

## 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 cost or pricing data (CAM 9-204).

When the proposal is based on information other than 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 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).

If the proposal is so deficient that an examination cannot be performed, 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 (especially, 4a, 4b, and 8) 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.

<b>DOES THE PROPOSAL INCLUDE THE FOLLOWING:</b>			
<b>Criteria</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
<b>General</b>			
1. 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. An index referencing all cost or pricing data and information accompanying or identified in the proposal. (FAR 15.408, Table 15-2 I.B.)			
3. A summary of total cost by element cross-referenced to supporting cost or pricing data. (FAR 15.408, Table 15-2 I. D&E.)			

<b>DOES THE PROPOSAL INCLUDE THE FOLLOWING:</b>			
<b>Criteria</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
4. An 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. Judgmental factors and the methods used in the estimate, including those used in projecting from known data.			
b. The nature and amount of any contingencies.			
5. An identification of any incurred costs for work performed before submission of a proposal. (FAR 15.408, Table 15-2, I.F.)			
6. An identification and description of any agreements with Government representatives on use of forward pricing rates/factors. (FAR 15.408, Table 15-2 I.G.)			
7. The location and point of contact for any cost or pricing data which is identified, but not included, in the proposal.			
8. Disclosure of any other known activity that could materially impact the costs (i.e., existing excess material, company reorganizations, new technology acquisitions, labor union discussions, etc.). (FAR 15.407-1)			
<b>Materials and Services</b>			
9. 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 (vendor quotes, invoice prices, etc). The offeror must include raw materials, parts, components, assemblies and services to be produced or performed by others. For all items proposed, the offeror must identify 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. A parametric type estimate may be more appropriate in these circumstances.			
10. Price analyses of all subcontractor proposals, and cost analyses for all subcontracts when cost or pricing data			

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<b>Criteria</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
are required to be submitted by the subcontractor, showing the basis for establishing source and reasonableness of price. The offeror must obtain cost or pricing data from prospective sources for those acquisitions exceeding the threshold in FAR 15.403-4 and not otherwise exempt in accordance with FAR 15.403-1(b). The offeror must provide a summary of the cost analysis and a copy of the cost or pricing data submitted by the prospective source in support of each subcontract when required by FAR 15.408, Table 15-2 II.A.			
<b>Interorganizational Transfers</b>			
11. a. The offeror's proposed interorganizational transfers include a breakdown of the proposed costs by element, when the proposed transfers are based on cost. (FAR 15.408, Table 15-2 II.A.(2))			
b. An explanation of the pricing method used for proposed interorganizational transfers when the proposed transfers are based on other than cost (FAR 15.408, Table 15-2 II.A.(1)).			
<b>Direct Labor</b>			
12. A time phased (i.e., monthly, quarterly, etc..) breakdown of labor rates and hours by category or skill level and the basis for the estimates of rates and hours (i.e., historical experience, engineering estimates, learning curves, etc.). 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>Indirect Costs</b>			
13. In the absence of any agreements on the use of forward pricing rates/factors, the offeror must 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.)			
<b>Other Costs</b>			
14. Identification of all other costs by category not described above (e.g., special tooling, travel, computer and consultant services) and bases for pricing. (FAR 15.408, Table 15-2 II.D.)			
<b>Royalties and License Fees</b>			
15. If royalties exceed \$1,500, the proposal must provide the information identified in FAR 15.408, Table 15-2 II.E.			

<b>DOES THE PROPOSAL INCLUDE THE FOLLOWING:</b>			
<b>Criteria</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
<b>Facilities Capital Cost of Money</b>			
16. When claiming facilities capital cost of money, the offeror must submit Form CASB-CMF and show the calculation of the proposed amount. (FAR 31.205-10), Table 15-2 II.F.)			
<b>Change Orders, Modifications and Claims</b>			
17. For Change Orders, Modifications and Claims, the contractor must follow the format for submission contained in FAR 15.408, Table 15-2 III.B.  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.			
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.			
<b>Price Revision/Redetermination</b>			
18. For price revision/redetermination, the contractor must follow the format in FAR 15.408, Table 15-2 III.C.			
<b>Adequacy/Inadequacy Determination</b>			
19. 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, the auditor should consider recommending that the contracting officer return the proposal to the contractor. (CAM 9-204, 9-205, and 9-208).			
<b>Comments</b>			