuss the inadequacies and consider recommending that the contracting officer return the proposal to the contractor. (CAM 9-204, 9-205, and 9-208).				
Comments				