AEROJET ROCKETDYNE

Supplier Proposal Adequacy Guidelines

2021

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External Customer Feedback

- The DCAA has begun strictly enforcing FAR Part 15.408 requirements for contractor and sub-contractors for the submission of cost or pricing data to support single source proposals exceeding the $TINA threshold.
- **A significant number of AR Supplier proposals have been determined by the DCAA to be inadequate for a number of reasons including the lack of:**
  - **An Index**
  - **An Adequate FAR 15.2 Table**
  - **A Consolidated Bill of Material**
  - **A time phased cost breakdown by period of performance**
  - **Lack of Basis of Estimates (Labor and Material)**
  - **Supporting rationale for development of direct and indirect cost elements by year for the entire period of performance**

Purpose of This Guideline

- **The purpose of this package is to provide guidance to suppliers for submitting FAR compliant cost proposals. The charts provided are basic examples that depict the type of cost disclosures required to support a FAR compliant proposal.**
- **Each AR supplier, however, has an independent obligation to ensure that its proposals submitted in support of a USG prime contract fully comply with all regulatory requirements.**
- AR is not recommending your use of these charts for proposal purposes. However, we are providing them for your use as a reference guide only in the preparation and submittal of your cost proposal that must be FAR compliant
- This guideline does not apply to proposals that are:
  - Valued at less than the cost or pricing threshold set in FAR 15.403-4.
  - Based on competition.
  - Based on commercial pricing.

Vital Items for FAR 15 Proposal

- Basis of Estimate
  - Details as to how indirect costs are computed and applied, including cost breakdowns, trends and budgetary data to provide as basis for evaluating the reasonableness of proposed indirect rates
  - Cost Breakdowns, Trends and Budgetary Data (FAR 15.408, Table 15-2 II.C.);
- Identification of All Other Costs by Category and Basis for Pricing (FAR 15.408, Table 15-2 II.D.);
  - Rationale for Proposed Profit (FAR 14.404-4).

Vital Items for FAR 15 Proposal

- Summary of Total Cost by Element
  - Cross-referenced to each line item
- Breakdown of Labor (FAR 15.408, Table 15-2 II.B.)
  - Hours
  - Rates and Costs by Appropriate Category
  - Basis for estimates
- Consolidated Priced Bill of Materials
  - Types, Quantities, Cost, basis for pricing
  - FAR 15.408, Table 15-2 II.A.
  - Cost element breakdown in proper format for each line item

DCMA Proposal Adequacy Checklist

An "Adequacy Checklist for Price Proposals" developed by the DCAA/DCMA is a requirement with all requests for cost or pricing data that support requirements outlined in FAR 15.408 Table 15-2.

- Your completed proposal must meet the requirements outlined in the Proposal Adequacy checklist.
- DCAA assist audits will not be requested without confirmation that you have addressed these requirements.

The attached adequacy checklist is a useful tool designed to assist the AR Cost/Price Analyst to determine the adequacy of a contractor's proposal. This checklist is to be used for sole source proposals that are over the $ TINA threshold and no exception to the submission of certified cost and pricing data exists.

FAR 15.403-4 sets forth those circumstances in which contractors are required to submit certified cost or pricing data. The responsibility for providing well-prepared and fully supportable cost proposals for sole source acquisitions that exceed the TINA threshold lies solely with the contractor. The basis and rationale for all proposed costs shall be provided as part of the proposal so that the contracting officer (CO) may rely on the information as sufficiently current to permit negotiation of a fair and reasonable price.

FAR 15.403-4(a)(1)(iii) states subcontractors at all tiers are also required to provide certified cost and pricing data if the subcontractor proposal is above the TINA threshold and no exceptions apply. If the subcontract exceeds the TINA threshold, the prime contractor is required to conduct and provide a price/cost analysis establishing the reasonableness of each subcontract price.

This checklist follows FAR 15.408, Table 15-2: Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data Are Required. This checklist may be provided to the contractor to be used as a guide to assist with future submissions of certified cost and pricing data.

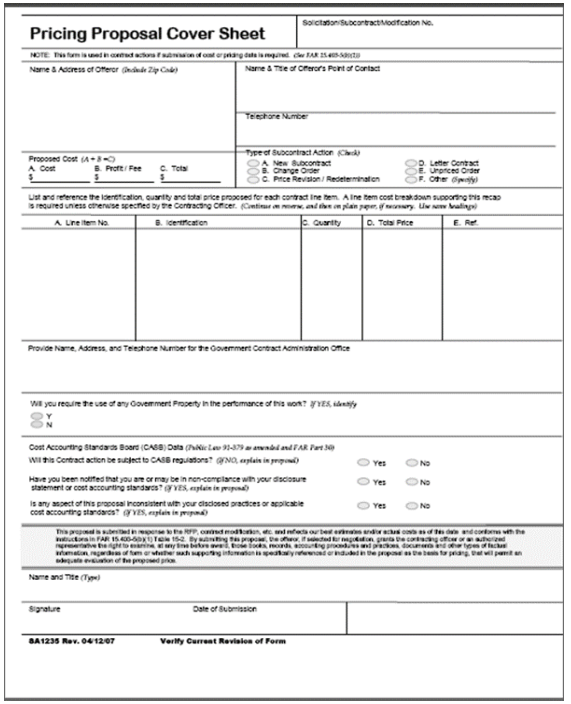
ITEM #	ITEM DESCRIPTION	FAR REFERENCE	Y	N or N/A	PROVIDE EXPLANATION IF EITHER "NO or N/A" (use continuation page if necessary)	PROP REF PG
1	Is there a properly completed first page of the proposal in accordance with Table 15-2 I.A or as specified by the Contracting Officer (CO) in the solicitation?	FAR 15.408, Table 15-2 I.A				
2	Is an Index, appropriately referenced, of all certified cost or pricing data and information accompanying or identified in the proposal, provided?	FAR 15.408, Table 15-2 I.B				
3	Are there any exceptions to submission of certified cost or pricing data pursuant to FAR 15.403-1(b)? If so, is supporting documentation included in the proposal? Refer to checklist items 15, 16 and 17.	FAR 15.403-1(b)				
Note	*If the total price of the proposal is > threshold for certified cost or pricing data, the checklist is required even if a portion of that value qualifies as an exception. Address exception(s) with the CO and proceed with checklist.*					
4	Is there a summary of total cost by element of cost and are the elements of cost cross-referenced to the supporting cost or pricing data? (Breakdowns for each cost element must be consistent with your cost accounting system.)	FAR 15.408, Table 15-2 I.D & E				
5	If more than one CLIN (Contract Line Item Number) or sub-CLIN (Sub Line Item Number) is proposed as required by the RFP, are there summary total amounts covering all line items for each element of cost and is it cross-referenced to the supporting cost or pricing data?	FAR 15.408, Table 15-2, I. D & E				
6	Is total price by cost element provided by year? Identify if by Calendar Year (CY) or Government Fiscal Year (GFY) or both, as required.					
7	Are CLIN prices by cost element provided by year? Identify if by CY or GFY or both, as required.					

Proposal Index

- Include an index that references where the supporting data for your estimates is located in the proposal.
  - The index should include the following:
    - Title of information being referenced (Summary cost element breakdown, material, labor, etc.).
    - Location in the proposal (page number or file name and page if located in a separate file).

Cover Sheet

- Include a cover sheet that includes the following information:
  - Solicitation number.
  - Name and address of offeror.
  - Name and telephone number of point of contact.
  - Name, address, phone number and email for your DCMA and DCAA.
  - Type of contract action.
  - Proposed cost, profit or fee, and total price –maximum proposal value.
  - If you will require the use of government property.
  - Whether your organization is subject to cost accounting standards (CAS) –see details in FAR 15.408, Table 15-2, I.A. (8).
  - The statement designated in FAR 15.408, Table 15-2, I.A. (9).
  - Date of submission.
  - Name, title and signature of authorized representative.
- **Most contractors use the Government Form 1411.**



Pricing Proposal Cover Sheet

Solicitation/Subcontract/Modification No.

NOTE: This form is used in contract actions if submission of cost or pricing data is required. *(See FAR 15.403-5(b)(1))*

Name & Address of Offeror *(Include Zip Code)*

Name & Title of Offeror's Point of Contact

Telephone Number

Proposed Cost *(A + B =C)*
A. Cost $ B. Profit / Fee $ C. Total $

Type of Subcontract Action *(Check)*
A. New Subcontract
B. Change Order
C. Price Revision / Redetermination
D. Letter Contract
E. Unpriced Order
F. Other *(Specify)*

List and reference the identification, quantity and total price proposed for each contract line item. A line item cost breakdown supporting this recap is required unless otherwise specified by the Contracting Officer. *(Continue on reverse, and then on plain paper, if necessary. Use same headings)*

A. Line Item No.	B. Identification	C. Quantity	D. Total Price	E. Ref.

Provide Name, Address, and Telephone Number for the Government Contract Administration Office

Will you require the use of any Government Property in the performance of this work? *If YES, identify*
Y
N

Cost Accounting Standards Board (CASB) Data *(Public Law 91-379 as amended and FAR Part 30)*

Will this Contract action be subject to CASB regulations? *(If NO, explain in proposal)* Yes No

Have you been notified that you are or may be in non-compliance with your disclosure statement or cost accounting standards? *(If YES, explain in proposal)* Yes No

Is any aspect of this proposal inconsistent with your disclosed practices or applicable cost accounting standards? *(If YES, explain in proposal)* Yes No

This proposal is submitted in response to the RFP, contract modification, etc. and reflects our best estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) Table 15-2. By submitting this proposal, the offeror, if selected for negotiation, grants the contracting officer or an authorized representative the right to examine, at any time before award, those books, records, accounting procedures and practices, documents and other types of factual information, regardless of 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.

Name and Title *(Type)*

Signature Date of Submission

DA1235 Rev. 04/12/07 **Verify Current Revision of Form**

FAR 15.2 Table Example

ELEMENT OF COST	AMOUNT	REFERENCE
Engineering Labor	$400,000	Schedule 1
Production Labor	30,000	Schedule 1
Direct Labor Overhead@60.0%	25,800	Schedule 2
Material	110,000	Schedule 3
Material Handling Overhead@5.0%	55,000	Schedule 4
Subtotal	**620,800**	
G&A @8.0%	49,664	Schedule 5
Estimated Cost	**670,464**	
Profit @10.0%	67,046	
Total Price	**$737,510**	

Cost Element Breakdown by Line Item

– A cost element breakdown is required 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.

  • For example, assume your proposal includes the following three line items:

Part Number	Quantity	Unit Price	Total Price
Part ABC	50	$12,464	$623,213*
Part ABB	75	$10,342	$775,662*
NRE	1		$143,375
Total			**$1,542,250**

– You would need to provide separate cost element breakdowns for Parts ABC, ABB and the NRE. See the next slide for an example.

  • * Slight differences due to rounding.

Cost Element Breakdown by Line Item Example

Cost Element Detail — Part ABC (Qty 50)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	2,025	$ 36,956
Machinist	$ 24.00	275	$ 6,600
Quality Assurance	$ 22.00	635	$ 13,970
Engineer 1	$ 32.00	119	$ 3,808
Total Direct Labor		3,054	$ 61,334
Production Support	$ 38.46	1,564	$ 60,154
Labor Overhead	225%		$ 273,348
Sub-Total Labor & OH			$ 394,836
Material			$ 47,312
ODC			$ 7,500
Total Mfg Exp			$ 449,648
G&A	26%		$ 116,909
Total Cost			$ 566,557
Profit/Fee	10%		$ 56,656
Total Price			$ 623,213

Cost Element Detail — Part ABB (Qty 75)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	2,100	$ 38,325
Machinist	$ 24.00	250	$ 6,000
Quality Assurance	$ 22.00	400	$ 8,800
Engineer 1	$ 32.00	181	$ 5,807
Total Direct Labor		2,931	$ 58,932
Production Support	$ 38.46	2,346	$ 90,231
Labor Overhead	225%		$ 335,616
Sub-Total Labor & OH			$ 484,778
Material			$ 65,363
ODC			$ 9,500
Total Mfg Exp			$ 559,641
G&A	26%		$ 145,507
Total Cost			$ 705,148
Profit/Fee	10%		$ 70,515
Total Price			$ 775,663

Cost Element Detail — NRE

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	125	$ 2,281
Machinist	$ 24.00	-	$ -
Quality Assurance	$ 22.00	-	$ -
Engineer 1	$ 32.00	250	$ 8,000
Total Direct Labor		375	$ 10,281
Production Support	$ 38.46	250	$ 9,615
Labor Overhead	225%		$ 44,767
Sub-Total Labor & OH			$ 64,664
Material			$ 38,781
ODC			$ -
Total Mfg Exp			$ 103,445
G&A	26%		$ 26,896
Total Cost			$ 130,341
Profit/Fee	10%		$ 13,034
Total Price			$ 143,375

Summary Cost Element Breakdown

- 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.
  - For example if your proposal included the following :

Part Number	Quantity	Unit Price	Total Price
Part ABC	50	$12,464	$623,213*
Part ABB	75	$10,342	$775,662*
NRE	1		$143,375
Total			**$1,542,250**

  - You would need to provide a summary by cost element that includes the total proposed value of $1,542,250. See the next slide for an example showing the three individual cost elements being combined into a summary.

* Slight differences due to rounding.

Summary Cost Element Breakdown Example

Cost Element Detail - Part ABC (Qty 50)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	2,025	$ 36,956
Machinist	$ 24.00	275	$ 6,600
Quality Assurance	$ 22.00	635	$ 13,970
Engineer 1	$ 32.00	119	$ 3,808
Total Direct Labor		3,054	$ 61,334
Production Support	$ 38.46	1,564	$ 60,154
Labor Overhead	225%		$ 273,348
Sub-Total Labor & OH			$ 394,836
Material			$ 47,312
ODC			$ 7,500
Total Mfg Exp			$ 449,648
G&A	26%		$ 116,909
Total Cost			$ 566,557
Profit/Fee	10%		$ 56,656
Total Price			$ 623,213

Cost Element Detail - Part ABB (Qty 75)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	2,100	$ 38,325
Machinist	$ 24.00	250	$ 6,000
Quality Assurance	$ 22.00	400	$ 8,800
Engineer 1	$ 32.00	181	$ 5,807
Total Direct Labor		2,931	$ 58,932
Production Support	$ 38.46	2,346	$ 90,231
Labor Overhead	225%		$ 335,616
Sub-Total Labor & OH			$ 484,778
Material			$ 65,363
ODC			$ 9,500
Total Mfg Exp			$ 559,641
G&A	26%		$ 145,507
Total Cost			$ 705,148
Profit/Fee	10%		$ 70,515
Total Price			$ 775,663

Cost Element Detail - NRE

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	125	$ 2,281
Machinist	$ 24.00	-	$ -
Quality Assurance	$ 22.00	-	$ -
Engineer 1	$ 32.00	250	$ 8,000
Total Direct Labor		375	$ 10,281
Production Support	$ 38.46	250	$ 9,615
Labor Overhead	225%		$ 44,767
Sub-Total Labor & OH			$ 64,664
Material			$ 38,781
ODC			$ -
Total Mfg Exp			$ 103,445
G&A	26%		$ 26,896
Total Cost			$ 130,341
Profit/Fee	10%		$ 13,034
Total Price			$ 143,375

Cost Element Summary - Total Proposal

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	4,250	$ 77,563
Machinist	$ 24.00	525	$ 12,600
Quality Assurance	$ 22.00	1,035	$ 22,770
Engineer 1	$ 32.00	550	$ 17,615
Total Direct Labor		6,360	$ 130,547
Production Support			$ 160,000
Labor Overhead	225%		$ 653,731
Sub-Total Labor & OH			$ 944,278
Material			$ 151,456
ODC			$ 17,000
Total Mfg Exp			$ 1,112,734
G&A	26%		$ 289,311
Total Cost			$ 1,402,045
Profit/Fee	10%		$ 140,205
Total Price			$ 1,542,250

Summary Cost Element Breakdown

- 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.

Cost Element Detail - Part ABC (Qty 50)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	2,150	$ 39,238
Machinist	$ 24.00	275	$ 6,600
Quality	$ 22.00	635	$ 13,970
Engineer 1	$ 32.00	119	$ 3,808
Total Direct Labor		3,179	$ 63,616
Prod. Support	$ 38.46	1,564	$ 60,154
Overhead	225%		$ 278,481
Sub-Total			$ 402,250
Material			$ 47,312
ODC			$ 7,500
Total Mfg Exp			$ 457,062
G&A	26%		$ 118,836
Total Cost			$ 575,899
Profit/Fee	10%		$ 57,590
Total Price			$ 633,488

Cost Element Detail - Part ABB (Qty 75)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.25	2,100	$ 38,325
Machinist	$ 24.00	250	$ 6,000
Quality	$ 22.00	400	$ 8,800
Engineer 1	$ 32.00	181	$ 5,807
Total Direct Labor		2,931	$ 58,932
Prod. Support	$ 38.46	2,346	$ 90,231
Overhead	225%		$ 335,616
Sub-Total			$ 484,778
Material			$ 65,363
ODC			$ 9,500
Total Mfg Exp			$ 559,641
G&A	26%		$ 145,507
Total Cost			$ 705,148
Profit/Fee	10%		$ 70,515
Total Price			$ 775,663

Cost Element Detail - Part ABC (Qty 50)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.80	2,150	$ 40,415
Machinist	$ 24.72	275	$ 6,798
Quality	$ 22.66	635	$ 14,389
Engineer 1	$ 32.96	119	$ 3,922
Total Direct Labor		3,179	$ 65,524
Prod. Support	$ 39.62	1,564	$ 61,958
Overhead	225%		$ 286,835
Sub-Total			$ 414,318
Material			$ 48,731
ODC			$ 7,500
Total Mfg Exp			$ 470,549
G&A	26%		$ 122,343
Total Cost			$ 592,892
Profit/Fee	10%		$ 59,289
Total Price			$ 652,181

Cost Element Detail - Part ABB (Qty 75)

Cost Element	Rate	Hours	Total $
Assembly	$ 18.80	2,100	$ 39,475
Machinist	$ 24.72	250	$ 6,180
Quality	$ 22.66	400	$ 9,064
Engineer 1	$ 32.96	181	$ 5,981
Total Direct Labor		2,931	$ 60,700
Prod. Support	$ 39.62	2,346	$ 92,938
Overhead	225%		$ 345,684
Sub-Total			$ 499,321
Material			$ 67,324
ODC			$ 9,500
Total Mfg Exp			$ 576,145
G&A	26%		$ 149,798
Total Cost			$ 725,943
Profit/Fee	10%		$ 72,594
Total Price			$ 798,537

Cost Element Summary — Year 1

Cost Element Summary - Total Proposal

Cost Element	Rate	Hours	Total $
Assembly	$18.25	4,250	$ 77,563
Machinist	$24.00	525	$ 12,600
Quality	$22.00	1,035	$ 22,770
Engineer 1	$32.00	300	$ 9,615
Total Direct Labor		6,110	$ 122,547
Prod. Support	$38.46	3,910	$ 150,385
Overhead	225%		$ 614,097
Sub-Total			$ 887,028
Material			$ 112,675
ODC			$ 17,000
Total Mfg Exp			$ 1,016,703
G&A	26%		$ 264,343
Total Cost			$ 1,281,046
Profit/Fee	10%		$128,104.64
Total Price			$ 1,409,151

Cost Element Summary — Year 2

Cost Element Summary - Total Proposal

Cost Element	Rate	Hours	Total $
Assembly	$18.80	4,250	$ 79,889
Machinist	$24.72	525	$ 12,978
Quality	$22.66	1,035	$ 23,453
Engineer 1	$32.96	300	$ 9,903
Total Direct Labor	$ -	6,110	$ 126,224
Prod. Support	$39.62	3,910	$ 154,896
Overhead	225%		$ 632,520
Sub-Total			$ 913,639
Material			$ 116,055
ODC			$ 17,000
Total Mfg Exp			$1,046,695
G&A	26%		$ 272,141
Total Cost			$1,318,835
Profit/Fee	10%		$ 131,884
Total Price			$1,450,719

Material

- Include a BOM for each individual part proposed. A BOM is a list of the raw materials, subassemblies, etc., needed to manufacture a product. Provide your BOMs in Excel format.
  - The consolidated and individual BOMs need to identify the following for each line item:
  - Part number and description.
  - Supplier.
  - Quantity.
  - Unit price –Unit pricing on the BOM should tie to the support.
  - Total price.
  - Basis for Pricing/Basis of Estimate (vendor quotes, purchase orders).**

  **Source of pricing (PO, quote, etc.) must be referenced in the BOM.

Material

- If attrition/yield or scrap are added to your material, you will need to submit adequate basis of estimates and support as appropriate.
- There are times when your BOM may be impacted by minimum buys or NRE that is passed along from your supplier. If this happens, make sure this is clearly identified on the BOM and the supporting quotes or Purchase Orders(PO's).
- In addition to the individual BOMs, FAR 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.

Individual Bills of Material Example

BOM — Part No. ABC (qty 50)

Part #:	Description	Supplier	Qty/Part	Total Qty	Unit Price	Total Price	Basis
AA45621	Motor	Motor World	1	50	$ 564.13	$ 28,207	Quote
CV97564	Antenna	Worldcom	1	50	$ 75.42	$ 3,771	PO
RB98745	Antenna Cover	APP	1	50	$ 55.34	$ 2,767	Quote
DF9987	Contact	Continental	5	250	$ 15.73	$ 3,933	PO
RQ6942	Base Plate	APP	1	50	$ 60.44	$ 3,022	Quote
HV4561	Housing	APP	1	50	$ 83.61	$ 4,181	Quote
QQ9866	Retaining Screw	McMaster	15	750	$ 0.21	$ 158	PO
DV4123	Connector	Continental	6	300	$ 4.25	$ 1,275	PO
				Total Material		$ 47,312	
Note: The Total Material should tie to the material listed on the cost element breakdown for Part #: ABC							

BOM — Part No. ABB (qty 75)

Part #:	Description	Supplier	Qty/Part	Total Qty	Unit Price	Total Price	Basis
AA45621	Motor	Motor World	1	75	$ 564.13	$ 42,310	Quote
HY9876	Harness	POM	3	225	$ 34.89	$ 7,850	PO
VD9684	Agent	Fluid Systems	2	150	$ 25.35	$ 3,803	Quote
DF9987	Contact	Continental	4	300	$ 15.73	$ 4,719	PO
RQ6942	Base Plate	APP	1	75	$ 60.44	$ 4,533	Quote
QQ9866	Retaining Screw	McMaster	15	1,125	$ 0.21	$ 236	PO
DV4123	Connector	Continental	6	450	$ 4.25	$ 1,913	PO
				Total Material		$ 65,363	
Note: The Total Material should tie to the material listed on the cost element breakdown for Part #: ABB							

BOM — NRE

Part #:	Description	Supplier	Qty/Part	Total Qty	Unit Price	Total Price	Basis
JTM-4VS	Jet Verticle Mill	Toolmart	2	2	$10,141.00	$ 20,282	Quote
GH-2280	Jet Precision Metal Lathe	Northern Tool	1	1	$18,499.00	$ 18,499	Quote
				Total Material		$ 38,781	
Note: The Total Material should tie to the material listed on the cost element breakdown for NRE							

Consolidated Bill of Material Example

- Below is an example of a consolidated BOM. This BOM was developed by taking the three individual BOMs on the previous page and combining them together.
  - In a consolidated BOM part numbers and quantities should be combined (or subtotaled) if they are the same parts. For example the BOMs for Part Nos. ABC and ABB both require the same motor –Part No. AA45621. In the consolidated BOM the requirements have been combined and reflect the total number of motors that will be needed for this proposal.

Consolidated Bill of Material

Part #:	Description	Supplier	Total Qty	Unit Price	Total Price	Basis
AA45621	Motor	Motor World	125	$ 564.13	$ 70,516	Quote
CV97564	Antenna	Worldcom	50	$ 75.42	$ 3,771	PO
RB98745	Antenna Cover	APP	50	$ 55.34	$ 2,767	Quote
DF9987	Contact	Continental	550	$ 15.73	$ 8,652	PO
RQ6942	Base Plate	APP	125	$ 60.44	$ 7,555	Quote
HV4561	Housing	APP	50	$ 83.61	$ 4,181	Quote
QQ9866	Retaining Screw	McMaster	1,875	$ 0.21	$ 394	PO
DV4123	Connector	Continental	750	$ 4.25	$ 3,188	PO
VD9684	Agent	Fluid Systems	150	$ 25.35	$ 3,803	Quote
HY9876	Harness	POM	225	$ 34.89	$ 7,850	PO
JTM-4VS	Brideport Verticle Mill	Toolmart	2	$10,141.00	$ 20,282	Quote
GH-2280	Precision Metal Lathe	Northern Tool	1	$18,499.00	$ 18,499	Quote
			Total Material		$ 151,456	

Note: The Total Material should tie to the material listed on the summary cost element breakdown

Consolidated Bill of Material

- If the proposal is for a base year plus option years, there needs to be a consolidated BOM for each of the years at each of the points in the RFP requiring cost or pricing.

Consolidated Bill of Material — Year 1

Part #:	Descriptio	Supplier	Total Qty	Unit Price	Total Price	Basis
R689433	Radome	Ray Dome	300	$ 1,370.00	$ 411,000	Quote
S453333	Servo	Motion Bay	600	$ 350.00	$ 210,000	PO
C986577	Frame	APS Limited	300	$ 255.34	$ 76,602	Quote
A446588	Antenna	Motion Bay	300	$ 490.00	$ 147,000	PO

Consolidated Bill of Material — Year 2

Part #:	Descriptio	Supplier	Total Qty	Unit Price	Total Price	Basis
R689433	Radome	Ray Dome	400	$ 1,287.50	$ 515,000	Quote
S453333	Servo	Motion Bay	800	$ 334.75	$ 267,800	PO
C986577	Frame	APS Limited	400	$ 257.50	$ 103,000	Quote
A446588	Antenna	Motion Bay	400	$ 489.25	$ 195,700	PO

- To determine if a sub tier cost analysis is required, you need to add together the anticipated costs for each supplier for all years. In the above example there are two suppliers that will require a cost analysis (Ray Dome and Motion Bay).

Total Proposal Dollars by Subtier Supplier

Sub-Tier Supplier	Total Proposal $	Cost Analysis Required
Raydome	$ 926,000	Y
Motion Bay	$ 820,500	Y
APS Limited	$ 179,602	N

Material

- Refer to the detailed instructions in the RFP when your proposal supports a base year plus options contract or a long-term agreement. Guidance should be provided here on the consolidation and subtler requirements. If you have any questions regarding this, contact your Supply Chain representative.
- Interorganizational costs
  - Interorganizational costs are defined as the cost of items transferred between divisions within the same company.
  - If you have bid any interorganizational costs in your proposal, you will need to provide a cost element breakdown for each interorganizational transfer and support as appropriate.
- Note:
  - If you have a supplier with a value in excess of $13.5 million or is greater than 10 percent of your total proposal and exceeds $TINA, FAR 15.408 Table 15-2 requires that we submit the supplier's proposal and cost or pricing data with our own proposal.

Labor

- Labor hours:
  - Provide a time-phased (e.g., monthly, quarterly) breakdown of labor hours, rates and cost by appropriate category, and furnish basis for estimates.
  - Please show the analogy and or nexus of prior actuals/historical data to the proposal estimate (Basis of Estimate/Estimate Methodology).

Time Phased Breakdown

Year		2014			2015			Total	
Dept.	Description	Hour	Rate	Dollars	Hour	Rate	Dollars	Hours	Dollars
Direct Labor:									
1001	Assembly	2,000	$ 17.20	$ 34,400	1,333	$ 17.72	$ 23,615	3,333	$ 58,015
1002	Machine Shop	250	$ 25.00	$ 6,250	167	$ 25.75	$ 4,300	417	$ 10,550
1003	Test	100	$ 28.00	$ 2,800	67	$ 28.84	$ 1,932	167	$ 4,732
	Total Direct Labor	2,350		$ 43,450	1,567		$ 29,848	3,917	$ 73,298

Labor

- Labor hours:
  - Proposed labor hours are generally a combination of direct and support labor hours.
    - Direct labor hours –Hours that can be identified specifically to a final end item.
    - Support labor hours –Hours that cannot be specifically identified to one end item. For example, a production manager may be in charge of overseeing the manufacturing of multiple parts.

Labor

- Please provide a breakdown of the labor hours by labor category and function along with a basis of estimate for the proposed labor hours.
  - For example if you propose 500 hours for an end item, you would need to provide a breakdown by category/function (assembly, inspection, supervisor, engineer, etc.). You also need to provide a detailed basis of estimate for each category/function showing how you arrived at the hours for the proposed labor category.
  - Generally the basis should be actual production history. An alternative approach is the use of engineering estimates if the item has not been manufactured before.
- Cost Accounting Standards (CAS) 401 requires that a company is consistent between proposals and accounting practices. The way a company estimates its labor hours needs to also be the way it accumulates its production history.

Labor Hours Example

Proposal No.: KLM.09.059

Date: October 7, 20XX

ABC Corporation

Labor Hours

Proposed Labor Hours - 82.79 hrs/unit for Part ABC

Direct Labor		Hrs/Unit
Assembly		38.00
Machinist		3.50
QA		7.62
Engineer 1		2.38
	Sub-total	51.51
Production Support		Hrs/Unit
MFG Supervisor		9.20
Eng Supervisor		3.68
QA Supervisor		9.20
Production Mgr		9.20
	Sub-total	31.28
	Total Hrs	82.79

Labor Hours
Example – Actual Production History

Actual Production History — Part ABC							Proposed	
Duration - Months	7		9		24		12	
Qty	30		39		110		50	
End Date	11/15/2006		9/8/2007		9/1/2009			
Direct Labor	Total Hrs	Hrs/Unit	Total Hrs	Hrs/Unit	Total Hrs	Hrs/Unit	Total Hrs	Hrs/Unit
Assembly	1,836	61.20	1,675	42.95	4,338	39.44	1,900	38.00
Machinist	169	5.64	154	3.96	400	3.63	175	3.50
QA	368	12.28	336	8.62	870	7.91	381	7.62
Engineer 1	115	3.83	105	2.69	272	2.47	119	2.38
Production Support	Total Hrs		Total Hrs		Total Hrs		Total Hrs	Hrs/Unit
MFG Supervisor	268		345		920		460	9.20
Eng Supervisor	107		138		184		184	3.68
QA Supervisor	268		345		920		460	9.20
Production Mgr	268		345		920		460	9.20
							Hrs/Unit	82.79

Labor Hours Examples – Basis of Estimate

- Basis of estimate for direct labor:
  - Proposed direct labor hours were developed by applying a 90 percent learning curve to the production labor history for part BBC. You need to provide basis for the 90 percent curve.
- Basis of estimate for the manufacturing supervisor:
  - The manufacturing supervisor's time is based on the latest production history for Part ABC. The latest production history for Part ABC (shown on the previous page) shows that 920 hours were used over a 24-month period. Since the current proposal has been estimated to cover 12 months, 460 hours were applied for the manufacturing supervisor (920 divided by 2).
- Basis of estimate for engineering supervisor:
  - The engineering supervisor's time is based on the latest production history for Part ABC. The latest production history for Part ABC (shown on the previous page) shows that 184 hours were necessary to complete the task. This task is similar, and so we estimate 184 hours.

Other Direct Costs (ODC)

- Other direct costs (ODC)
  - List other expenses not otherwise included under material and labor (e.g., travel, freight) and provide basis for pricing.
  - For example, the basis for travel would include the location, number of trips, number of people attending and the estimated expenses for the travel.

- Nonrecurring Expenses (NRE)
- NRE refers to one-time costs that you would not normally see from proposal to proposal.
  - Examples of NRE are as follows:
    - Special tooling.
    - New equipment.
    - Equipment refurbishment.
    - Hours and materials associated with increasing throughput capacity.
    - Hours and materials to research, develop, design and test new processes.
    - One-time review events.

Rates

- As mentioned earlier, NRE charges must be broken out by cost element. This means the material and labor components associated with the NRE are clearly broken out.
  - Material –any material associated with NRE should be supported by supplier quotes or Purchase Orders.
  - Labor –labor hours associated with NRE should have basis of estimates (BOE) that are broken down by labor category and include detailed descriptions of the tasks that will be performed.

Rates

Overhead

- Generally, costs incurred that are not chargeable directly to the finished product

Overhead Formula

Overhead expenses minus Unallowables

Direct Labor $

G&A

- G&A many times includes management (i.e. indirect) Fees, Franchise Tax, Sales Tax, Bank Charges, Legal etc.

G&A Formula

G&A Expenses – Unallowables

Total Overhead Expenses + Total Material $ + Total Direct Labor $

Facilities capital COM:

- When you elect to claim COM, submit a completed form CASB-CFM (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. Both forms can be found online at various locations.

Rates

- Rates include direct labor, overhead, general and administrative expense (G&A) and cost of money (COM).
- AR has the capability to perform rate audits on suppliers in lieu of having the DCAA do this.
- If you allow AR to perform this rate audit, you need to provide the following information:
  - Explanation as to how the rates were calculated.
  - Detailed documentation (financial statements, labor pools, listing of unallowable expenses, etc.) that support the rate calculations.
  - If the detailed documentation is based upon budgetary numbers, you will also need to provide three 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.

Audit Rights

Audit rights are a set of purchase contract clauses, or an established business practice, that define AR's right to examine supplier direct and indirect incurred cost data, projections, and accounting policies and procedures.

AR audit rights are required to be included in any purchase contract issued by the AR Company to a supplier. Purchase contracts excluding certain criteria, shall include contractual provisions allowing audit examination by qualified AR personnel or a waiver to audit rights must be obtained.

There are four categories of audit rights clauses:

- Full Access (No Audit Rights Waiver) - The supplier allows unrestricted access to all of the necessary records to verify that all direct and indirect costs and/or projections, including rates and factors, are allowable, allocable and reasonable to the effort being audited.
- Partial Access (Partial Audit Rights Waiver) - In this situation the supplier normally allows AR unrestricted access to records related to direct hours and material costs only. For government prime contracts, the Government or an independent audit agency performs audit support for rates and factors and provides audit results to AR. With this type of waiver, the analyst must request audit assistance from the Government for the review/audit of the rates and factors.
- No Access (Full Audit Rights Waiver) - AR has been denied access to the supplier's records supporting all direct and indirect costs. For government prime contracts, the Government or an independent audit agency performs the audit on direct and indirect costs and provides audit results to AR. In this situation, the analyst will request the Government to conduct a full audit of all direct and indirect costs. This is the least desirable type of "audit" rights.
- •Blanket Waiver of Audit Rights - Under certain circumstances, AR may have a blanket waiver to defer audit rights of rates and factors to the Defense Contract Audit Agency (DCAA).

AR would prefer to have full audit rights and not have to rely on the Government to conduct an assist audit.

Standard terms and conditions of the purchase contract usually request full audit rights from the suppliers. However, most suppliers only allow AR partial access.

FAR References

- FAR 15.404-2 "Information to Support Proposal Analysis"
- http://www.acqnet.gov/far/
- FAR PART 15 – Contracting By Negotiation
- FAR PART 31 – Contract Cost Principles
- OMB Circular A-122 – Cost Principles for Non-Profit Organizations
- Contract Pricing Guides
- DCAA – www.dcaa.mil
- FAR 15.404-3 Subcontract pricing considerations.

The contracting officer is responsible for the determination of price reasonableness for the prime contract, including subcontracting costs. The contracting officer should consider whether a contractor or subcontractor has an approved purchasing system, has performed cost or price analysis of proposed subcontractor prices, or has negotiated the subcontract prices before negotiation of the prime contract, in determining the reasonableness of the prime contract price. This does not relieve the contracting officer from the responsibility to analyze the contractor's submission, including subcontractor's cost or pricing data.

Summary

- In summary, all noncompetitive, noncommercial proposals valued at more than $TINA are required to include the following information:

Cover Sheet — SF1411 or equivalent	FAR 15.408, Table 15-2, I.A.
Index	FAR 15.408, Table 15-2, I.B.
Cost Element Breakdown	FAR 15.408, Table 15-2, I.D.
Summary Cost Element Breakdown	FAR 15.408, Table 15-2, I.E.
Material	FAR 15.408, Table 15-2, II.A.
Labor	FAR 15.408, Table 15-2, II.B.
ODC	FAR 15.408, Table 15-2, II.D.
NRE	FAR 15.408, Table 15-2, II

- Sufficient rationale and supporting documentation to support each of the proposed cost elements is also required.
- Obtaining adequate supplier proposals is always on the critical path, since AR cannot submit its proposal to the government until it has received adequate proposals from its subcontractors. Therefore, it is critical that adequate supplier proposals are obtained as quickly as possible.