



Cost Proposal Requirements

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Presented to:

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Presented by:

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References

Today's discussion pertains to cost proposals for negotiated/sole source type procurements.

The sources for the material included in this presentation include:

- Defense Contract Audit Agency (DCAA) Pamphlet No. 7641.90 titled *Information for Contractors*
- References in the Department of Defense Federal Acquisition Regulations (DFARS) Part 215 *Contracting By Negotiation*
- DFARS Part 252 *Solicitation Provisions and Contract Clauses*
- Department of Defense Procedures, Guidance and Information (DOD PGI) 215 *Contracting By Negotiation*
- Federal Acquisition Regulation (FAR) Part 15 *Contracting By Negotiation*.



Discussion Outline

1. Submission requirements
2. Examples of data that may be requested
3. Cost Proposal – sample/model proposal
4. Oversight - audit, review & cost analysis
5. Negotiations
6. Award



(1.) Submission Requirements

(a.) The Request for Proposal (RFP) will be used to communicate the Government requirements to prospective contractors and to solicit proposals.

(b.) FAR Table 15-2 Instructions for Submitting Cost/Price Proposals When certified Cost or Pricing Data Are Required – provides detailed instructions for the preparation of the proposal. Section II (a. thru f.) provides a number of excellent practical examples of the types of data/information that a contractor should include in its cost proposal for each type of proposed cost element, direct rate, indirect rate, and other direct cost(s).

(c.) Prior to contractor submission of proposal to the Government. The Contractor should consider performing a *self assessment* of the adequacy of its proposal. An excellent baseline for such effort is provided at DFARS 252.215-7009 *Proposal Adequacy Checklist* (36 questions) as prescribed by DFARS 215.408(5).



(2.) Examples – data/information

(a.) Summary of proposed price by cost element and CLIN.

(b.) Detailed *schedules of proposed* direct labor hours, direct labor rates, other direct costs (e.g. direct travel costs, direct material costs, subcontract costs, consultant costs), *and* indirect rates as utilized in the submitted cost proposal.

(c.) *Basis* for each of the proposed *cost elements* (e.g. direct labor costs, direct material costs, subcontractor costs, etc.), associated *quantities* (e.g. direct labor hours, individual direct material part number quantities, etc.), labor categories (e.g. Engineering Technician I, Program Manager, etc.), and each individual *indirect rate* and other proposed *factor* (e.g. escalation factors, efficiency factors, scrap factor).



Continuation (Examples)

(d.) *Additional* data/information may include (i) historical and projected cost trends for expenditures, indirect rates and any proposed factors, (ii) historical and current vendor quotes, (iii) current payroll register information, etc.



(3.) Cost Proposal – Sample

Background Information (Sample)

- (1) ATT was incorporated in the State of Maryland in 1985. ATT is a research and development concern specializing in engineering feasibility studies and surface vehicle design. In 1995, ATT developed a small manufacturing capability that enables it to manufacture prototypes of its basic designs. ATT had to borrow funds from a local lending institution to establish this capability. ATT provides services primarily to major DoD contractors on a firm-fixed price (FFP) basis.
- (2) This procurement, solicited by Request for Proposal (RFP) number DAAH01-09-R-0001, calls for the production of 50 prototypes of a new heavy-duty shock absorber. ATT designed this part under another Army contract for the Armored Personnel Carrier Program.
- (3) The period of performance is February 28, 2010 to September 30, 2012



Continued-Cost Proposal Sample

PROPOSAL COVER SHEET

(Cost or Pricing Data Required)

1. **Solicitation/Contract/Modification No.:** DAAH01-09-R-0001

2. **Advanced Tank Technologies**
500 East Highway
Washington, DC 20001

3. **Point of Contact**
Jane Doe
Contracts Manager
(202) 555-1212

4. **Contract Administration Office**
DCMA Baltimore
200 Townsontown Blvd., West
Towson, MD 21204-5299
(301) 339-4800

Audit Office
ABC Branch Office
8181 Main Street
Landover, MD 20785-2218
(301) 436-2090

5. **Type of Contract Action:** New Contract

6.	Proposed	+	Profit or	=	Total:
	Cost		Fee		
	\$938,241	+	\$93,824	=	\$1,032,065

7. **Government Property**

We will not require the use of any Government property in the performance of this work.

8. **Cost Accounting Standards (CAS) and Estimating & Accounting Compliance**

a. Our organization is NOT subject to the CASB Regulations (Public Law (PL) 91-379) as amended and FAR Part 30. We have a Small Business Exemption.

b. This contract action is NOT subject to CAS. We have a Small Business Exemption.

c. NO, we have not submitted a CASB Disclosure Statement (CASB DS-1 or 2).

d. We have NOT been notified that we are or may be in noncompliance with our Disclosure Statement or CAS.

e. NO, aspect of this proposal is inconsistent with our disclosed practices or applicable CAS.

f. YES, this proposal is consistent with our established estimating and accounting practices and procedures and FAR Part 31, Cost Principles.

9. This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and FAR 15.408, Table 15-2. By submitting this proposal, we grant the CO and authorized representative(s) the right to examine, at any time before award, those records which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the proposed price.

January 21, 2010

John Smith
John Smith, President



Continued-Cost Proposal Sample

Advanced Tank Technologies
Washington, DC

Proposal Submitted in Response To RFP DAAH01-09-R-0001

<u>Element of Cost</u>	<i>Amount</i>	<i>Reference</i>
Engineering Labor	\$452,151	Schedule 1
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	Schedules 1 & 3
Material	113,175	Schedule 2
Material Handling Overhead @ 5.0%	<u>5,659</u>	Schedule 5
Subtotal	868,742	
G&A @ 8.0%	<u>69,499</u>	Schedule 4
Estimated Cost	938,241	
Profit @ 10.0%	<u>93,824</u> *	
Total Price	<u>\$1,032,065</u>	

* Contractors can negotiate profit with the CO. Typically, COs use criteria in FAR 15.404-4 for establishing a profit objective. DoD COs may use the weighted guidelines policy described in DFARS 215.404-4.



Continued-Cost Proposal Sample

Advanced Tank Technologies
Washington, DC

Proposal Submitted In Response to RFP DAAH01-09-R-0001

SCHEDULE 1

Labor Category	2010 Engineering Labor Cost			2011 Engineering Labor Cost			2012 Engineering Labor Cost			Total Engineering Labor		
	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Hours	Total	
Program Manager	\$ 33.93	683	\$ 23,174	\$ 35.63	760	\$ 27,079	\$ 37.41	507	\$ 18,967	1,950	\$ 69,220	
Senior Engineer	26.39	1,200	\$ 31,668	27.71	900	\$ 24,939	29.10	700	\$ 20,370	2,800	\$ 76,977	
Junior Engineer	22.12	1,800	\$ 39,816	23.23	1,500	\$ 34,845	24.39	900	\$ 21,951	4,200	\$ 96,612	
Engineering Aide	14.50	1,800	\$ 26,100	15.23	550	\$ 8,377	15.99	50	\$ 800	2,400	\$ 35,277	
Technical Writer	16.00	-	\$ -	16.80	0	\$ -	17.64	900	\$ 15,876	900	\$ 15,876	
Metallurgist	18.85	1,900	\$ 35,815	19.79	1,200	\$ 23,748	20.78	700	\$ 14,546	3,800	\$ 74,109	
Draftsman	18.95	2,200	\$ 41,690	19.90	1,500	\$ 29,850	20.90	600	\$ 12,540	4,300	\$ 84,080	
Total Direct Labor - Engineering		<u>9,583</u>	<u>\$ 198,263</u>		<u>6,410</u>	<u>\$ 148,838</u>		<u>4,357</u>	<u>\$ 105,050</u>	<u>20,350</u>	<u>\$ 452,151</u>	
		2010 Manufacturing Labor Cost			2011 Manufacturing Labor Cost			2012 Manufacturing Labor Cost			Total Manufacturing Labor	
Labor Category	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Rate/Hr	Hours	Total	Hours	Total	
Fabrication	\$ 10.85	400	\$ 4,340	\$ 11.39	600	\$ 6,834	\$ 11.96	600	\$ 7,176	1,600	\$ 18,350	
Assembly	9.25	0	\$ -	9.71	200	\$ 1,942	10.20	600	\$ 6,120	800	\$ 8,062	
Total Direct Labor - Manufacturing		<u>400</u>	<u>\$ 4,340</u>		<u>800</u>	<u>\$ 8,776</u>		<u>1,200</u>	<u>\$ 13,296</u>	<u>2,400</u>	<u>\$ 26,412</u>	
Total Direct Labor			<u>\$ 202,603</u>			<u>\$ 157,614</u>			<u>\$ 118,346</u>		<u>\$ 478,563</u>	
Direct Labor Overhead (@ 56.7% (Sched. 3))			<u>\$ 114,876</u>			<u>\$ 89,367</u>			<u>\$ 67,102</u>		<u>\$ 271,345</u>	



Continued-Cost Proposal Sample

SCHEDULE 2

Advanced Tank Technologies
Washington, DC
Proposal Submitted in Response to RFP DAAH01-09-R-0001

Shock Absorber Bill of Material

<u>Support</u>	<u>Qty</u> (Note 4)	<u>Unit Price</u>	<u>Total</u>	<u>Notes</u>
Sheet Metal	1,600 sq. yd	\$ 25.00	\$ 40,000	(1)
Casings	750 pcs.	8.50	6,375	(2)
Plastic	7,500 pcs.	5.75	43,125	(1)
Springs	1,700 pcs.	4.00	6,800	(2)
Bolts	7,500 pcs.	2.25	<u>16,875</u>	(2)
Total Material			<u>\$ 113,175</u>	
Material Overhead at 5.0%			<u>\$ 5,659</u>	(3)

Explanatory Notes

- (1) These prices are supported by multiple vendor quotes. The proposed prices are those provided by the low bidder who was the ACME Corporation in their quotation dated December 21, 2009. The quotations are included in file "DAAH01-09-R-0001, Vendor Quotations" that are available immediately upon request.
- (2) These prices are supported by the Halloween edition of the Springs R Us Catalog. This catalog is available for audit in the pricing office.
- (3) See Schedule 5.
- (4) The proposed quantities are from the engineering drawings for the shock absorber. This drawing is located in file "DAAH01-09-R-0001, Engineering Drawing" and is immediately available upon request.



Continued-Cost Proposal Sample

SCHEDULE 3

Advanced Tank Technologies
 Washington, DC
 Budget for Fiscal Year 2010 Labor Overhead
 Actual Overhead Expenses for Fiscal Years 2007 through 2009

Overhead Expenses (Note 2)	Budget	Actual Expenses (Note 1)		
	2010	2009	2008	2007
Indirect Payroll	\$260,000			
Payroll Taxes	228,000			
Vacation	120,000			
Holiday	110,000			
Sick Leave	50,000			
Pensions	171,000			
Employee Morale	5,000			
Entertainment	50,000			
Office Equipment	7,000			
Depreciation	5,000			
Subscriptions	1,500			
Travel	22,000			
Miscellaneous	2,000			
Stationery	6,000			
Reproduction	17,000			
Maintenance	5,000			
Rent	202,000			
Telephone	11,000			
Insurance	102,000			
Total Pool	<u>\$1,374,500</u>			
Less Unallowable Costs				
Entertainment	\$ 50,000			
Net Allowable Expenses	<u>\$1,324,500</u>			
Allocation Base				
Direct Labor/IR&D/B&P Labor	<u>\$2,336,000</u>		(Note 3)	
Rate	<u>56.7%</u>		(Note 4)	



Continuation-Cost Proposal Sample

SCHEDULE 4

Advanced Tank Technologies
 Washington, DC
 Budget for Fiscal Year 2010 G&A
 Actual G&A Expenses for Fiscal Years 2007 through 2009

2010 Projected G&A Expenses (Note 2)		Less Unallowables	Net Allowable Expenses	Actual Expenses (Note 1)		
				2009	2008	2007
Payroll Taxes	\$ 16,000		\$ 16,000			
Officers' Salaries	165,000		165,000			
Indirect Salaries	21,000		21,000			
Interest	14,000	\$ 14,000	0			
Vacation	11,000		11,000			
Holiday	9,000		9,000			
Sick Leave	5,000		5,000			
Contributions	8,000	8,000	0			
Pensions	12,000		12,000			
Office Equipment	1,000		1,000			
Depreciation	2,500		2,500			
Travel	10,000		10,000			
Miscellaneous	2,000		2,000			
Legal Fees	7,000		7,000			
Accounting Fees	7,000		7,000			
Computer	17,500		17,500			
Rent	15,000		15,000			
Advertising	8,500	8,500	0			
Telephone	3,000		3,000			
Insurance	7,000		7,000			
Total Pool	\$ 341,500	\$ 30,500	\$ 311,000			
IR.&D/B&P Labor	\$5,000		\$5,000			
IR.&D/B&P Overhead 58.8%	2,940	\$105	\$2,835	(Note 3)		
IR.&D/B&P Travel	665		665			
Total IR.&D/B&P	\$8,605	\$105	\$8,500			
Grand Total	\$ 350,000	\$ 30,500	\$ 319,500			

Allocation Base		
Direct Labor	\$ 2,331,000	
Overhead	1,374,500	
Less IR.&D/B&P Overhead @ 58.8%	(2,940)	(Note 4)
Other Direct Costs (ODC)	29,000	
Materials	250,000	
Material Overhead	12,500	
Total Base	<u>\$ 3,994,060</u>	
Rate	<u>8.00%</u>	(Note 5)



Continuation-Cost Proposal Sample

SCHEDULE 5

Advanced Tank Technologies
 Washington, DC
 Budget for Fiscal Year 2010 Material Handling
 Actual Overhead Expenses for Fiscal Years 2009 through 2007

Material Handling Expenses (Note 2)	Budget	Actual Expenses (Note 1)		
	2010	2009	2008	2007
Purchasing Department	\$ 10,000			
Receiving Department	2,500			
Total Expenses	\$ <u>12,500</u>			
Less Unallowable Costs	\$ <u>0</u>			
Net Allowable Expenses	\$ <u>12,500</u>			
Allocation Base				
Direct Material	<u>\$250,000</u>			
Material Overhead Rate (Note 3)	<u>5.0%</u>			



(4.) Oversight

- (a.) Audit – DCAA personnel

- (b.) Review – DCMA personnel

- (c.) Cost Analysis – NAWCAD, Lakehurst, Contracts Department personnel (e.g. Contract Specialist with or without departmental Audit Support function)



Continued - Oversight

If *cost analysis is performed by NAWCAD, Lakehurst Contracts Department – the references listed on page 2 of this slide presentation provide the baseline for the performance of the cost analysis.

****One of the best references for performing cost analysis is the *Contract Pricing Reference Guide*. NAWCAD, Lakehurst Contracts Department utilizes the above publication.**



(5.) Negotiations

Contractor – cost proposal submission elements

If applicable, contractor to have submitted a Certificate of Current Cost or Pricing Data

Completed oversight results/recommendations to be considered by the Contracting Officer

Negotiations - combination of telephone, e-mail, meeting



(6.) Award

Contract Award

- Cost Reimbursable (I/C Proposal)
- Firm Fixed Price