Supplier Proposal Adequacy Checklist Instructions

Unless a valid exemption applies, Cost or Pricing Data is required to support proposals exceeding $750,000. Contractors are directed by Federal Acquisition Regulation (FAR) 15.404-3(b) (1) to conduct a Cost Analysis of sub-tier proposals meeting that criterion. **To accomplish this task, as a subcontractor, you grant the right to examine records that form the basis of your pricing proposal (FAR 15.408 Table 15-2 Notes 1 and 2). This would include all cost and pricing information that prudent buyers would reasonably expect to affect price negotiations. This data must be certifiable as current, accurate and complete according to FAR 15.406-2.** ***This data must be included as part of your priced proposal submittal to Pacific Scientific.***

FAR 15.404-3 requires Cost Analysis be completed and included with the priced prime proposal. The regulation further states the contracting officer should consider the completion of Cost Analysis in determining price reasonableness of contracts and subcontracts. As specified in the regulation, an offeror who does not comply with a requirement to submit certifiable cost and pricing data may be deemed ineligible for award.

Pacific Scientific requires the imbedded Supplier Proposal Adequacy Checklist – SPAC to be completed and returned with your proposal submission.



**1.0 General Instructions**

* 1. **Cost or Pricing Data Requirements** – In accordance with FAR 15.403-4 and 15.403-5, cost or pricing data is required to support your proposed price.
	2. **FAR 2.101** –“Cost or pricing data (10 U.S.C. 2306a (h) (1) and 41 U.S.C. 254b) means all facts that…prudent buyers and sellers would reasonably expect to affect price negotiations significantly. Cost or pricing data are data requiring certification in accordance with FAR 15.406-2. Cost or pricing data are factual, not judgmental; and are verifiable. While they do not indicate the accuracy of the prospective contractor’s judgment about estimated future costs or projections, they do include the data forming the basis for that judgment. Cost or pricing data are more than historical accounting data: they are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred.”

The requirement for submission of cost or pricing data continues up to the time of agreement on price or an earlier date agreed upon between the parties, if applicable. As later information comes into your possession, it must be submitted promptly to the Subcontract Administrator in a manner that clearly shows how the information relates to your priced proposal.

* 1. **Estimating Techniques and Methods** – When responding to the requirements in the RFP, you and your associated subcontractors may use any generally accepted estimating technique, including contemporary estimating methods that are consistent with your disclosed cost accounting practices. The proposal must be sufficiently detailed to demonstrate your firm’s cost credibility. **The** **burden of proof for cost credibility rests with your business concern.**
	2. **Non-Recurring/Recurring Unit Cost** – Identify and summarize, if applicable, all significant non-recurring/recurring unit costs. If there are none, so state. Non-recurring costs should be segregated from recurring cost.
	3. **Government Furnished Property or Facilities** – Any government furnished support that you require (e.g., Government Furnished Property, GFP, base support, facilities, test equipment, etc.) shall be listed on a separate schedule.
	4. **Pagination** – Every page of the Cost Proposal Volume should be sequentially numbered.
	5. **Government Review (Rates only)** – In order to verify your proposed direct and indirect rates, Pacific Scientific or DCAA must review your financial records. If you prefer a Government Audit, provide a letter with your proposal, denying Pacific Scientific access to the records and include the reason why access was denied. Also, provide your cognizant DCAA office with a complete "un-sanitized" copy of your proposal. Provide Pacific Scientific the contact name, address, e-mail, telephone and fax numbers of your cognizant audit agencies if they will be performing the analysis.
	6. **Certifications and Representations** – Provide any and all contractual certifications and representations required by the RFP.
1. **Cost Proposal volume Instructions For The Sections of The Cost Proposal Volume**

2.1 **Contractor Pricing Proposal Cover Sheet**

All supplier proposals are required to include a proposal cover sheet as dictated by FAR 15.408, Table 15.2 I.A. You may use the attached proposal cover sheet or submit the same information in your own format.



2.2  **Table of Contents/Index**

The cost/price volume shall be prefaced by a table of contents/index. This table of contents/index shall specify, by page number, the location of information requested in these instructions as well as any other data and information accompanying the proposal.

* 1. **Cost Proposal Pricing Assumptions**

Include a general discussion of the pricing ground rules and assumptions used to develop your cost estimates. All assumptions, scope limitations, and/or qualifications of the cost proposal shall be addressed and explained. State the period for which the proposed price is valid as well as the validity of the period of performance

**General Estimating Methodology** – Provide a summary description of your standard estimating system or methods for each individual cost element. Also, identify any judgmental factors, contingencies, or deviations from your standard estimating procedures used in preparing this proposal volume. Indicate whether you have Government approval of your system and if so, provide evidence of such approval.

* 1. **Cost Element Detail** per FAR Table 15-2, II

**Cost Element Detail -** A cost element breakdown is needed for each proposed line item. If the proposal covers multiple price points or multiple years, a cost element breakdown will be required for each price point for each year.

**Summary Cost Element Detail -** When more than one contract line item (Part number, NRE etc.) is proposed, you must provide summary total amounts covering all items for each element of cost. If the proposal covers a high, mid and low point, the summary needs to only be for those points, not all the different combinations that can result from range pricing. If the proposal is for multiple years there needs to be a summary for each of the years.

**Summary Cost Element Detail, when Option Years are Involved -** If the proposal is for a base year plus option years, there needs to be a summary Cost Element Breakdown for each of the years at the points in the Request for Proposal (RFP) requiring Cost or Pricing.

**See Examples on the following pages:**

In this example there were three proposed line items, therefore three Detailed Cost Element Breakdowns were required. Additionally, a Summary Cost Element Detail that combines the three individual Cost Element Breakdowns is required.



If the proposal is for a base year plus option years, there needs to be a Summary Cost Element Breakdown for each of the years at the points in the RFP requiring Cost or Pricing.



  

* 1. **Material** – Include a Bill of Material (BOM) for each individual part proposed. A BOM is a list of raw materials, sub-assemblies, etc. needed to manufacture a product. A BOM should include the following:
* Part No.
* Part Description
* Quantity
* Unit Price
* Extended Price
* Supplier name
* Identify pricing source (PO, quote, engineering estimate, etc.)

**Consolidated BOM** – in In addition to the individual BOMs, the regulation requires a consolidated BOM in your proposal. A consolidated BOM is a listing of all the material needed for the proposal. A consolidated BOM combines all the materials for each of the parts being proposed, as well as assemblies, services, or material associated with NRE.

If the proposal is for a base year plus option years, there needs to be a Consolidated Bill of Material for each of the years at each of the points in the RFP requiring Cost or Pricing.

2.5.1 **Material Basis of Estimates**

Include a basis of estimate that explains the rationale used to establish material pricing. Material cost estimates for scrap, rework, yields, freight, and other costs should demonstrate a relationship to base material cost and be supported by historical data.

Pacific Scientific requires copies of the material support (i.e. quotes, purchase orders, etc.), approximately 80% of the total proposed material value. If 80% represents a significant number of quotes and POs, please contact your Pacific Scientific Supplier Manager for guidance.

For inter-organizational costs, provide a separate cost breakdown with appropriate supporting documentation.

Pacific Scientific requests that all BOMs be provided electronically in Excel format with the formulas intact.

**Sub-tier Cost Analysis –** To determine if a sub-tier cost analysis is require, you need to add together the anticipated costs for each supplier for all years. This should be done for each of the points in the Request for Proposal (RFP) requiring Cost or Pricing.

* 1. **Direct Labor** – Provide time-phased (e.g., monthly, quarterly, etc.) breakdown of labor hours, rates, and cost by appropriate category, and furnish basis for estimates.

2.6.1  **Basis of Estimates**

You must provide rationale for the tasks and hours proposed. Explain how the proposed hours, including engineering estimates, were developed, and why they are reasonable. Include explanation of how the proposed engineering/manufacturing laborhour’sskill mix has been derived.

If manufacturing hourshave been estimated based upon past experience, and/or actuals from prior builds, and/or learning curve application, provide the detailed rationale used to establish the estimate, which includes any records or facts. If standards were used, identify and explain how they were derived and state when they were last reviewed and revised. Additionally, when standards are used, copies of variance reports showing how you are tracking against the standard are required. If other than normal procedures were used to estimate manufacturing hours, provide a detailed explanation. For any rework, scrap, yields, etc., that is part of direct labor, must be identified. This should include detailed rationale and historical data to support the estimate.

2.7 **Other Direct Costs (ODC)** – ODC might include (and are not limited to): Freight, Travel, etc. These additional direct costs not included in Material and Labor must be supported with a basis of estimate. For example, the basis for travel would include the location, number of trips, number of people attending and the estimated expenses for the travel.

2.8 **Rates** – Rates include Direct Labor, Overhead, G&A and COM.

Pacific Scientific has the capability to perform rate audits on suppliers in lieu of having the DCAA do this. If you allow Pacific Scientific to perform this rate audit, you need to provide the following:

* Explanation as to how the rates were calculated
* Detailed documentation (financial statements, labor pools, listings of unallowable expenses, etc.) that support the rate calculations
* If the detailed documentation is based upon budgetary numbers, you will also need to provide two years of your most current actuals to support your budgetary numbers.
* If budgetary numbers differ significantly from the most recent actuals, provide detailed explanations for these differences.

2.9 **Facilities Capital Cost of Mone**y – When you elect to claim facilities capital cost of money, submit a completed Form CASB‑CMF, "Facilities Capital Cost of Money Factors Computation", in accordance with FAR 31.205‑10. Also, complete DD Form 1861 and include a copy in your proposal submission.

## **Profit/Fee** – Provide your proposed fee/profit percentage, description of any proposed special terms and conditions, such as minimum fee or award fee, and any ceiling price calculations. Offeror must include rationale to the proposed profit rate.

1. **Claims of Exemption to Cost or Pricing Data for Commercial Items**

**Note: Final determination as to whether or not an item is “commercial” is made by the government contracting officer. Any acquisition of an item that meets the commercial item definition in FAR 2.101, or any modification, as defined in paragraph (3)(i) of that definition, that does not change the item from a commercial item to a noncommercial item, is exempt from the requirement for cost or pricing data. If the contracting officer determines that an item claimed to be commercial is, in fact, not commercial and no other exception or waiver applies, the contracting officer must require submission of cost or pricing data. (FAR 15.403)**

3.1 **Definition of Commercial Item. (FAR 2.101).** Commercial item means—

* 1. Any item, other than real property, that is of a type customarily used by the general public or by non-government entities for purposes other than governmental purposes, and—

(i) Has been sold, leased, or licensed to the general public; or

(ii) Has been offered for sale, lease, or license to the general public

3.2 **The supplier must provide supporting data to verify that the item meets the definition of a**

**Commercial item** **as defined by FAR 2.101.** Examples of acceptable documentation include a website address or copy of applicable portions of a commercial catalog, containing the item number, description and the price. The supplier also needs to demonstrate that this catalog listing or website is accessibility by the general public. In the absence of such a catalog listing the supplier may provide copies of invoices or purchases showing that the item in question has been sold to non-government entities for non-government end use.

Note: An internal price list in itself, controlled by the supplier is not adequate data to support a commercial claim or justify proposed pricing is fair and reasonable. Pacific Scientific’s responsibility is to not only verify a supplier’s commercial claim, but also establish price reasonableness. Under DFARs described in the Procedures, Guidance and Information (PGI) 215.403.1, some form of non-government sales data must be obtained along with establishing price reasonableness.

3.3 **Modifications to Commercial Items.** Modifications to the commercial item are allowed by FAR under the following categories:

* 1. Modifications of a type customarily available in the commercial marketplace. The supplier must provide support that such modifications are, indeed, available in the commercial marketplace.
	2. Minor modifications of a type not customarily available in the commercial marketplace made to meet Federal Government requirements. If the item is a modified version of a commercially sold part, a detailed description and cost impact in dollars of the modification must be provided and pricing must be within the guidelines of FAR 15.403-1 (3) (ii) (B).

Specifically**, “**For acquisitions funded by DoD, NASA, or Coast Guard, such modifications of a commercial item are exempt from the requirement for submission of cost or pricing data provided the total price of all such modifications under a particular contract action does not exceed the greater of the threshold for obtaining cost and pricing data in [15.403-4](http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/15.htm#P399_70194#P399_70194) or 5 percent of the total price of the contract at the time of contract award.”

3.4. **Market Analysis.**  The supplier must also demonstrate that the price for the commercial item offered to Pacific Scientific is consistent with prices charged other commercial customers for the same item. A market analysis consists of comparing published prices to prices proposed to Pacific Scientific, with quantity and escalation adjustments as necessary. In the absence of published prices, the supplier may also provide copies of invoices or purchase orders documenting sales of the item to other customers for non-government end use.

1. **Format for Change Orders, Modifications, and Claims (If Applicable)**

In addition to Format 1, for any change proposal to the existing contract, provide a cost summary in the format shown below.

**FAR Table 15-2 COST SUMMARY (Format 2)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Cost Elements(1) | Estimated Costs of all Work Deleted(2) | Cost of Deleted Work Already Performed(3) | Net Cost to be Deleted(4) | Cost of Work Added(5) | Net Cost of Change(6) | Reference(7) |

1. Enter appropriate cost elements.
2. Include 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.
3. Include the incurred cost of deleted work already performed, using actuals incurred if possible, or, if actuals are not available, estimates from your accounting records. Attach a detailed inventory of work, materials, parts, components, and hardware already purchased, manufactured, or performed and deleted by the change, indicating the cost and proposed disposition of each line item. Also, if you desire to retain these items or any portion of them, indicate the amount offered for them.
4. Enter the net cost to be deleted, which is the estimated cost of all deleted work less the cost of deleted work already performed. Column (2) minus Column (3) equals Column (4).
5. Enter your estimate for cost of work added by the change. When nonrecurring costs are significant, or when specifically requested to do so by the Contracting Officer, provide a full identification and explanation of them. When any of the costs in this column have already been incurred, describe them on an attached supporting schedule.
6. Enter the net cost of change, which is the cost of work added, less the net cost to be deleted. Column (5) minus Column (4) equals Column (6). When this result is negative, place the amount in parentheses.
7. Identify the attachment in which the information supporting the specific cost element may be found (attach separate pages as necessary).