

# **NCMA FALL CONFERENCE**

## **BUILDING CHAMPIONS IN THE CONTRACT MANAGEMENT PROFESSION**

# **Evaluating Cost Price Proposals**

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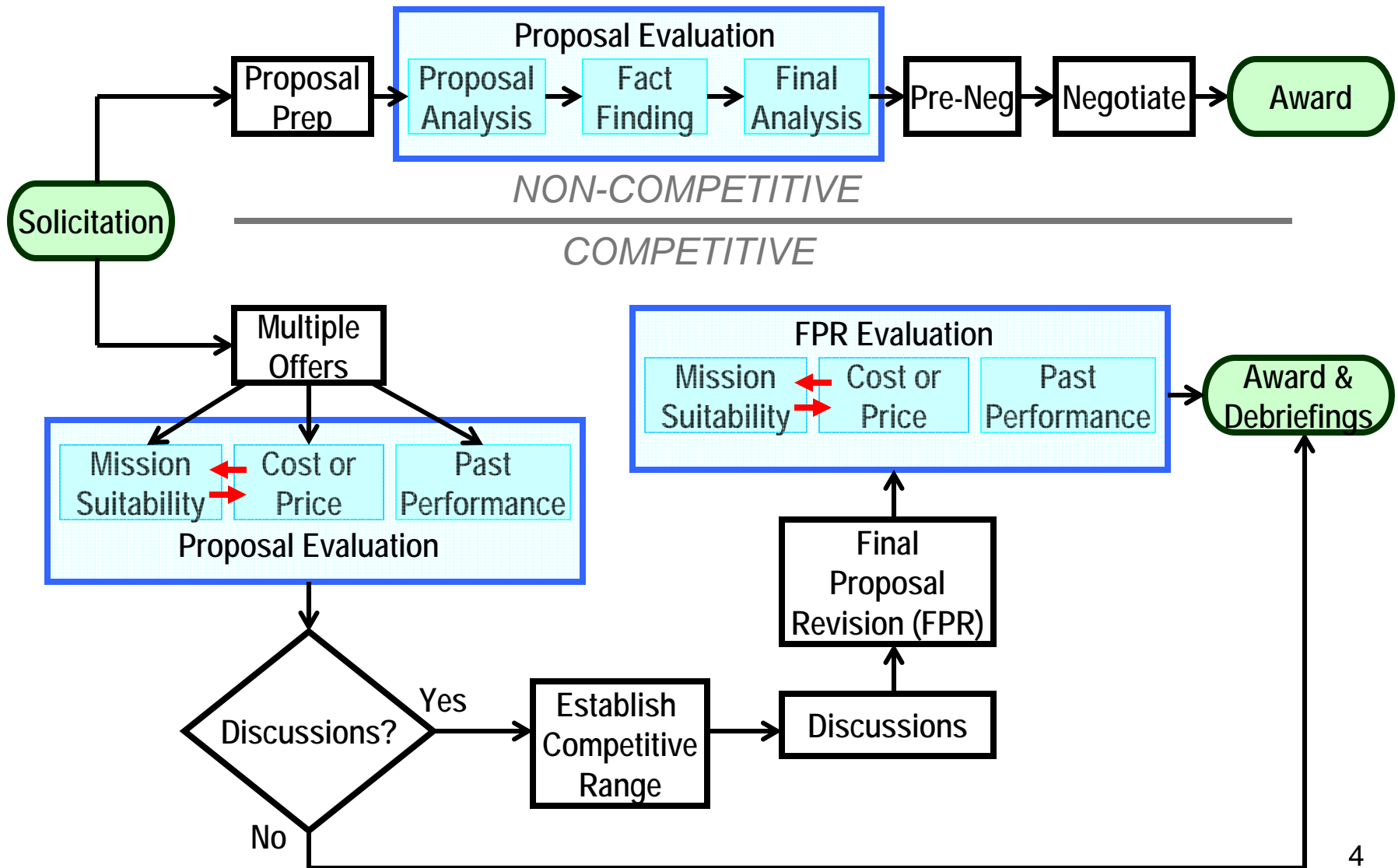
# Outline

- Statement of purpose
- Brief overview of proposal evaluation process
- Trends influencing solicitations
- Recent policies affecting cost or price
- Observations & lessons learned
- Questions?
- Review & Wrap-up

# Statement of Purpose

- The purpose of this session is to expand the ongoing dialog between Industry and Government professionals regarding pricing concepts, methods and lessons learned.
- Benefits:
  - Clearer and more effective solicitations
  - Better and more effective proposals
- Reminder: This is an academic environment:
  - Non-attribution
    - The only “silly” question or comment is the one left unspoken
    - When discussing lessons learned, avoid identities of people, contracts or organizations associated with a specific case
  - Your participation and questions are critical to the success of this session

# Proposal Evaluation Process



# Proposal Evaluation Process

- Significant steps in Cost/Price evaluations:
  - Requesting a Defense Contract Audit Agency (DCAA) audit when required
  - Carefully reading the cost proposal
  - Validating electronic pricing models to ensure each is functioning correctly and accurately corresponds with the written proposal
  - Integrating prime and subcontract pricing models into a team pricing model
  - Performing price analysis on all proposals

# Proposal Evaluation Process (Continued)

- Significant steps in Cost/Price evaluations:
  - Obtaining a technical evaluation
  - Performing cost analysis when required
    - For competitive selections, developing a most probable cost for consideration by the Source Selection Authority (SSA)
  - For competitive selections, presenting cost/price evaluation results to the SSA
  - For sole source evaluations, developing negotiation objectives
  - Supporting negotiations

# Trends that may influence future solicitations

- Continued interest in expanding opportunities for small or disadvantaged businesses participation
  - Set-asides
  - Subcontracting Goals
- Increased use of fixed price contracting
- Increased use of multiple award contracts when goods or services will be acquired on an indefinite delivery/indefinite quantity (ID/IQ) basis
- Increased use of objective performance incentives

## **Trends that may influence future solicitations (continued)**

- Increased use of commercial item acquisitions (FAR Part 12)
- Increased attention to solicitation language dealing with contractor qualification (e.g. FAR Part 9 requirements as well as ostensible subcontracting when set-aside)
- Decreased use of very long term contracts -- competitive sourcing initiative may often limit periods of performance
- Decreased use of award fee incentives

## Recent policies affecting cost or price

- May 2008 -- NASA Procurement Notice (PN) 04-34 eliminated the requirement to perform a mission suitability point adjustment as a result of cost realism at NASA FAR Supplement (NFS) 1815.305(a)(3)(B)
  - The NFS still requires solicitations to notify offerors that a lack of resource realism may adversely affect their Mission Suitability scores, and result in cost realism adjustments under the cost factor

## Recent policies affecting cost or price (Continued)

- May 2008, PN 04-34 also clarified in NFS 1815.300-70 (a)(1)(i) that acquisitions valued at \$50 million or more are required to use a mission suitability factor, numerical score, and utilize the source evaluation board (SEB) procedures in NFS 1815.370
  - This will reduce use of pre-defined “Value Characteristics” commonly used before in procurements under \$50 million

## Recent policies affecting cost or price (Continued)

- January 2008, Public Law 110-181 (Defense Authorization Act) as implemented by Federal Acquisition Circular 2005-27 places additional competition requirements on ID/IQ contracts
  - Requires administrator determination and congressional notification to have single source ID/IQ contract valued over \$100 million
  - Enhances competition requirements for orders over \$5 million
  - Allows for protests of ID/IQ orders that increase the scope, period, maximum contract value or are valued in excess of \$10 million

# Learning from Each Other

## Observations & Lessons Learned

- As a Government professional, I am keenly interested in honest feedback or observations from Industry that will allow us to improve RFP quality
- Some Industry professionals have expressed to me a similar interest in observations from proposal evaluations
- This conference provides an excellent academic environment to share our observations, ideas, or potential lessons learned
- Your participation in this dialog is not only invited, I believe it is essential to the success of this session

# Observations & Lessons Learned

- Observation: Occasionally a proposal does not respond fully to solicitation (RFP) requirements
  - Possible lesson: Ensure the proposal addresses future requirements described in the RFP rather than how current work is being performed under a previously awarded contract
  - Possible lesson: Go ahead and ask the Government questions about any RFP requirements that are not clearly stated rather than making assumptions

# Observations & Lessons Learned (Continued)

- Observation: Sometimes a proposal omits items requested in the RFP
  - Possible lesson: A few firms may not be taking advantage of some industry best practices for writing proposals (e.g. use of compliance matrices or proposal content checklists to ensure proposals fully respond to solicitations)
  - Possible lesson: Go ahead and ask the Government a question about any RFP request for data that you cannot reasonably provide in your proposal rather than simply omit the data requested in the RFP

# Observations & Lessons Learned (Continued)

- Observation: Once in a while, a portion or portions of a proposal will address requirements of other RFPs
  - Possible Lesson: Some firms may benefit by allowing more time to employ a fresh set of eyes proof-read the entire proposal
  - Possible Lesson: It might be worthwhile to pay increased attention when proof-reading any proposal content that “evolved” from another proposal effort

# Observations & Lessons Learned (Continued)

- Observation: In some cases, the supporting rationale is inadequate to demonstrate the offeror will be able to perform the work in the manner proposed using the proposed resources (e.g. staffing level, skill mix, or non-labor resources)
  - Possible lesson: Providing appropriately detailed or objective rationale supporting the estimates in a proposal may be helpful to evaluators who are trying to understand exactly what is being proposed

# Observations & Lessons Learned (Continued)

- Observation: Sometimes one section of a proposal doesn't reconcile with other parts of the same proposal (e.g. the resources discussed the Technical Approach Volume may not match the resources priced-out in the Cost Volume)
  - Possible Lesson: In some instances, allowing more time and/or employing a fresh set of eyes to proof-read the entire proposal for consistency from one portion of the proposal to the next may be beneficial

# Discussion

# Questions?