

Cost & Price Analysis

Presenter(s):

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Agenda

- Pricing Policy
- Certified Cost or Pricing Data
- Proposal Analysis
- Price Analysis
- Cost Analysis
- Solicitation Language
- Preparing a Responsive Proposal
- Questions



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Pricing Policy (FAR Subpart 15.402)

- FAR Subpart 15.402
- Contracting officers SHALL:
 - Purchase supplies and services from **responsible sources at fair and reasonable prices**
 - may require certified or other than cost or pricing data to make that determination
 - Price each contract separately and independently
 - NOT include any amount for a specified contingency to the extent that the contract provides for a price adjustment based on the occurrence of that contingency



Certified Cost or Pricing Data (CCPD) (FAR Subpart 15.403)

- >\$700,000
- Exceptions
 - Prices are based on adequate price competition
 - Prices agreed upon are based on prices set by law or regulation
 - Commercial item acquisitions
 - When a waiver is granted
 - When modifying a contract or subcontract for commercial items
- Other circumstances when CCPD are not required
 - Exercise of an option at the price established at contract award or initial negotiation
 - Proposals used solely for overrun funding or interim billing price adjustments



Obtaining Information to Establish Price Reasonableness (FAR Subpart 15.402(a))

- Do not obtain more info than necessary.
 - Data collection/preparation is expensive
- Order of preference for type of data required.
 1. No additional information, if price based on adequate price competition (except as in FAR 15.403-3(b))
 2. Information other than cost or pricing data
 3. (Certified) cost or pricing data



Order of Preference for Obtaining Information Other Than Cost or Pricing Data

- FAR 15.402(a)(2)(ii)(A) states
 - Rely first on information available within the Government,
 - Second, on information obtained from sources other than the offeror, and
 - If necessary, on information obtained from the offeror.



Proposal Analysis (FAR Subpart 15.404)

- Objective of proposal analysis
 - ensure the final agreed upon price is ***fair and reasonable***
- Responsibility rests with the contracting officer for evaluating the reasonableness of the offered prices
- Proposal Analysis Techniques
- Resource
 - http://www.acq.osd.mil/dpap/cpf/contract_pricing_reference_guides.htm



Price Analysis (FAR Subpart 15.404)

- The process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit
- Shall be used when certified cost or pricing data are not required (FAR Subpart 15.404-1(a)(2))
- Should be used to verify that the overall price offered is fair and reasonable when cost analysis is used (FAR Subpart 15.404-1(a)(3))
 - Assuring the reasonableness of individual cost elements does NOT always ensure price reasonableness
- Always involves some form of comparison



Price Analysis Techniques (FAR Subpart 15.404-1(b)(2))

- Compare to:
 - The other proposed prices received*
 - Normally adequate price competition establishes a fair and reasonable price
 - Historical prices paid, whether by the Government or not, for the same or similar items*
 - Published price lists
 - Independent government cost estimates (IGCE)
 - Prices obtained through market research for the same or similar items
 - Analysis of data other than certified cost or pricing data

*preferred techniques per FAR 15.404-1(b)(3)



Cost Analysis (FAR Subpart 15.404-1(c)(1))

- The review and evaluation of any separate cost elements and profit or fee proposed to determine a fair and reasonable price or 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 (FAR Subpart 15.404-1(c)(2))

- Verification of cost or pricing data and evaluation of cost elements
- Evaluate the effect of the offeror's current practices on future costs
- Compare costs proposed for individual cost elements
- Verification that the offeror's cost submissions are in accordance with FAR Part 31 and CAS (if applicable)
- Review to determine whether any cost data or pricing data, necessary to make the proposal suitable for negotiations, have not been either submitted or identified in writing by the offeror
- Analysis of the results of any make-or-buy program reviews, in evaluating subcontract costs



Cost Analysis for Commercial Items (FAR Subpart 15.403-3(c))

- Is Cost Analysis appropriate for commercial items?
 - Contracting officer must use price analysis
 - If the contracting officer is unable to determine the price to be fair and reasonable, than the contracting officer **shall** require the offeror to submit data other than certified cost or pricing to support further analysis



Cost & Price Analysis Summary

- Understand the contractor's proposal.
 - Review the proposal
 - ***The proposal/contractor should provide answers to the following questions***
 - What is the basis/rationale for the proposed costs?
 - What assumptions were made and reflected in the estimate(s)?
 - Is support documentation provided for the proposed costs?
 - Are the costs and/or price reasonable? Are they realistic?
 - Are all the contractor's expected costs included in the proposal?
 - Have all the contract requirements been priced into the proposal?



Solicitation Language

- Provide templates for
 - Past performance data
 - Resumes
 - Cost or Pricing
 - Permit revisions to template based on offeror's specific accounting practices
- Sales history



Solicitation Language

- Labor category mappings
- Productive work year vs. mandated work year
- Direct Labor Substantiation
 - Payroll records
 - Current or contingent hire
- Escalation Support
 - 3 years of history demonstrating actual escalation



Solicitation Language

- Subcontract Analysis
- Indirect Rates
 - Make up of cost pools and allocation bases
 - History of actual indirect rates vs. provisional rates for a 3 year period
 - Copies of
 - forward pricing rate agreements,
 - provisional billing rate approvals



Solicitation Language

- Profit
- Basis of Estimate
- Responsibility
- System adequacy determination



Preparing a Responsive Proposal

- Read and understand the solicitation
- Ask questions if something is unclear
- Prepare and follow the compliance matrix
 - Consider including in proposal narrative
- Sit with stakeholders and discuss technical and price/cost volume
- Review technical volume as part of cost volume preparation



Preparing a Responsive Proposal

- Prime's responsibilities of subcontractor cost and price analysis
 - Sealed packages
 - Conducting independent/3rd Party cost analysis
- Buying-in vs. investment strategy
- Verify narrative is consistent with excel or other required templates
- Even if N/A, address in narrative



Preparing a Responsive Proposal

- Follow the flow of Section L and reorder any existing narrative to meet the solicitation you are bidding
 - Provide matrix within narrative
- Impact indirect rates
- Fully disclose productive work year



Preparing a Responsive Proposal

- Provide history and substantiating data for
 - Labor rates, labor mapping, and basis of estimate
 - Other direct costs,
 - Vendor quotes, catalog prices, and/or cost build-up
 - Travel – per diem, lowest priced airfare,
 - Subcontractor (including pass-through),
 - Indirect rates,
 - Escalation, and
 - Profit



QUESTIONS?



END

Thank you for participating in today's program.



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