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# ACC-Warren Industry Engagement Session #2 27 January 2015

**Certified Cost or Pricing Data**  
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**Chief, Pricing Division**





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## **Certified Cost or Pricing Data: Agenda**

- **Why is it required?**
- **When is it required?**
- **Definition**
- **What is an Adequate Proposal?**
- **Benefits of an Adequate Proposal**
- **Improving Your Proposal Submissions**
- **Proposal Adequacy Checklist**
- **Cost Analysis Evaluation Process**
- **Profit/Fee**
- **Incentive Contracting**
- **What ACC-WRN can offer?**
- **What can we do better? & POCs**
- **Q & A**



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## Why is it Required?

- **Why is Certified Cost or Pricing Data required?**
  - **Federal Acquisition Regulations (FAR) requires that “Contracting officers shall purchase supplies and services from responsible sources at fair and reasonable prices.” (FAR 15.402)**
- **Certified Cost or Pricing Data supports the determination of “fair and reasonable” prices.**
  - **Obtain certified cost or pricing data when required (FAR [15.403-4](#))**
  - **The contractor bears the burden of proof in establishing reasonableness of proposed costs.**
  - **Data must be “current, accurate and complete”.**



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## When is it Required? FAR 15.403-4

- The threshold for obtaining certified cost or pricing data is \$700,000. Certified Cost or Pricing Data is required for:
  - The award of any negotiated contract
  - The award of a subcontract at any tier (if the contractor and each higher-tier subcontractor were required to furnish data)
  - The modification of any sealed bid (competitive action) or negotiated contract or subcontracts
  - A Certificate of Current CPD certifies that the CPD were accurate, complete, and current as of the date of agreement on price.
- Exceptions to the data listed in [15.403-1\(b\)](#): competition, prices set by law or regs, commercial item, etc. If none apply, waiver can be requested under the exception at [15.403-1\(b\)\(4\)](#)



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## **Certified Cost or Pricing Data Defined**

- **Represents all facts that, as of the date of price agreement prudent buyers and sellers would reasonably expect to affect price negotiations significantly.**
- **Factual, not judgmental; and are verifiable. Contractor's estimated future costs or projections should include the data that forms the basis for those costs.**
- **More than historical accounting data; they are all the facts that contribute to the soundness and validity of estimates of future costs and costs already incurred.**



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## **CCPD Defined (cont'd)**

- **Examples of CCPD:**
  - (1) Vendor quotations;**
  - (2) Nonrecurring costs;**
  - (3) Information on changes in production methods and in production or purchasing volume;**
  - (4) Data supporting projections of business prospects and objectives and related operations costs;**
  - (5) Unit-cost trends such as those associated with labor efficiency;**
  - (6) Make-or-buy decisions;**
  - (7) Estimated resources to attain business goals; and**
  - (8) Information on management decisions that could have a significant bearing on costs.**



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## What is an Adequate Proposal?

- **Labor:** Detail of direct labor rates and hours- labor rate classifications and basis of proposed hours (experience, learning)
- **Material:** Consolidated Bill-of-Material, vendor quotes, purchase orders, invoices, competition, sources, quantity and price
- **Subcontracts:** *Include sub-k cost or pricing data, prime contractor analysis (FAR 15.403-4 and FAR 15.403-1(b)), competition, basis for price reasonableness*
- **Indirect Costs:** Include basis of proposed indirect expense rates, current year operating budget and a long range forecast/strategic plan covering all the periods of performance, relationship to sales projections and impact to future rates.
- **Commercial Items:** Current price lists, catalogs, historical pricing or sales data



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## **Benefits of an Adequate Proposals**

- **An adequate proposal will reduce DCAA audit time, DCMA technical evaluation time, ACC-WRN pricing evaluation time, save contractor & government time and effort, and will lend itself to a timely contract award.**
- **Any inadequacies in your proposal may result in unsupported costs and potential adverse audit opinions, increase in DCMA technical, DCAA audit & ACC-WRN pricing evaluation time and effort and ultimately will likely delay the negotiation process and contract award.**

**The fewer the unsupported/questioned costs- the faster the negotiation.**



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## **Improving Proposal Submissions: Best Practices**

- **Refer to: 1) FAR Part 15, Table 15-2 – Instructions for submitting cost/price proposals when certified cost or pricing data are required and 2) DFARS 252.215-7009 Proposal Adequacy Checklist - Provides location of requested information or an explanation of why the requested information is not provided.**
- **Early coordination/communication with DCAA, DCMA, ACC-WRN PCO and Pricing**
- **Proposal walk-through with PCO/buyer/pricer prior to submission, especially for complex proposals.**
- **Creating proposal quality improvement teams.**



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## Proposal Adequacy Checklist

- **DFARS 215.408: when solicitation requires certified data, CO should include 252.215-7009 checklist.**
- **Checklist will facilitate submission of a thorough, accurate and complete proposal.**
- **Provision used in solicitations with value of greater than \$700,000 (requiring certified CPD)**
- **Checklist will enable offerors to “self-validate” their proposals**
- **PCOs have discretion to use the checklist**
- **Intended for use as a tool- not meant to be punitive.**
- **Goal is to improve proposal quality & promote efficiency by reducing rework and delays**
- **Cost savings should result by reducing rework and resubmissions**
- **Subcontractor checklists not required, but are encouraged**



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## Cost Analysis Evaluation Process- What do we do?

- **Receive proposal, review for adequacy.**
  - ✓ If adequate, accept and proceed with evaluation, if not-reject & return to contractor
- **Coordinate and Incorporate stakeholders feedback**
  - ✓ Hold “walk-through” with contractor
  - ✓ Request DCAA Audit, as required (\$10M+ for FFP, \$100M+ for Cost type)
  - ✓ Request technical analysis (internal, PM, DCMA)
- **Evaluate**
  - ✓ Verify & trace proposal calculations/data
  - ✓ Review Basis of Estimates



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## Cost Analysis Evaluation Process (con't)

- Evaluate necessity and reasonableness of costs
- Project cost trends based on current and historical cost and pricing data
- Compare proposed cost elements to:
  - ✓ Actual costs previously incurred by same offeror
  - ✓ Previous cost estimates for similar items
  - ✓ Other cost estimates received in response to the Government's request
  - ✓ Independent Government Cost Estimates developed by technical personnel



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## **Cost Analysis Evaluation Process (con't)**

- **Apply DCAA audit & DCMA Technical findings**
- **Apply negotiated rates & factors**
- **Construct/finalize USG position/objective**
- **Receive approval to negotiate (Business Clearance Review/Pre-Negotiation)**
- **Commence & finalize negotiations**
- **Receive approval to award contract (Contract Review Board Peer Review).**



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## **Profit/Fee: FAR 15.404-4**

- **When certified cost or pricing data are required, we must use profit/fee analysis to determine the reasonableness of any proposed profit/fee.**
- **The contractor's actual realized profit/fee may vary from negotiated profit/fee, because of such factors as: Contract performance efficiency; Incurrence of unallowable costs; and Contract type.**
- **Each agency making noncompetitive contract awards over \$100,000 that total \$50 million or more each year, must use a structured approach for determining the profit/fee pre-negotiation objectives in those acquisitions that require cost analysis.**
- **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.**
- **Our goal is to negotiate a reasonable fee/profit to both parties.**



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## **Incentive Contracts and Feedback from Industry**

- **Better Buying Power emphasizes use of incentive contracts:**
  - **Employ appropriate contract types, but increase the use of incentive contracts**
  - **Expectation is that incentive contracts will lead to better cost control on production contracts relative to FFP contracts**
  - **Align profitability more tightly with DOD goals**
- **Need feedback from industry on the most effective way to incentivize cost control on programs**
- **National Defense Industrial Association (NDIA) Feedback:**
  - **Review and adjust Weighted Guidelines Methodology**
  - **Stop arbitrary limits on labor rates, especially in teaming arrangements**
  - **Emphasize quality and performance in source selection over LPTA**
  - **Educate engineering and program officials on contract type**
  - **Support longer term contracts to align incentives**
  - **Ensure risk profile fits with incentive contract type**



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## **What Can ACC-WRN Offer?**

- **Answer questions/provide feedback on proposal adequacy and proposal preparation.**
- **Perform walk-through's on major competitive actions (explain spreadsheet templates, etc)**
- **Participate on proposal quality improvement teams**
- **Engage with us early and often through the Contracting Officer!!**



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## What Can ACC-WRN Do Better?

Let us know! Provide your feedback to:

POCs:

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