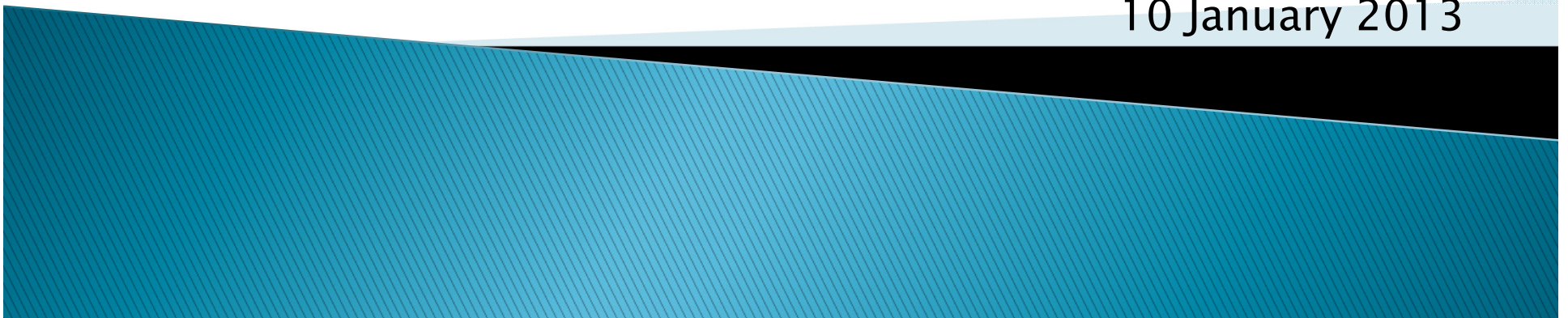


Common Errors in Price Proposals

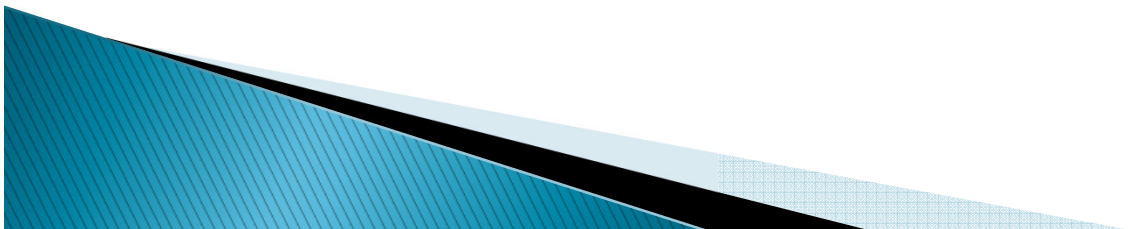
... How to Find Them
And How to Avoid Them

Marisa Derby
Procurement Analyst
10 January 2013



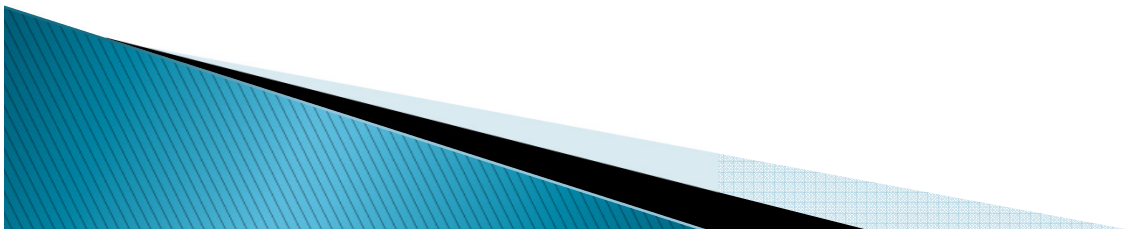
The Process

- ▶ Sources Sought/RFI/Draft Request
- ▶ Formal Request
 - RFP, RFQ, IFB
- ▶ Offeror Response
- ▶ Evaluation of Offers
- ▶ Discussion/Negotiation
- ▶ Award



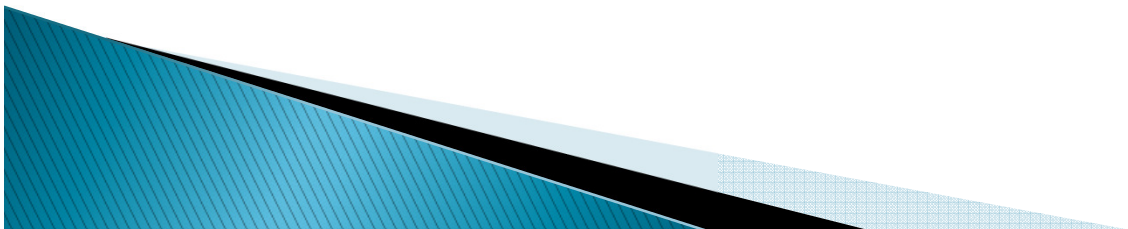
Draft Request

- ▶ FAR 15.201: early exchange of information encouraged
- ▶ Improves understanding of Government requirements
- ▶ Allows potential offerors to judge whether or how they can satisfy the Government's requirements
- ▶ Identify and resolve concerns regarding the acquisition strategy, contract type, statements of work, data requirements, etc.



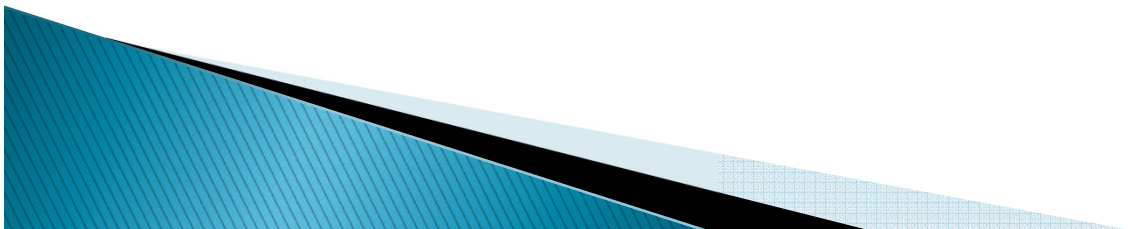
Draft Request

- ▶ *Ask Questions!*
- ▶ Is the requirement clearly stated?
- ▶ Do the instructions provide sufficient information?
- ▶ Is all documentation consistent throughout?
- ▶ Do you have a suggestion for a better way to proceed?



The Request

- ▶ Primary Points of Interest
 - Section B, Supplies or Services and Prices
 - May also include price-related clauses
 - Section L (52.212-1), Instructions to Offerors
 - What to submit/how to submit it
 - Section M (52.212-2), Evaluation Factors for Award
 - How the Government will evaluate what you submit

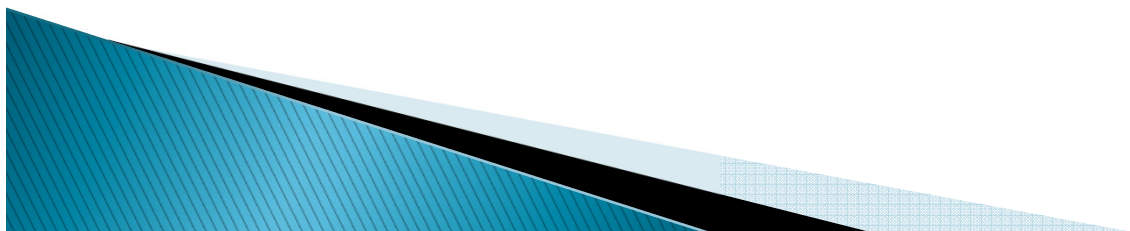




»» How much did you say that would cost???

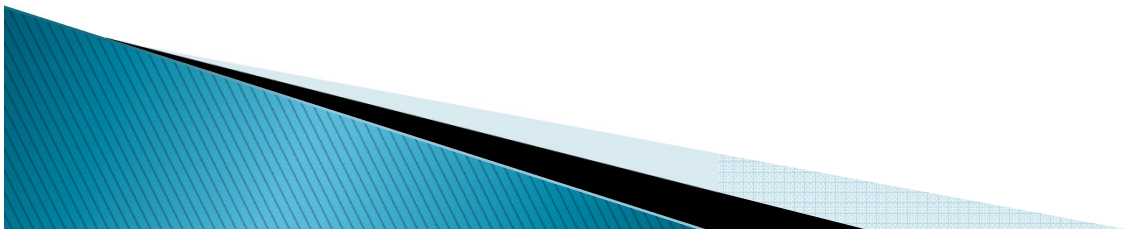
Section B – The Schedule

ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months		
Grounds Maintenance – FFP – 1 Oct 14 – 30 Sep 15. Maintain safe and healthy grounds (improved, semi-improved, and unimproved) and landscaping and ensure they present a clean and professionally groomed appearance. PWS 4.1.					
FOB: Destination					
SIGNAL CODE: A					



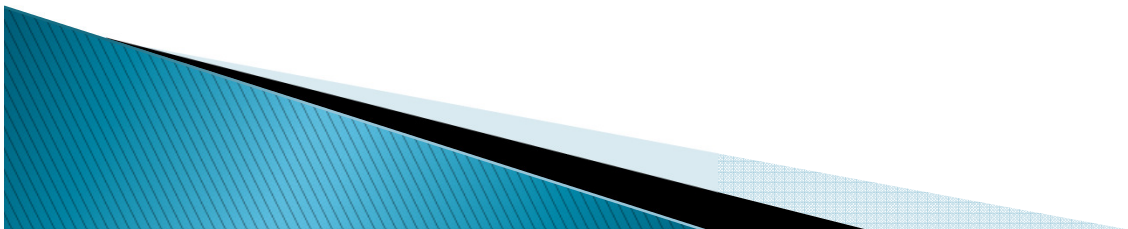
Instructions – Section B

- ▶ The Offeror shall propose and insert a unit price, rounded to two decimal places, for each FFP CLIN of the Base Period and each Option Period. The extended amount must equal the unit price multiplied by the number of units.



Section B – As Provided

ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months	\$2,129.17	\$25,550.00



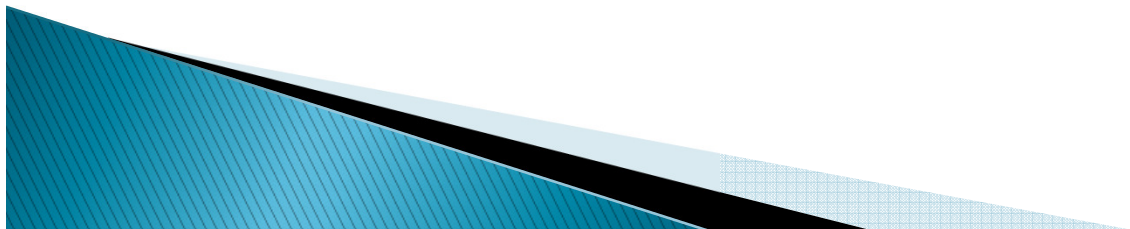
The Error – How To Find It

- The Price as Proposed:

ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months	\$2,129.17	\$25,550.00

- The Price as Calculated:

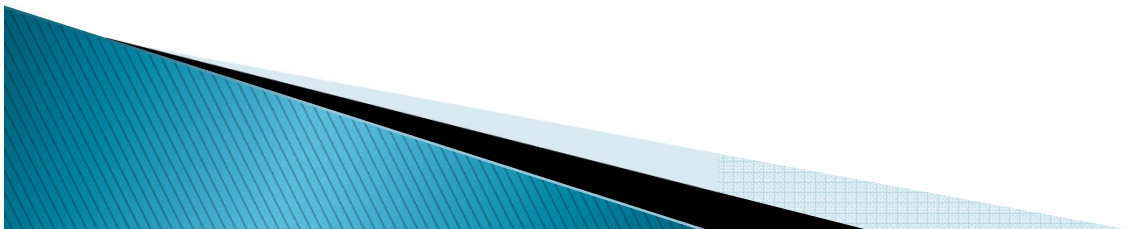
ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months	\$2,129.17	\$25,550.04



The Error – How It Probably Happened

- Section B in RFP:

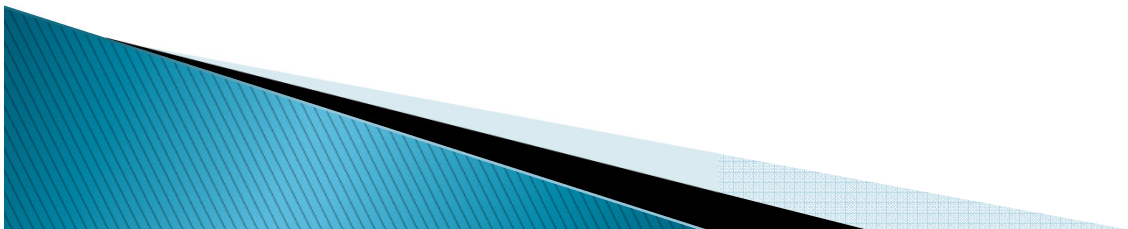
ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months		



Section B

- Desired Total for the entire period:

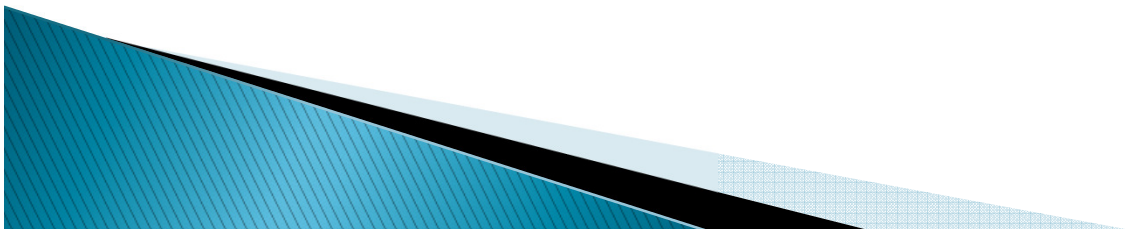
ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months		\$25,550.00



Section B

- Calculate Unit Price:

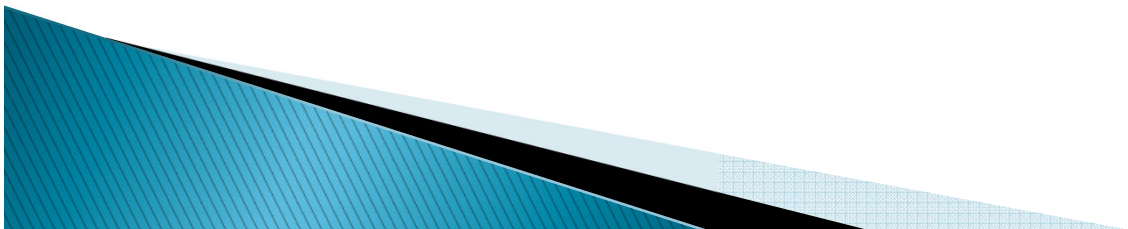
Calculated Cost:	\$25,550.00
Number of Months:	12



Section B

- Calculate Unit Price:

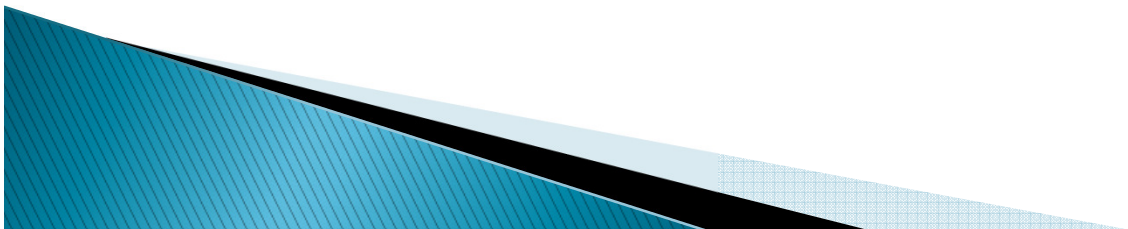
Calculated Cost:	\$25,550.00
Number of Months:	12
Cost per month:	\$2,129.1667



Section B

- Calculate Unit Price:

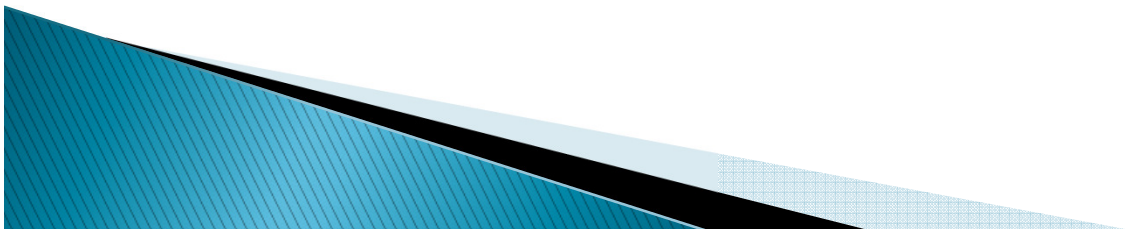
Calculated Cost:	\$25,550.00
Number of Months:	12
Cost per month:	\$2,129.1667
Amount Entered:	\$2,129.17



Section B

- Proposed Price:

ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Grounds Maintenance	12	Months	\$2,129.17	\$25,550.00



The Error – How to Avoid It

Double Check Your Math!

CLIN	Description	Quantity	Unit of Issue	Unit Price	Total
0001	Service	12	Months	\$2,129.17	\$25,550.04
			OR		
0001	Service	12	Months	\$2,129.00	\$25,548.00

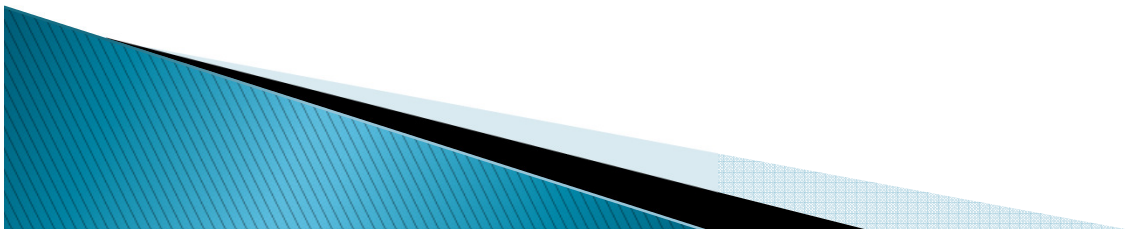




»» Technically speaking...

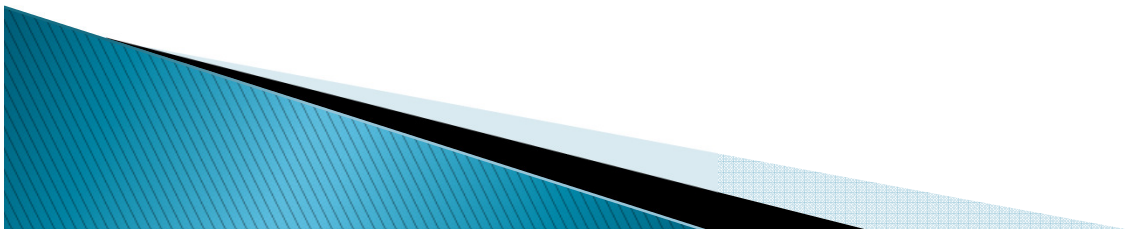
Instructions (Mobilization)

- ▶ The price proposed for mobilization should correspond to efforts described in the technical proposal for the mobilization approach; therefore, a very low price or a price of zero may be considered unreasonable.



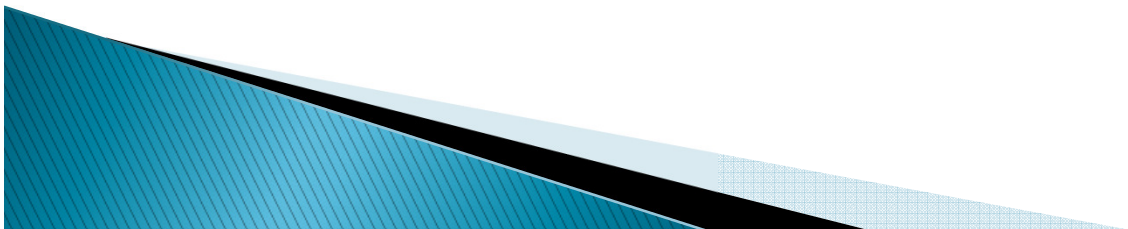
Response (Mobilization)

- ▶ Response (Technical Volume):
 - “Our price for mobilization includes all costs for recruiting, staffing, training, qualifying, and start up.”
- ▶ Section B, CLIN 0012, Mobilization, 1 month:
 - \$500



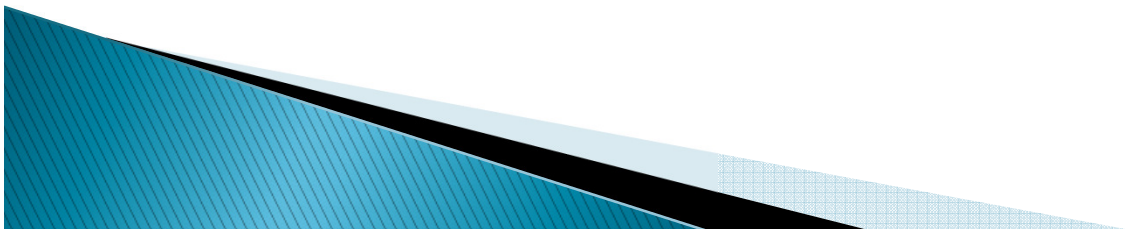
The Error – How To Find It

- ▶ Check your technical proposal against the price proposal and think it through!
 - Is \$500 sufficient for all costs for recruiting, staffing, training, qualifying, and start up?
- ▶ If unsure, ask for help from your technical experts



The Error – How To Avoid It

- ▶ Be sure to read and follow all instructions carefully
- ▶ Explain your pricing methodology
- ▶ Use a set of eyes distinct from the technical preparer and the price preparer to ensure consistency in your approach

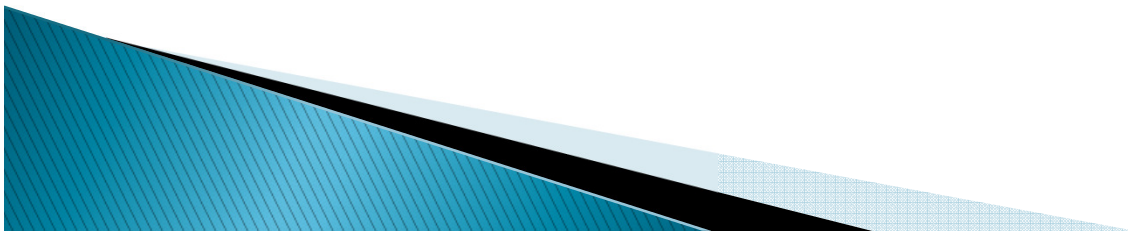


»» Free meal?



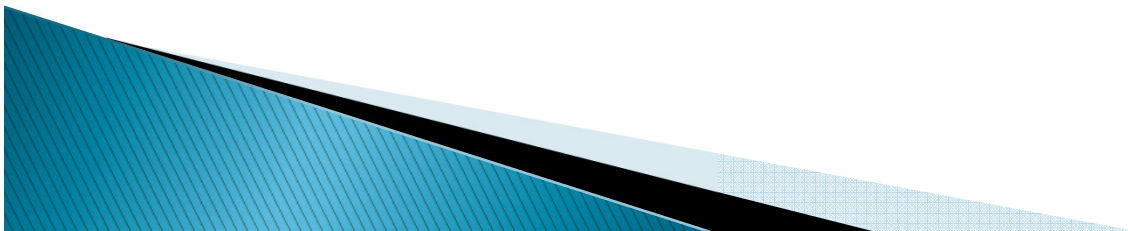
Instructions (Mobilization)

- ▶ The price proposed for mobilization should correspond to efforts described in the technical proposal for the mobilization approach; therefore, a very low price or a price of zero may be considered unreasonable.



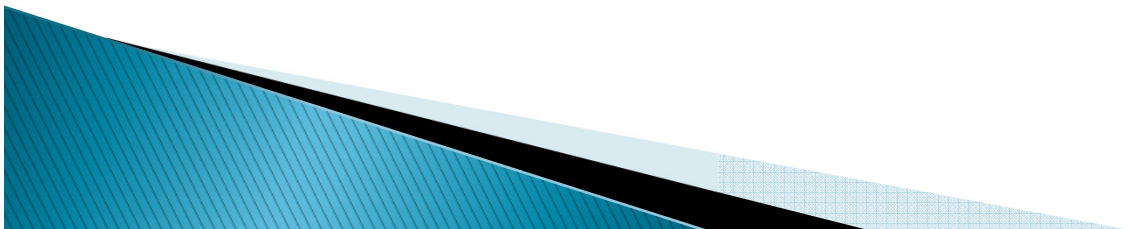
Response (Mobilization)

- ▶ Response (Technical Volume):
 - “Realizing the current stringent economic environment, we have decided to provide all mobilization efforts at no cost to the Government.”
- ▶ Section B, CLIN 0012, Mobilization, 1 month:
 - \$0



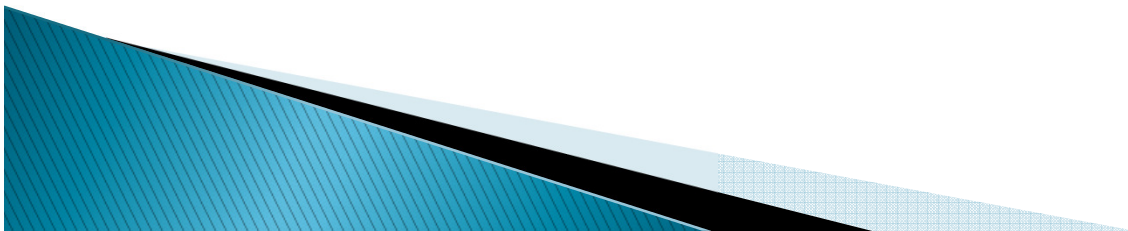
The Error – How To Find It

- ▶ Be familiar with instructions
- ▶ Pay attention to detail



The Error – How To Avoid It

- ▶ Be familiar with instructions
- ▶ Pay attention to detail

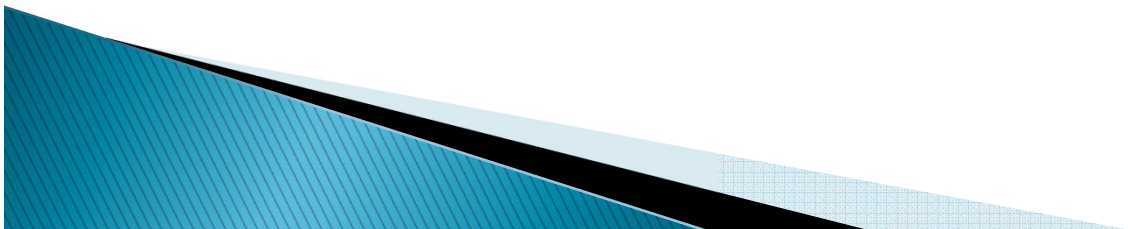


»» Amuonts



Section B As Provided

CLIN	Description	Quantity	Unit of Issue	Unit Price	Total Price
0001	Service	12	Months	\$2,192.00	\$25,548.00



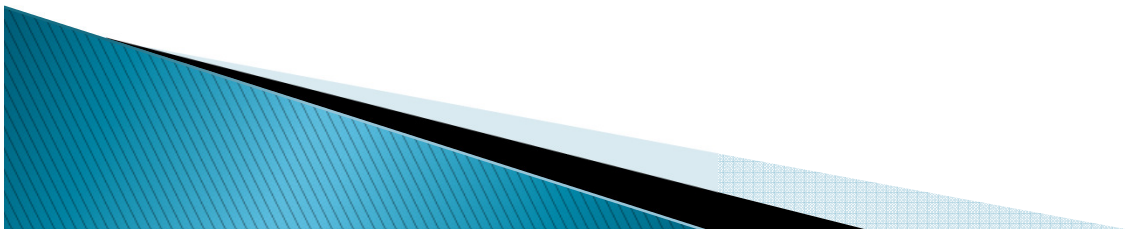
The Error – How To Find It

- The Price as Proposed:

ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Services	12	Months	\$2,192.00	\$25,548.00

- The Price as Calculated:

ITEM NO	SUPPLY/SERVICE	QTY	UNIT	UNIT PRICE	AMOUNT
0001	Services	12	Months	\$2,192.00	\$26,304.00



Section B

Intended (Guessing)...

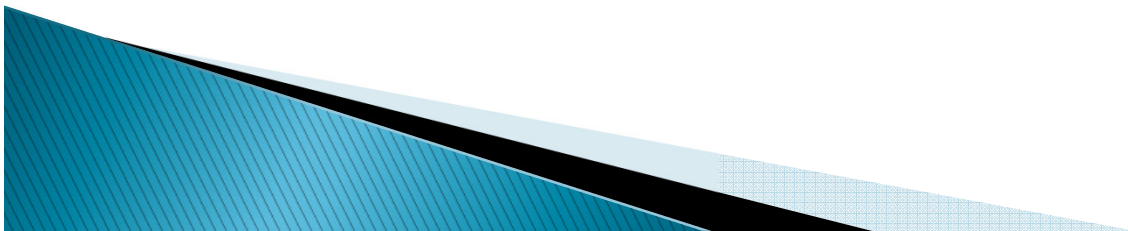
CLIN	Description	Quantity	Unit of Issue	Unit Price	Total Price
0001	Service	12	Months	\$2,129.00	\$25,548.00
			OR		
0001	Service	12	Months	\$2,192.00	\$26,304.00



The Error – How To Avoid It

- ▶ Transposition is an easy mistake to make....

Double check your math!

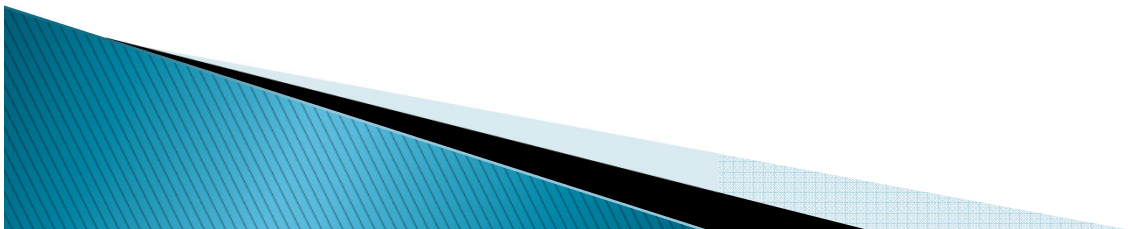


»» On Balance...



Section B As Provided

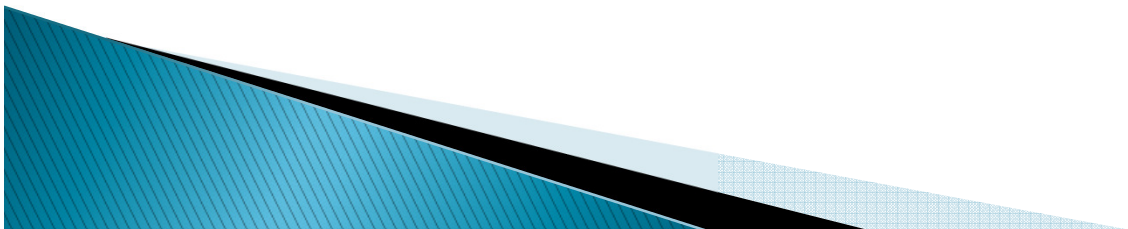
CLIN	Description	Quantity	Unit of Issue	Unit Price	Total Price
0001	Service	12	Months	\$2,129.00	\$25,548.00
1001	Service	12	Months	\$2,000.00	\$24,000.00
2001	Service	12	Months	\$2,500.00	\$30,000.00
3001	Service	12	Months	\$2,250.00	\$27,000.00



The Error – How To Find It

- Calculate the difference:

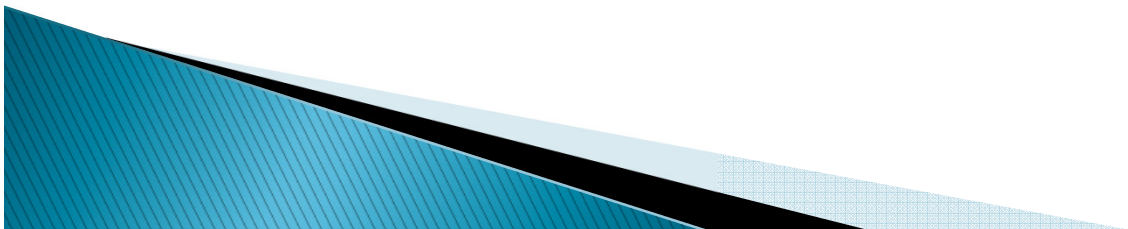
CLIN	Unit Price	Dollar Difference
0001	\$2,129.00	
1001	\$2,000.00	-\$129.00
2001	\$2,500.00	
3001	\$2,250.00	



The Error – How To Find It

- Calculate the difference:

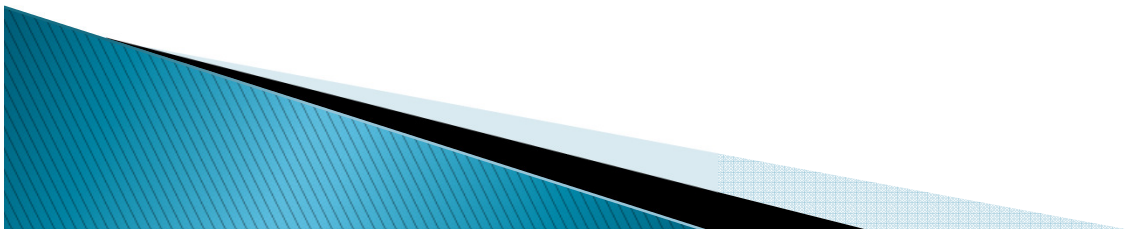
CLIN	Unit Price	Dollar Difference
0001	\$2,129.00	
1001	\$2,000.00	-\$129.00
2001	\$2,500.00	\$500.00
3001	\$2,250.00	-\$250.00



The Error – How To Find It

- Calculate the difference:

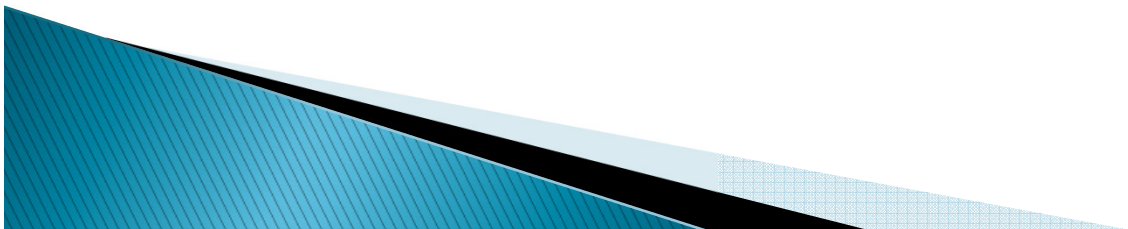
CLIN	Unit Price	Dollar Difference	Percent Difference
0001	\$2,129.00		
1001	\$2,000.00	-\$129.00	-6.06%
2001	\$2,500.00	\$500.00	
3001	\$2,250.00	-\$250.00	



The Error – How To Find It

- Calculate the difference:

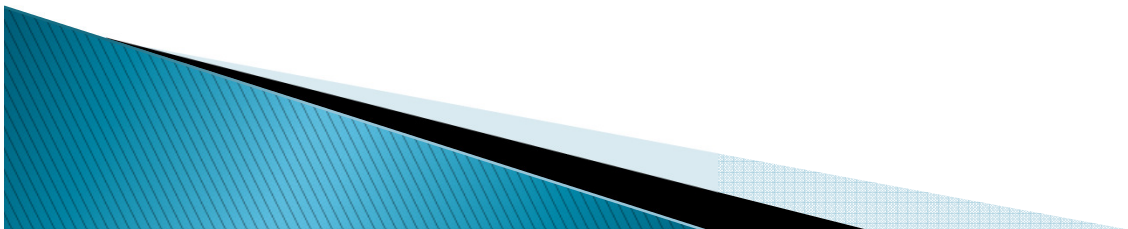
CLIN	Unit Price	Dollar Difference	Percent Difference
0001	\$2,129.00		
1001	\$2,000.00	-\$129.00	-6.06%
2001	\$2,500.00	\$500.00	25.00%
3001	\$2,250.00	-\$250.00	



The Error – How To Find It

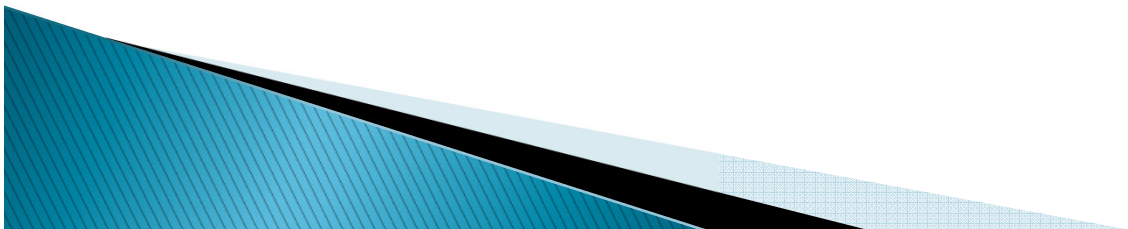
- Calculate the difference:

CLIN	Unit Price	Dollar Difference	Percent Difference
0001	\$2,129.00		
1001	\$2,000.00	-\$129.00	-6.06%
2001	\$2,500.00	\$500.00	25.00%
3001	\$2,250.00	-\$250.00	-10.00%

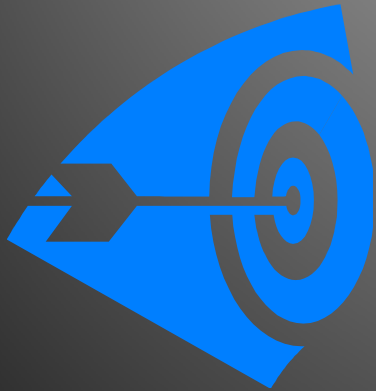


The Error – How To Avoid It

- ▶ Do a “Sanity Check” of all proposed prices.
- ▶ If there is a variance between years, explain that variance
 - Has equipment depreciated?
 - Were there “up front” costs in the basic year not carried to the option years?
 - Is there a cost you know will increase (insurance costs, etc.) that affect option year pricing?

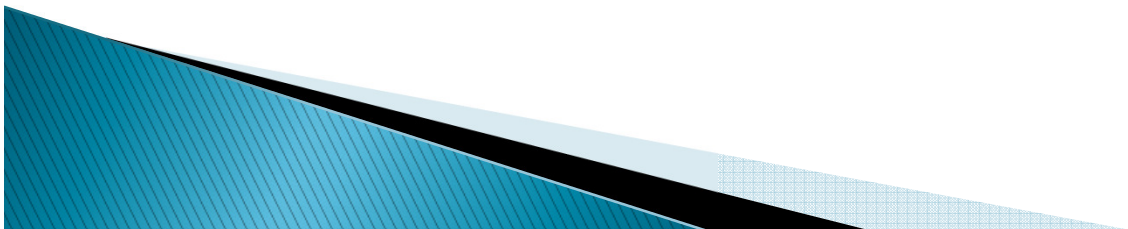


»» The (W)Hole Story



Section B As Provided

CLIN	Description	Quantity	Unit of Issue	Unit Price	Total Price
0001	Service	12	Months	\$2,000.00	\$2,400.00
0002	Service	12	Months	\$2,100.00	
0003	Service	12	Months	\$2,200.00	



The Error – How To Find It

- The Price as Proposed:

CLIN	Description	Quantity	Unit of Issue	Unit Price	Total Price
0001	Service	12	Months	\$2,000.00	\$24,000.00
0002	Service	12	Months	\$2,100.00	
0003	Service	12	Months	\$2,200.00	

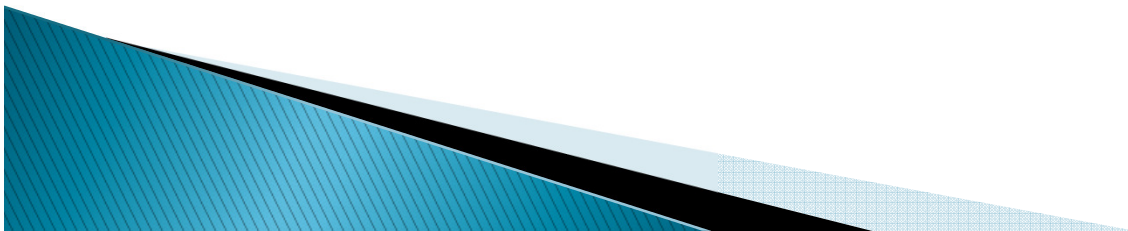
- The Price as Calculated:

CLIN	Description	Quantity	Unit of Issue	Unit Price	Total Price
0001	Service	12	Months	\$2,000.00	\$24,000.00
0002	Service	12	Months	\$2,100.00	\$25,200.00
0003	Service	12	Months	\$2,200.00	\$26,400.00

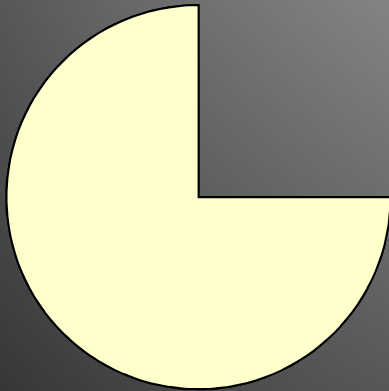


The Error – How To Avoid It

- ▶ Carefully review the price proposal before submission
- ▶ A fresh set of eyes is always helpful

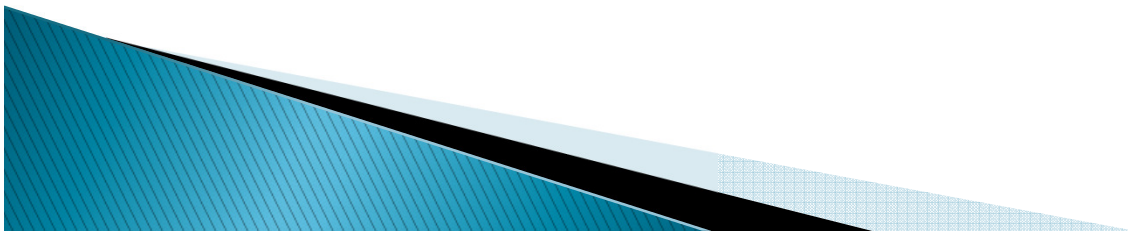


»» The (Not So)
Complete Story



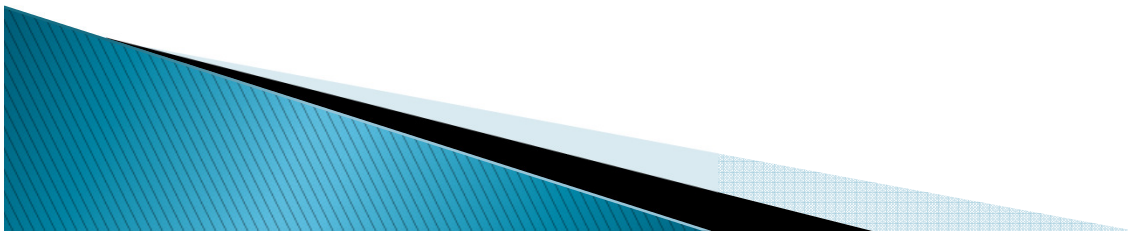
Instructions

- ▶ The source selection will be conducted with the expectation of adequate price competition; therefore, cost or pricing data are not required and, if submitted, will not be considered or evaluated.



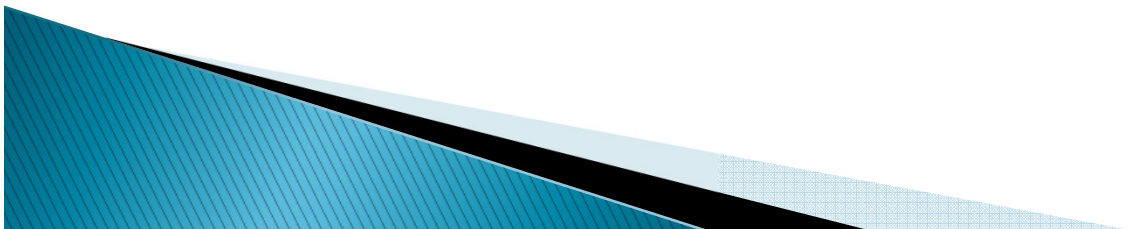
Proposal

- ▶ In the interest of full disclosure, we have included a complete set of cost and pricing data for your evaluation.



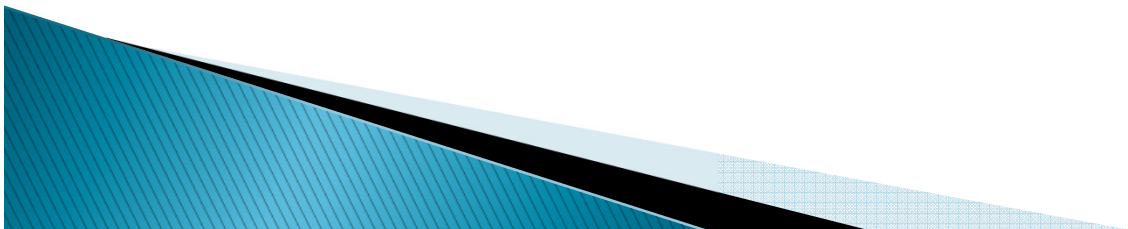
The Error – How To Find It

- ▶ Carefully read all information in the price proposal
- ▶ Know the instructions provided to the offerors
- ▶ Do what you said you'll do – if you said you wouldn't review or evaluate, *don't review or evaluate!*



The Error – How to Avoid It

- ▶ Ensure all members of your proposal preparation team are familiar with instructions provided
- ▶ *If we don't ask for it, don't send it!*



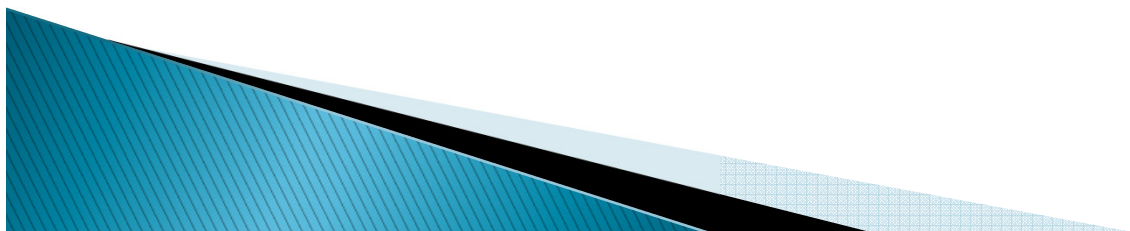
»» How do you rate?



Cost Data As Provided

“Our worker’s compensation rate for all employees is 1.78%.”

Hours	Wage	Subtotal	WCI Rate	WCI	Subtotal
2080	\$20	\$41,600	1.78%	\$740.48	\$42,340.48
2080	\$20	\$41,600	1.65%	\$686.40	\$42,286.40
2080	\$25	\$52,000	1.78%	\$858.00	\$52,858.00
2080	\$22	\$45,760	1.78%	\$925.60	\$46,685.00



The Error – How To Find It

- The Data as Provided:

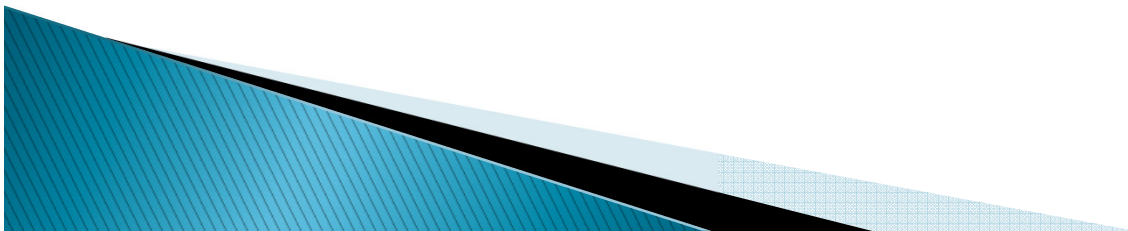
Hours	Wage	Subtotal	WCI Rate	WCI	Subtotal
2080	\$20	\$41,600	1.78%	\$740.48	\$42,340.48
2080	\$20	\$41,600	1.65%	\$686.40	\$42,286.40
2080	\$25	\$52,000	1.78%	\$858.00	\$52,858.00
2080	\$22	\$45,760	1.78%	\$925.60	\$46,685.00

- The Data as Verified:

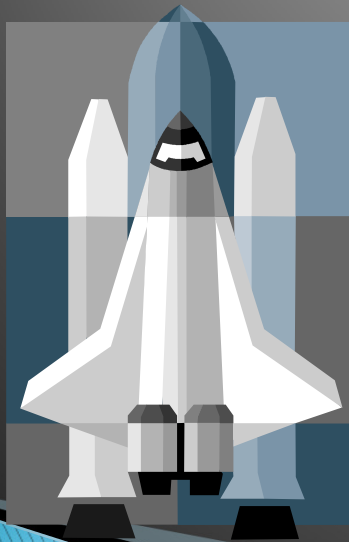
Hours	Wage	Subtotal	WCI Rate	WCI	Subtotal
2080	\$20	\$41,600	1.78%	\$740.48	\$42,340.48
2080	\$20	\$41,600	1.65%	\$686.40	\$42,286.40
2080	\$25	\$52,000	1.78%	\$925.60	\$52,925.60
2080	\$22	\$45,760	1.78%	\$814.53	\$46,574.53

The Error – How To Avoid It

- When data are provided, pay attention to detail
- Be sure all rates are consistent, are applied to the right base, and applied consistently



»» You Want What??

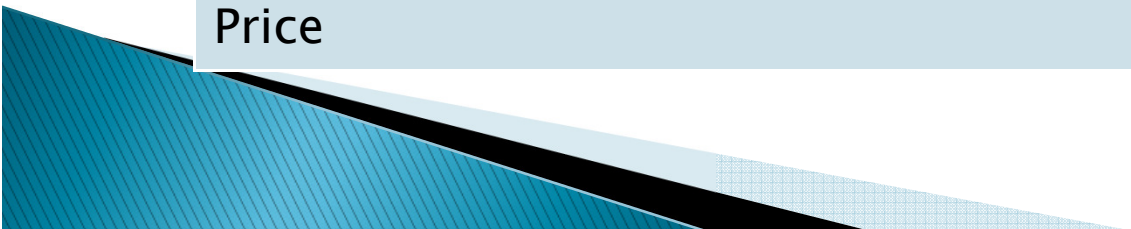


Cost Data

- ▶ Please complete the Cost Model at Attachment 6.

Cost Model:

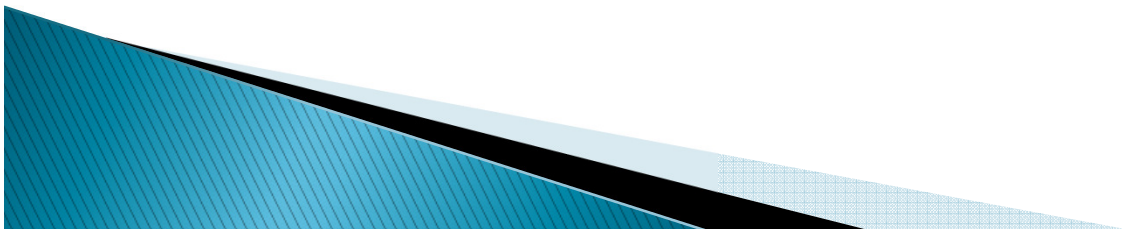
ITEM	AMOUNT
Materials	
Direct Labor	
Unburdened Labor	
Burdened Labor	
Other Direct Charges	
Indirect Costs	
Price	



The Error – How To Find It

- The Data as Provided:

ITEM	AMOUNT
Materials	\$50,000
Direct Labor	\$150,000
Unburdened Labor	\$100,000
Burdened Labor	\$50,000
Other Direct Charges	\$10,000
Indirect Costs	\$300,000
Price	\$660,000

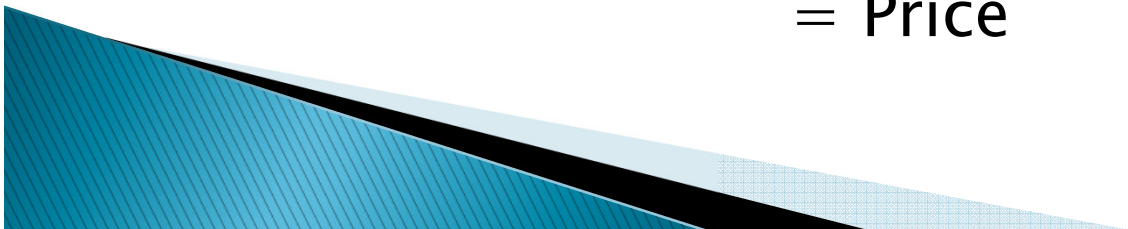


The Error – How To Find It

- The Data as Calculated:

ITEM	AMOUNT
Materials	\$50,000
Direct Labor	\$150,000
Unburdened Labor	\$100,000
Burdened Labor	\$50,000
Other Direct Charges	\$10,000
Indirect Costs	\$300,000
Price	\$510,000

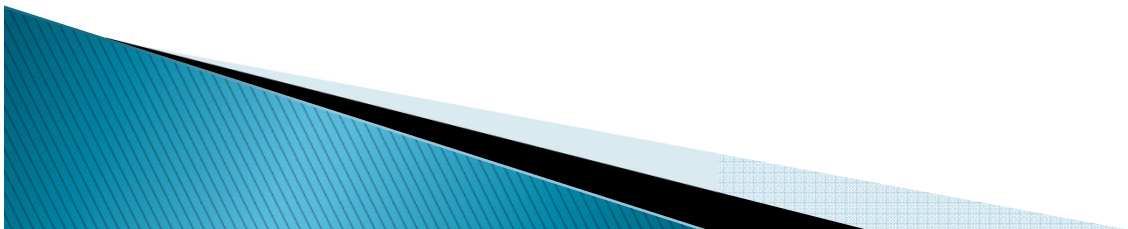
$$\text{Materials} + \text{Direct Labor} + \text{ODCs} + \text{Indirect Costs} = \text{Price}$$



The Error – How To Avoid It

- The Data as Provided:

ITEM	AMOUNT
Materials	\$50,000
Direct Labor	\$150,000
Unburdened Labor	\$100,000
Labor Burden	\$50,000
Other Direct Charges	\$10,000
Indirect Costs	\$300,000
Price	\$660,000



The Error – How To Avoid It

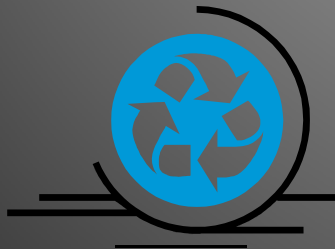
- The Data as Provided:

ITEM	AMOUNT
Materials	\$50,000
Direct Labor	\$150,000
Unburdened Labor	\$100,000
Labor Burden	\$50,000
Other Direct Charges	\$10,000
Indirect Costs	\$300,000
Price	\$660,000

Materials + *Direct Labor* + *Unburdened Labor* + *Labor Burden* + ODCs + Indirect Costs = Price



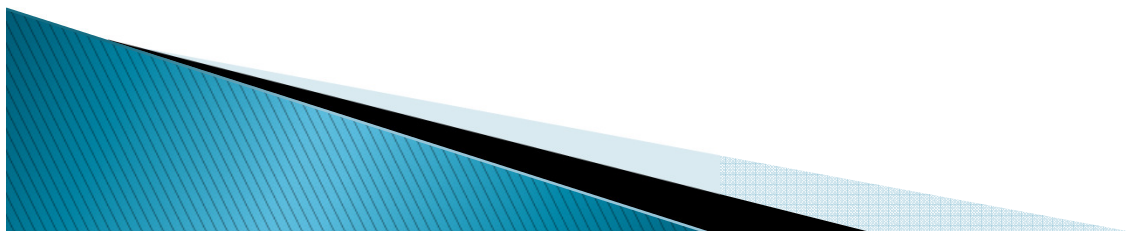
»» Déjà vu all over again



Cost Data

- ▶ Please complete the Cost Model at Attachment 6.

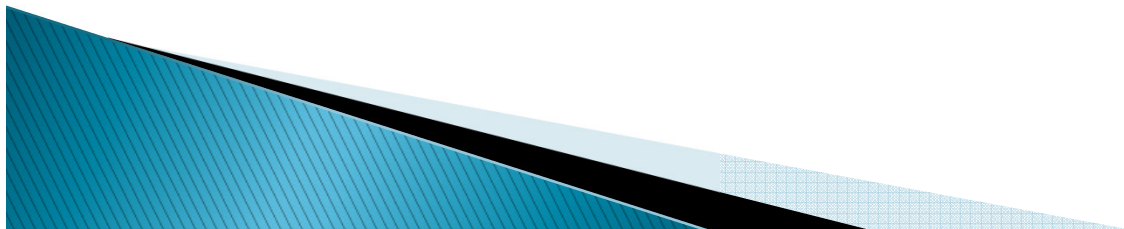
ITEM	BASIC	OY1	OY2
Labor Hours			
Direct Labor			
Unburdened Labor			
Burdened Labor			
Other Direct Charges			
Indirect Costs			
Price			



The Error – How To Find It

- The Data as Provided:

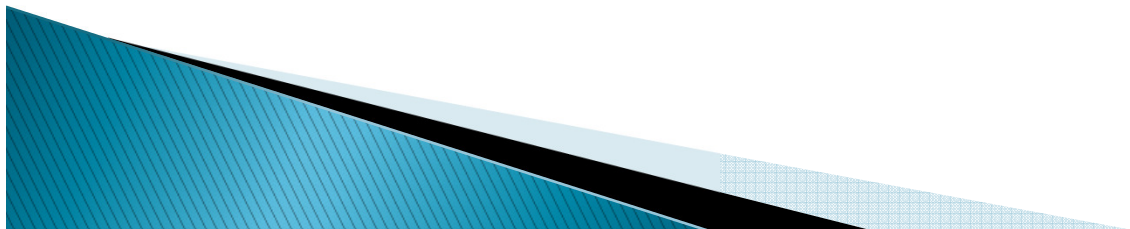
ITEM	BASIC	OY1	OY2
Labor Hours	1786	1826	1900
Direct Labor	\$150,000		
Unburdened Labor	\$100,000		
Burdened Labor	\$50,000		
Other Direct Charges	\$10,000	\$10,000	\$10,000
Indirect Costs	\$50,000		
Price	\$210,000	\$220,000	\$230,000



The Error – How To Find It

- The Data as Provided:

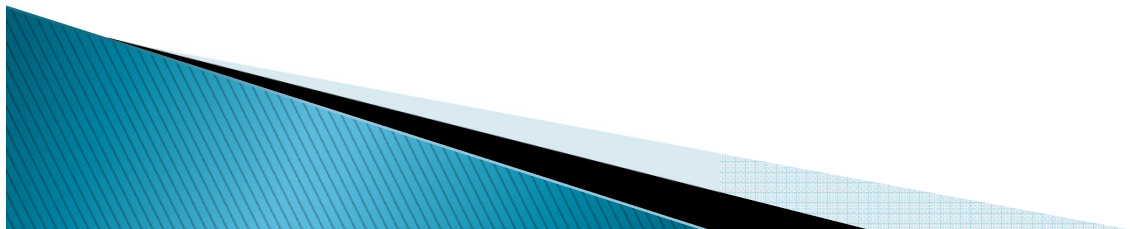
ITEM	BASIC	OY1	OY2
Labor Hours	1786	1826	1900
Direct Labor	\$150,000		
Unburdened Labor	\$100,000		
Burdened Labor	\$50,000		
Other Direct Charges	\$10,000	\$10,000	\$10,000
Indirect Costs	\$50,000		
Price	\$210,000	\$220,000	\$230,000



The Error – How To Find It

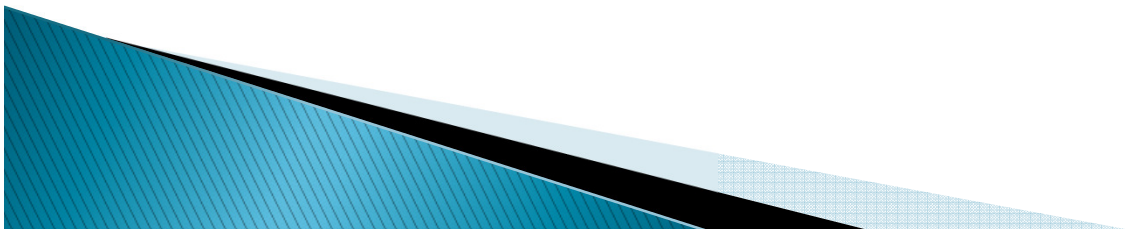
- The Data as Provided:

ITEM	BASIC	OY1	OY2
Labor Hours	1786	1826	1900
Direct Labor	\$150,000		
Unburdened Labor	\$100,000		
Burdened Labor	\$50,000		
Other Direct Charges	\$10,000	\$10,000	\$10,000
Indirect Costs	\$50,000		
Price	\$210,000	\$220,000	\$230,000



The Error – How To Avoid It

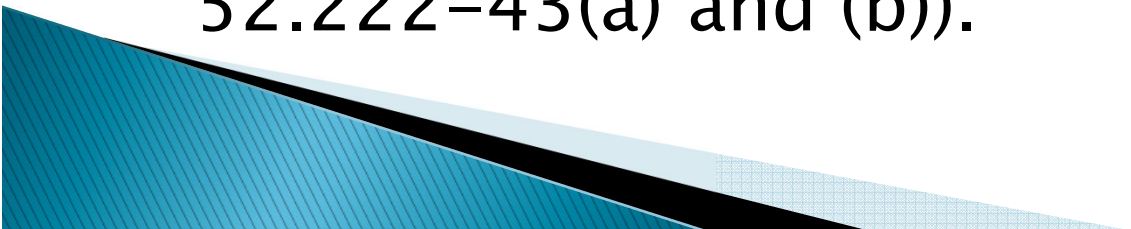
- ▶ Apply the same scrutiny to your cost model as you apply to Section B
- ▶ Make sure cost model prices are the same as Section B prices
- ▶ *Check, then double check!*



»» Acting Up?



Instructions – SCA Statement

- ▶ The offeror shall provide a statement acknowledging that:
 - ▶ (i) they are in compliance with the requirements of the SCA Wage Determination,
 - ▶ (ii) the prices proposed for labor covered by the SCA were formulated using the minimum wage and benefit rates specified as required for covered personnel, and
 - ▶ (iii) that those rates are not escalated beyond the basic period of performance (FAR 52.222–43(a) and (b)).
- 

The Error – How To Find It

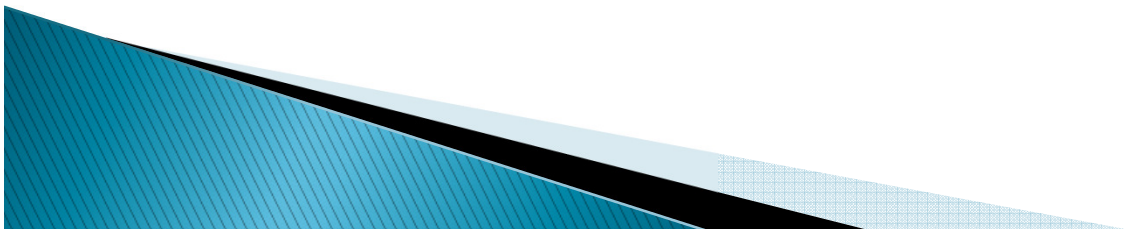
- ▶ Use your instructions as a checklist. Did the offeror state that:
 - they are in compliance with the requirements of the SCA Wage Determination,
 - the prices proposed for labor covered by the SCA were formulated using the minimum wage and benefit rates specified as required for covered personnel
- ▶ VERIFY: are rates escalated beyond the basic period of performance



The Error – How To Find It

- The Price as Provided:

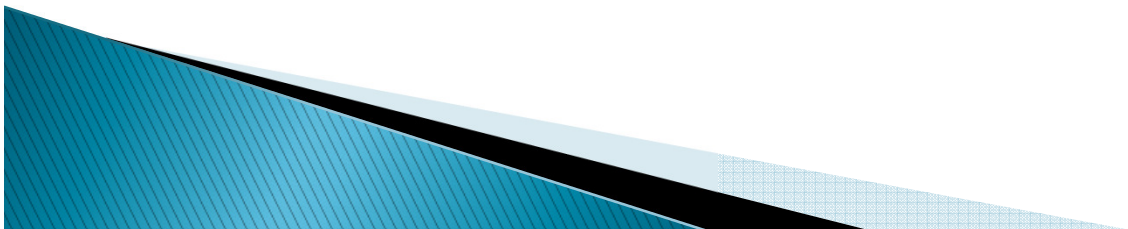
CLIN	Description	Quantity	Unit Price
0001	Service	12	\$2,000.00
1001	Service	12	\$2,400.00
2001	Service	12	\$2,880.00
3001	Service	12	\$3,456.00



The Error – How To Find It

- The Price Analyzed:

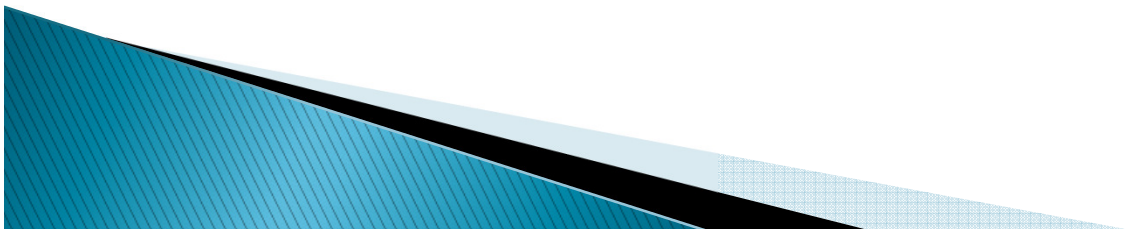
CLIN	Description	Quantity	Unit Price	\$ Difference
0001	Service	12	\$2,000.00	
1001	Service	12	\$2,400.00	
2001	Service	12	\$2,880.00	
3001	Service	12	\$3,456.00	



The Error – How To Find It

- The Price Analyzed:

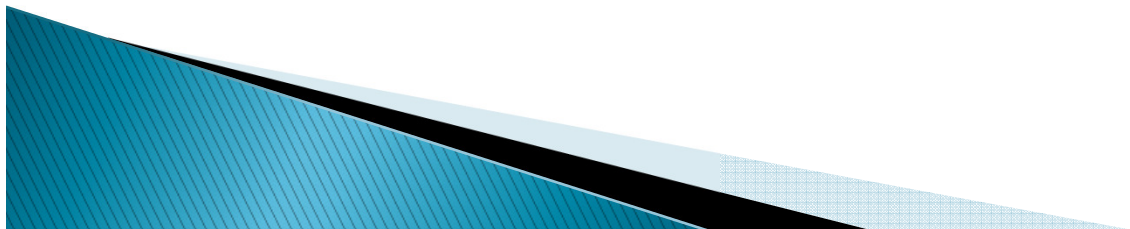
CLIN	Description	Quantity	Unit Price	\$ Difference
0001	Service	12	\$2,000.00	
1001	Service	12	\$2,400.00	\$400.00
2001	Service	12	\$2,880.00	\$480.00
3001	Service	12	\$3,456.00	\$576.00



The Error – How To Find It

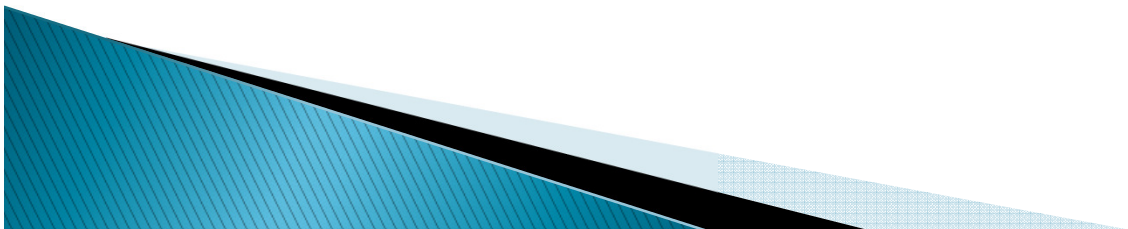
- The Price Analyzed:

CLIN	Description	Quantity	Unit Price	\$ Difference	% Difference
0001	Service	12	\$2,000.00		
1001	Service	12	\$2,400.00	\$400.00	20%
2001	Service	12	\$2,880.00	\$480.00	20%
3001	Service	12	\$3,456.00	\$576.00	20%



The Error – How to Avoid It

- ▶ If a statement regarding SCA employees is required, be sure to include it.
- ▶ Be sure to address all required elements
- ▶ Do not escalate SCA/CBA wages beyond the basic period of performance
- ▶ If unsure – ASK!



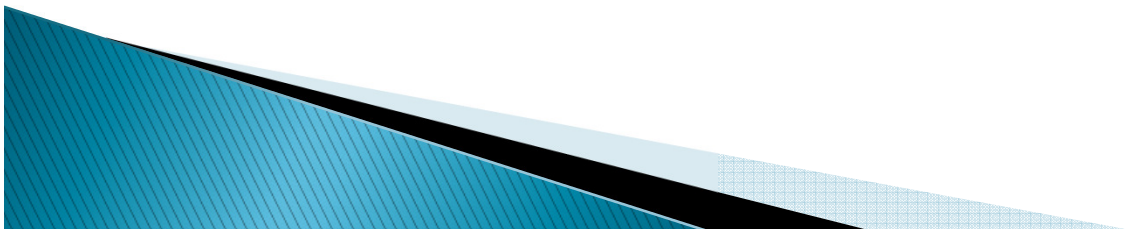
Finding It Tips

- ▶ Do what you said you would do
 - Follow Section M/Evaluation Criteria
- ▶ Do your own price calculations
 - Verify – build your own spreadsheet
- ▶ Do some price analysis
 - Are unit prices balanced?
- ▶ If applicable, do some cost analysis
 - Are rates applied correctly and consistently?
 - If SCA, do rates appear to be escalated?
- ▶ Identifying issues
 - Be sure negotiation points/ENs are clear and drive meaningful communication



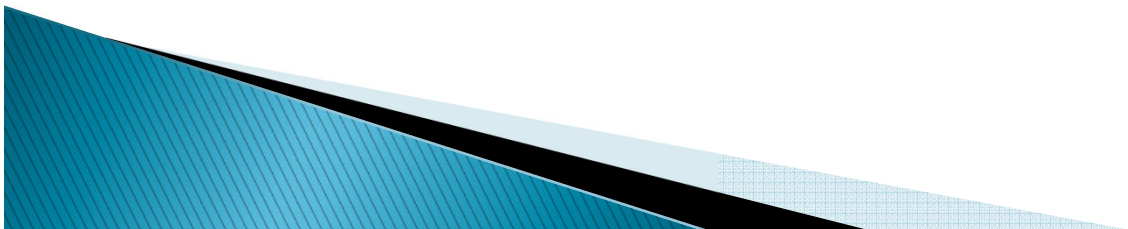
Avoiding It Tips

- ▶ How much did you say that would cost???
 - Is the amount you propose clear and clearly arrived at
- ▶ Technically speaking...
 - Does your price reflect your technical approach
- ▶ Free meal???
 - Have you accounted for all costs and explained your pricing methodology
- ▶ Amuonts
 - Did you ensure your unit and total prices are as intended



Avoiding It Tips

- ▶ On Balance...
 - Are prices balanced between performance periods and are variances explained in your proposal
- ▶ The (W)Hole Story
 - Does your proposal tell the whole story or does it leave any holes
- ▶ The (Not So) Complete Story
 - Did you provide only the amount of data requested
- ▶ How Do You Rate?
 - Did you apply the correct rates to the appropriate bases in a consistent manner



Avoiding It Tips

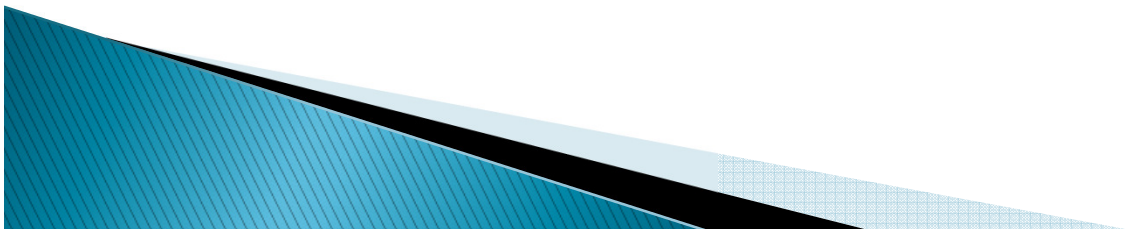
- ▶ You Want What???
 - Are prices in any cost/price model the same as prices in Section B and are you using the most current version of the cost model
- ▶ Déjà Vu All Over Again...
 - Did you apply the same level of scrutiny to the cost model as you did to Section B... is all information completed
- ▶ Acting Up?
 - If SCA applies, are you in compliance with the Act and does your price proposal reflect that compliance



Avoiding It Tips

▶ *DON'T*

- Change formulas in Cost Models
- Escalate SCA labor rates
- Assume you'll be able to make corrections during discussions or negotiations
- Be afraid to ask questions early in the process





QUESTIONS??

