

NCMA Meeting: Proposal Price Evaluation for Competitive and Sole Source Suppliers

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Shawn Larson
Division Manager
NGAS SSSD Pricing & Estimating



- Cost and price evaluation in **competitive** environments
- Cost and price evaluation in **sole source** environments
- Compare and contrast
- Things we can all do better

What does Google say?

Defense Acquisition University (DAU) Website

Proposal price evaluation is:

The assessment of a proposal to determine the offeror's ability to successfully perform the prospective contract. It is also used to determine a fair and reasonable price for the contract requirement.

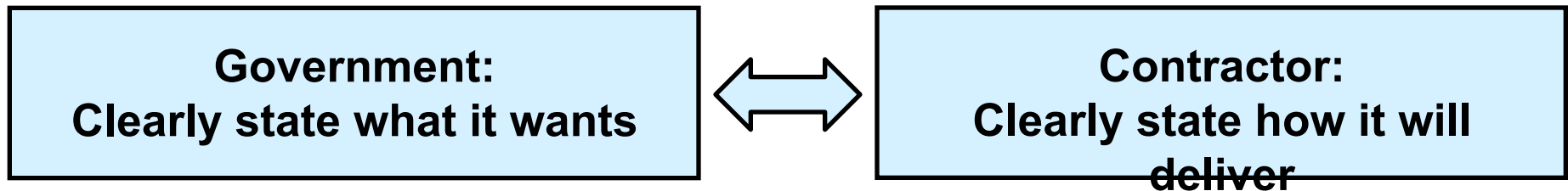
**In other words ...
Make sure taxpayer dollars are spent wisely!**

What does Google say?

Defense Acquisition University (DAU) Website

Successful proposal price evaluation depends on:

- Appropriate, **well-defined requirements** and evaluation criteria
- Evaluation rating standards that are understood and applied consistently among evaluators and among all proposals being evaluated
- A careful review of the language in each proposal **to ascertain how the offeror will meet the requirements** of the RFP and **to identify assumptions and statements that may indicate increased risk** (aka cost) to the Government.
- Fully documented evaluation findings



Competitive Environments

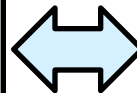
Government

- Open dialogue with competing contractors
 - Industry Day; 1 on 1
- Requirements well-defined
- RFPs IAW FAR
- Structured change (e.g. Amendments)
- Firm schedule
- Structured post-submittal activities
 - Evaluation Notices (ENs), Orals, Final Proposal Revision (FPR)
- Little to no DCAA / DCMA engagement

Contractor

- Concerted effort to build rapport w/Govt
- Price to Win (PTW) / Design to Cost (DTC)
- Emphasis on cost credibility
- Emphasis on affordability
- Strict adherence to Cost Volume requirements
- Strict adherence to schedule

Government:
Clearly requests everything needed
to conduct a fair price evaluation



Contractor:
Delivers. "We're compliant,
affordable, and we can execute!"

**Process
works!**

Sole Source Environments

Government

- Open dialogue with competing contractors
 - Industry Day; 1 on 1
- Requirements in flux
- RFPs not IAW FAR
- Unstructured change (phone calls, not in writing)
- Usually some flexibility with schedule
- Cumbersome post-submittal activities
 - Factfind, Audit, Negotiation
- Heavy DCAA / DCMA engagement

Contractor

- Rapport w/Govt not as important
- Bottoms up / Sell cost
- Reduced emphasis on cost credibility
- Emphasis shifts to executability
- Reduced adherence to Cost Volume requirements
- Reduced adherence to schedule

Government:
Contractor should know what we want ... if change impacts schedule, just submit, we'll turn over all the stones in factfind



Contractor:
Government has Cadillac dreams and a beer budget ... things will change, just submit, we'll have a chance to update

This doesn't work!

Why is the sole source environment different?

- No incentive to act with sense of urgency
- No consequences for schedule slip or cost growth
- Exit ramps and recovery opportunities built into process
- Data & Audit overkill: Fear of repercussions if price evaluation is suspect

Results ...

**Waste. Time and money spent on administrivia
instead of hardware**

- Joint Government / Contractor / Govt Audit
 - Embrace and utilize the competitive process in sole source environments
 - Early planning and consensus (e.g. estimating approach, cost proposal outline, factfind/audit expectations, etc.)
 - Renewed emphasis on building good rapport between all parties
- Contractor
 - Independent adequacy and quality review prior to submission
 - Provide walk-through upon proposal submission
- Government Contracting Offices
 - Adherence to FAR guidance on solicitation instructions, even for sole source procurement (e.g. pricing instructions, reporting requirements, etc.)
 - Clarity on scope of DCAA audit
 - Exercise right to waive DCAA audit, or agree to disagree with findings when reasonable to do so (Shay Assad memo 12/04/09)
- Government Audit
 - “Risk-based” factfinding and audit (80/20 rule)
 - Acceptance of FAR-compliant, data-driven estimating

Take Aways

- ✓ WE are a team
- ✓ WE have a mutual obligation to deliver world class products to the warfighter
- ✓ WE can all do a better job of trading administrative cost for hardware
- ✓ WE all have tough jobs ... but none of us are getting shot at
- ✓ A little bit of trust and understanding in one another can go a long way

NORTHROP GRUMMAN

