

# Proposal Preparation and Supporting Information



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# FAR 15.408, Table 15-2

- Provides instructions on preparing a contract pricing proposal when cost or pricing data are required
- Provides two basic yet critical rules on the submission of data

# Rule #1

- A clear distinction between submitting cost or pricing data versus merely making available books, records and other documentation without identification
- Cost or pricing data is met when all accurate cost or pricing data has been submitted and properly identified
- This rule continues up to the time of agreement on price

## Rule #2

- Submission grants the Contracting Officer or authorized representatives the right to examine records that formed the basis of the proposal
- Examination can take place any time before award
- Includes books, records, documents, and other types of factual information that will permit an adequate evaluation of the proposed price

# Cost or Pricing Data

## FAR 2.101

- All facts as of the date of price agreement
- More than historical accounting data
- Facts that can be reasonably expected to contribute to the soundness of estimates of future costs
- Including vendor quotes, support for projected hours, data for business volume, etc.

# Certification of Current Cost or Pricing Data (FAR 15.406-2)

- Certification pertains to the proposal documentation in three critical areas.
  - Is it accurate?
  - Is it current?
  - Is it complete?
- Certification applies to the date negotiations were concluded and a price agreement was reached

# General Instructions

- Solicitation number
- Point of contact
- Type of contract action – new, change order, FFP, CPFF, CPAF, etc.
- Proposed cost, profit or fee, total

# General Instructions

- Statement on the use of Government equipment
- Whether you are subject to CAS, Disclosure Statement adequacy, notice of any noncompliances
- Whether the proposal is consistent with your accounting principles and procedures and FAR Part 31

# General Instructions

- Index, appropriately referenced
- Information required to explain your estimating process
- Any judgmental factors
- Cost element breakdown for each line item consistent with your accounting system
- Summary cost totals for each cost element

# Cost Element-Materials

- Consolidated priced summary of individual material quantities included in the various task
- For each item properly identify it, list the quantity, the unit cost and the extended total cost
- Include basis for the pricing – vendor quotes, invoice prices, purchase orders, etc.
- Data showing the degree of competition and the basis for establishing the source and reasonableness of the price

# Cost Element-Subcontracts

- Prime contractor must conduct appropriate cost or price analyses to establish reasonableness of its subcontractors (FAR 15.404-3)
- Include the results of these analyses in the price proposal and be able to support it
- Include the subcontractor's cost or pricing data within the prime proposal
- Prime responsible for obtaining any updates

# Cost Element-Direct Labor

- Provide a time-phased (monthly, quarterly) breakdown of the hours by appropriate category
- Include consolidated totals by year
- Furnish basis for the hours proposed

# Cost Element-Direct Labor

- Provide labor rates by appropriate category
- Furnish accounting data to support the direct labor rates proposed
- Include basis for any escalation for future periods

# Uncompensated Overtime

- FLSA requires employers to compensate hourly employees for work in excess of 40 hrs. per week
- FLSA has no provision for salaried employees
- Salaried employees are paid a salary to provide a service in whatever time is required
- Those hours in excess of the normal 40 hrs. are referred to as Uncompensated Overtime

# Uncompensated Overtime

## FAR 52.237-10

- Identify in the proposal the hours in excess of 40 hours per week, by labor category, and indicate the uncompensated overtime rate per hour
- The accounting practice used to estimate uncompensated overtime must be consistent with the accounting practice used to accumulate it
- A copy of the policy addressing uncompensated overtime must be included in the proposal

# Uncompensated Overtime – Accounting Methods

- Computing a labor rate based on the salary paid divided by total hours worked and distributing the salary to all cost objectives based on that rate
- Determining a pro rata allocation of the total hours and distributing the salary using the pro rated allocation
- Utilizing an estimated hourly and then accumulating the actual variance in an overhead account

# Cost Element-Other Direct Cost

- Provide totals by the elements within the category – e.g. travel, consultants, etc.
- Furnish basis for the trips proposed and the support for the costs
- Furnish data to support the reasonableness of the consultants proposed
- Ensure proposal is supportable by your accounting system and the FAR requirements. (e.g. supplies indirect vs. direct)

# Cost Element-Indirect Costs

- If there is a forward pricing rate agreement with the Govt. identify the agreement, include a copy and describe its nature and applicability
- Clearly indicate the indirect rates utilized
- Identify what comprises the indirect pools

# Cost Element-Indirect Costs

- Identify the allocation bases utilized
- Show trends and budgetary data to provide a basis for evaluating the reasonableness of the proposed rates
- Have rates been impacted for the potential award of the current proposal

# Profit/Fee

## FAR 15-404

- What it isn't
  - Application of an historical average
  - Application of a predetermined percentage
- What it is
  - Motivator for efficient and effective contract performance
  - Structure approach to take into account relevant factors

# Profit/Fee Factors

## • Contractor Effort

- Material
- Direct Labor
- Overhead
- Other Cost
- G & A

## • Other Factors

- Risk
- Investment
- Performance
- Socioeconomic
- Special Situations

# Questions and Answers