

# Leading practices and risk areas for FAR 15 proposals

The NCMA 62<sup>nd</sup> Annual March Workshop

March 15, 2023

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# Presenters

Ernst & Young LLP (EY) Government Contract Services (GCS)

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**Steven Tremblay**

Managing Director

steven.tremblay@ey.com

+1 617 375 2420



**Edward Morley**

Senior Manager

edward.morley@ey.com

+1 617 585 0425



**Ron Meldonian**

Client Serving Contractor

ronald.meldonian@ey.com

+1 617 585 1947



**Jack Gay**

Client Serving Contractor

jack.gay@ey.com

+1 617 375 3725

# Agenda

## Leading practices and risk areas for FAR Part 15 proposals

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- ▶ FAR Part 15 (Contracting by Negotiation) requirements
- ▶ FAR Part 15 proposal pitfalls
- ▶ Estimating methods leading practices
- ▶ Estimating methods and common pitfalls
- ▶ Post-award audits
- ▶ Proposal adequacy checklist
- ▶ Appendix
  - Proposal adequacy checklist, DFARS 252.215-7009
  - DFARS clause 252.215-7002 Cost Estimating System Requirements - Criteria Estimating Regulations, guidance and applicability

# FAR 15 requirements

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# FAR 15 requirements

## What is FAR 15 - Contracting by Negotiation?

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### ▶ **What is FAR Part 15?**

- ▶ Describes procedures for competitive and non-competitive acquisitions exceeding the Simplified Acquisition Threshold (SAT).

### ▶ **Why is FAR Part 15 important?**

- ▶ Governs negotiated procurements and allows the government to negotiate with offerors before making an award.
- ▶ Procedures intended to minimize the complexity of solicitations, evaluations and source selection decisions while maintaining a process designed to foster an impartial and comprehensive evaluation of the offeror's proposals, leading to the selection of the proposal representing the best value to the government.

### ▶ **How is FAR Part 15 used?**

- ▶ Generally, the government will create a request for proposal (RFP) and note which contractors will be eligible to submit a bid. Once bids are submitted, the government determines the competitive range and negotiates with the contractors within that range.

### ▶ **Truth in Negotiation Act (TINA) implications**

- ▶ All objective information which could reasonably be expected to affect the price paid by the government must be disclosed prior to or during negotiations.

Source: [Contracting by Negotiation \(FAR Part 15\) | Adaptive Acquisition Framework \(dau.edu\)](#)

Source: [FAR Part 15- Contracting by Negotiation - Ward & Berry \(wardberry.com\)](#)

# Far 15 requirements

## Alternatives to FAR 15

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- ▶ Sales of commercial items (FAR Part 12)
- ▶ Competitively awarded fixed-price contracts (competitive bids)
- ▶ Small businesses
- ▶ Educational institutions
- ▶ Nonprofit organizations
- ▶ Grants
- ▶ Prices set by law or regulation

# FAR 15 requirements

## Elements

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- ▶ **Proposal documentation**

- ▶ Adequately detailed and auditable basis of estimates (BOEs) sound estimates
- ▶ Adequate proposal traceability

- ▶ **Certified cost or pricing data (CCPD) disclosure**

- ▶ Visibility of estimating methods, source data, direct/indirect rates and profit

- ▶ **Certificate of Current Cost or Pricing Data**

- ▶ Post-proposal submittal data disclosure requirements
- ▶ Negotiated value adjustments

- ▶ **Post-award audits and disclosures**

- ▶ Post-award audits guarantee contractor accounting systems operate according to pre-award commitments
- ▶ Defective pricing self-disclosures



# FAR 15 proposal pitfalls

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# FAR 15 proposal pitfalls

## Common pitfalls

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- ▶ **Inadequate BOEs**

- ▶ Low estimate fidelity and lack of supporting data
- ▶ Proposal review inefficiency
- ▶ Increased proposal errors and omissions

- ▶ **Lack of coordinated organizational processes**

- ▶ During cost estimate development
- ▶ During certification/"sweep" process

- ▶ **Inadequate requirement flow-downs to over-threshold suppliers**

- ▶ Data/audit access denial
- ▶ Inadequate subcontractor analyses
- ▶ Contract clause flow-down

- ▶ **Failure to disclose cost impacting management decisions**

- ▶ Opportunities and threats
- ▶ Make-buy decisions

# FAR 15 proposal pitfalls

## Consequences

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- ▶ Contractor Performance Assessment Reporting System (CPARS) negative reports
- ▶ Defective pricing (DP) "claw-back" recovery of overpayments plus interest and penalties
- ▶ Additional Defense Federal Acquisition Regulation Supplement (DFARS) business systems scrutiny
- ▶ Contractor debarment
- ▶ Legal liability - criminal prosecution of contractor agents for provable fraudulent intent (in cases of defective pricing, false statements, False Claims Act)

# FAR 15 proposal pitfalls

## Consequences

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- ▶ What is defective pricing? Contractors' failure to adequately disclose current, accurate and complete cost or pricing data as of the date of agreement on price AND which causes an increase to the contract price.
  - ▶ Defective pricing is normally handled by utilizing a contract remedy and is NOT the same as fraud. However, there are instances where it can rise to the level of fraud and result in investigations, prosecutions, debarment and/or allegations of other violations (e.g., False Claims Act, False Statements Act, conspiracy, wire/mail fraud).
- ▶ Settlement for DP cases includes price adjustment AND interest on overpayment (U.S. Code 10 2306(a)).
- ▶ Defective pricing myths:
  - ▶ If I did not ask a contractor for the cost or pricing data, it is not DP.
  - ▶ If I asked for cost or pricing data and a contractor did not disclose it in a meaningful manner, it is not DP.
  - ▶ A contractor only has to disclose the specific cost or pricing data that forms the basis of its proposal, even if more relevant cost or pricing data exists.
  - ▶ I cannot rely on data that was not disclosed.

# Estimating methods and leading practices



# Estimating methods and leading practices

## Industry practices

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- ▶ What are the most common estimating tools used? Are major contractors mostly using homegrown or off-the-shelf estimating tools?
  - ▶ Many major contractors have developed customized homegrown tools or use customized Excel templates for preparing estimates
  - ▶ Common off-the-shelf pricing solutions - pros/cons:

### Pros

- ▶ Reduction in mathematical errors
- ▶ Consistency in format, pricing detail, and rates and factors application
- ▶ Estimating tool descriptions supplemented by software manuals

### Cons

- ▶ Output format may not be government-preferred
- ▶ Expensive tool customizations

# Estimating methods and leading practices

## Estimating techniques for cost proposals

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- ▶ Detailed method (bottom-up)
- ▶ Comparison to similar projects
  - ▶ May utilize a complexity factor when appropriate
  - ▶ Should account for inflationary changes
- ▶ Parametric
  - ▶ Use of historical data to develop relationships between cost elements
  - ▶ Engineering hours per blueprint, supervisory hours per pound of aircraft, etc.
- ▶ Consider consulting the Contract Pricing Reference Guides for further ideas
  - ▶ [OUSD A&S - ASD\(A\) - Defense Pricing and Contracting \(osd.mil\)](https://www.osd.mil/procurement/contract-pricing-reference-guides)

# Estimating methods and leading practices

## Responsibilities for estimating and accounting

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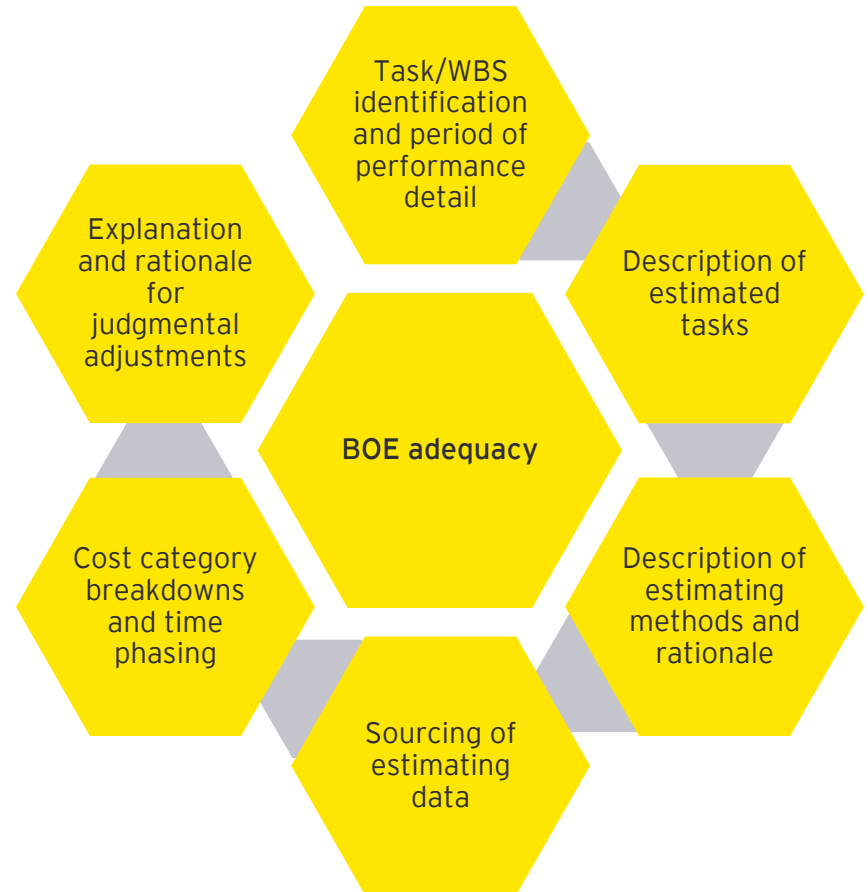
- ▶ Responsibilities are shared throughout the enterprise.
- ▶ Brainstorm: How do the following functions impact the estimating and accounting processes?
  - ▶ Project employee
  - ▶ Project manager
  - ▶ Pricing department
  - ▶ Bid and proposal
  - ▶ Purchasing department
  - ▶ Human Resources department
  - ▶ Budget and financial planning
  - ▶ Executive management



# Estimating methods and leading practices

## Basis of estimates

- ▶ Judgment-based estimating methods are the least preferred while fact-based estimating methods are the most preferred. Follow-on projections based on actuals from prior contracts/lots have the highest credibility.
- ▶ The reviewer should be able to understand the methodology and rationale for the estimate.
- ▶ BOE templates are an industry best practice and help motivate the preparation of adequately documented BOEs.
- ▶ Calculations should be sufficiently detailed and accurate.



# Estimating methods and leading practices

## Indicators of estimating deficiencies

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- ▶ Historical data not available or used by cost estimators
- ▶ Failure to analyze material costs
- ▶ Failure to perform subcontractor cost reviews
- ▶ No analytical support for significant proposed costs, including escalation
- ▶ Excessive reliance on judgment where data is available
- ▶ Recurring defective pricing for certain cost elements
- ▶ Failure to integrate relevant parts of other management tools (production control, program accounting, etc.)
- ▶ Lack of policies and procedures for persons responsible for supporting estimates
- ▶ Inadequate documentation
- ▶ Poorly prepared BOEs
- ▶ Lack of budgetary data for the period of performance



# Estimating methods and leading practices

## Recent issues – cost or pricing data

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- ▶ Outdated supplier/vendor quotations
- ▶ Intermingled nonrecurring costs
- ▶ Nondisclosure of internal management decisions/studies that could have a significant bearing on costs
  - ▶ Nondisclosure of changes in production methods and/or production or purchasing volume
  - ▶ Unwillingness to acknowledge efficiency trends (e.g., improvement curves)
  - ▶ Undisclosed make-or-buy decisions
- ▶ Audit and data restrictions to cost and pricing information (primarily rate/factor) requiring Defense Contract Audit Agency (DCAA) assist audits
- ▶ Delays in completing supplier cost and price analyses timely (prior to prime negotiations), leading to delays in prime negotiations
- ▶ Inadequate evaluation of subcontractor proposals

# Estimating methods and leading practices

## FAR Part 15 - leading practices

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- ▶ **Automated pricing tools**
  - ▶ Reduce manual errors and motivate proposal consistency
- ▶ **Fill out Form 1411 (proposal cover sheet) completely and accurately**
- ▶ **Proposal index**
- ▶ **Document proposal ground rules and assumptions**
- ▶ **Document rate files used within the proposal**
- ▶ **Adequate proposal traceability and navigation references**
- ▶ **Standardized BOE and Bill of Material templates covering:**
  - ▶ Logic behind choices made in narrative form and engineering analyses
  - ▶ Identification of similar company experience
  - ▶ Time span/period of performance
  - ▶ Quantity estimates
  - ▶ Mathematical calculations (including for the identification of over-threshold suppliers)
  - ▶ Complexity factors and basis for factors
- ▶ **Centralized contractor TCPD disclosure database**
  - ▶ Availability of updated corporate-level disclosures
- ▶ **Independent proposal quality review teams**
- ▶ **Certificate of Current Cost or Pricing Data**
  - ▶ Templated certificate

# Estimating methods and common pitfalls



# Estimating methods and common pitfalls

## What is the estimating system?

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- ▶ An estimating system includes:
  - ▶ Organizational structure
  - ▶ Established lines of authority, duties and responsibilities
  - ▶ Internal controls and managerial reviews
  - ▶ Flow of work, coordination and communication
  - ▶ Estimating methods, techniques, accumulation of historical costs and analyses used by a contractor to generate cost estimates and other data included in proposals submitted in the expectation of receiving contract awards (DFARS 252.215-7002 - Cost Estimating System Requirements)
  
- ▶ An acceptable estimating system is one that:
  - ▶ Is maintained, reliable and consistently applied, and produces verifiable, supportable and documented cost estimates that are an acceptable basis for the negotiation of fair and reasonable prices
  
- ▶ What does the estimating system do?
  - ▶ Allows contractors to estimate costs for bids and proposals
  - ▶ Allows contractors to more easily prepare estimates to complete (ETCs)

# Estimating methods and common pitfalls

## Importance of system approval

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- ▶ Saves time and money
  - ▶ Provides assurances to the US government (USG)/buyer regarding the consistency, accuracy and reliability of cost estimates
- ▶ Adds proposal evaluation points
  - ▶ Approvals signal high-fidelity proposal estimates, which can be a deciding factor in award determinations
- ▶ Key differentiator or competitive advantage
  - ▶ Contracting officers may be more inclined to award funding
- ▶ Reduction in audit scrutiny
  - ▶ Reduces risk of potential financial penalties or potential reduced testing by the DCAA in proposal audits
  - ▶ Approved estimating system could lower the DCAA identified risk on the adequacy of other business tools

# Estimating methods and common pitfalls

## Major risks

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- ▶ Truthful Cost or Pricing Data (TCoPD), formerly the Truth in Negotiations Act (TINA), and defective pricing findings and penalties
  - ▶ Mathematical errors
  - ▶ Unincorporated announced cost-saving measures
  - ▶ Subcontractor estimate reliability
- ▶ Inaccurate estimate-at-completion (EAC) (i.e., in support of letter contracts), potential impact to billing and invoicing, and progress payments
- ▶ Incorrect bids and proposals that may result in contract performance that is not in line with budgets and/or management expectations
- ▶ A determination of an inadequate estimating system
  - ▶ Would result in potential withholds and significantly increased audit oversight if material deficiencies are identified



# Estimating methods and common pitfalls

## DFARS 252.215-7002 cost estimating

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- ▶ Identify and document the sources of data and the estimating methods and rationale used in developing cost estimates and budgets
- ▶ Provide for detection and timely correction of errors
- ▶ Protect against cost duplications and omissions
- ▶ Require use of appropriate analytical methods

# Post-award audits



# Post-award audits

## Truthful Cost or Pricing Data (formerly TINA)

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### Key concepts

- ▶ The purpose is to place the government and the contractor in an equal negotiating posture
- ▶ TCoPD requires disclosure of “cost or pricing data” plus:
  - ▶ Specific identification of data
  - ▶ Disclosure of significance of data
- ▶ Cost or pricing data is:
  - ▶ Factual, not judgmental, information
  - ▶ Information that a prudent person would expect to have a significant effect on price
  - ▶ Verifiable information
  - ▶ Any facts available through the date of price agreement
- ▶ No intent to defectively price, or actual knowledge of defective data, is required for a TCoPD violation

# Post-award audits

## Truthful Cost or Pricing Data (formerly TINA)

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Post-award audit procedures designed to determine if:

1. The information in question fits the definition of cost or pricing data.
2. Accurate, complete and current data existed and was reasonably available to the contractor before the agreement on price or another date agreed upon by the parties.
3. Accurate, complete and current data was not submitted or disclosed to the contracting officer or one of the designated representatives of the contracting officer and that these individuals did not have actual knowledge of such data or its significance to the proposal.
4. The government relied on defective certified cost or pricing data in negotiating with the contractor.
5. The government's reliance on defective certified cost or pricing data caused an increase in the contract price.

# Post-award audits

Cost or pricing data required if ...

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- ▶ Contract award/subcontract/modification  $\geq$  \$2m
- ▶ Unable to use price analysis to ensure that price is fair and reasonable because competition was not achieved
- ▶ Other requirements of FAR 15.403-4
- ▶ **Note:** Unless an exception applies, modifications of competitively awarded government contracts are subject to the same TCoPD requirements as sole-source awards, because contract modifications are sole-source (no competition)

# Post-award audits

## Subcontractor pricing considerations

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- ▶ The prime contractor is responsible for conducting cost or price analysis to establish the reasonableness of the price. Analysis becomes the prime's cost or pricing data and must be submitted to the government.
- ▶ The prime contractor must obtain and analyze subcontractor cost or pricing data to the extent it is  $\geq$  \$2m unless the subcontract is exempt.
- ▶ Subcontract cost or pricing data must be submitted to the government if greater than 10% of the prime contractor's proposed price or greater than \$13.5m.
- ▶ The prime contractor is responsible for ensuring that subcontractor cost or pricing data is updated as of the date of price agreement.
- ▶ A DCAA assist audit can be requested if a subcontractor objects.

# Post-award audits

Adequate price competition exists when ...

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- ▶ Two or more responsible offerors, competing independently, submit prices offers **and**:
  - ▶ Awards will be based on “best value” where price is a substantial factor in source selection
  - ▶ There is no finding that the price of the otherwise successful offer is unreasonable
- ▶ There was a reasonable expectation that two or more responsible offerors, competing independently, would submit priced offers, even though only one offer is received
- ▶ Price analysis clearly demonstrates that the proposed price is reasonable in comparison with current or recent prices for the same or similar items, adjusted to reflect changes in market conditions, economic conditions, quantities or terms and conditions under contracts that did result from adequate price competition

# Post-award audits

## Certification requirements

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- ▶ The contractor must certify that it has disclosed “accurate, complete and current” cost or pricing data (FAR 15.406-2)
- ▶ Data must be accurate, current and complete as of the date of price agreement - the “handshake date”
- ▶ A Certificate of Current Cost or Pricing Data should be executed as soon as practicable after the “handshake date”
- ▶ Absence of a certificate is not a defense to defective pricing allegations as a matter of law



# Post-award audits

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- ▶ Multiple contractor organization disciplines may be subject to defective pricing/post-award inquiries:
  - ▶ Upper management
    - ▶ E.g., strategic planning, budgets, planned M&A activity
  - ▶ Financial managers
    - ▶ E.g., budget/actual, variance analysis
  - ▶ Buyers/subcontract managers
    - ▶ E.g., vendor bids, cost/price analyses
  - ▶ Engineers, preparing cost estimates
    - ▶ E.g., make-or-buy decisions, technical analysis
  - ▶ Contract and subcontract negotiators, sales and marketing personnel
  - ▶ Industrial relations managers
    - ▶ E.g., planned changes to production flows
  - ▶ Materials and purchasing management
    - ▶ E.g., vendor quotes, negotiation history

# Post-award audits

## DCAA audit activity

Audit performance measures	FY 2019 actuals	FY 2020 actuals	FY 2021 objective	FY 2022 objective
<b>Workforce environment measures:</b>				
1. Federal Employee Viewpoint Survey - Response Rate	70%	69%	75%	75%
2. Federal Employee Viewpoint Survey - Best Places to Work in the Federal Government Ranking	69 of 420	Maintain upper quartile rating	Maintain upper quartile ranking	Maintain upper quartile ranking
<b>Quality related measures</b>				
3. DCAA QA Review Results - Audits Performed in Accordance with GAGAS	79.6%	86%	Exceed FY 2020 rate	Exceed FY 2021 rate
<b>Productivity measures</b>				
4. Forward Pricing Audits Issued by Original Due Date	85%	93%	Maintain/exceed prior-year rate	Maintain/exceed prior-year rate
5. Pre-award Accounting System Audit Delivered Within 90 Days	55 days	56 days	Maintain prior-year rate	Maintain prior-year rate
6. Truth in Negotiations Audits Completed	25	94	100	100 adjusted for risk
7. Business System Audits Completed	30	67	183	200 adjusted for risk

Source: DCAA Operation and Maintenance, Defense-Wide Fiscal Year (FY) 2022 President's Budget

# Proposal adequacy checklist

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# Proposal adequacy checklist

## Purpose

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- ▶ In March 2013, DoD updated DFARS 215.408 to incorporate a requirement for the CO to include a new solicitation provision, DFARS 252.215-7009, Proposal Adequacy Checklist, in certain situations.
  - ▶ Contractors complete this checklist along with their proposals.
  - ▶ The Contracting Officer (CO) has discretion to include a checklist clause in the solicitation when proposals are subject to TCoPD.
    - ▶ If included, contractors are required to prepare and submit the checklist, which only applies to the cost proposal.

# Proposal adequacy checklist

## DoD and contractor key takeaways

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### DoD's checklist intention:

- ▶ Does not add new requirements; compiles and organizes existing requirements
- ▶ Not intended to be punitive but rather a tool to help offerors provide adequate, compliant proposals
- ▶ Increase the efficiency and standardization of the proposal evaluation process for agency personnel
- ▶ Streamline the proposal preparation process for offerors
- ▶ Result in cost and time savings by improving initial proposal submissions

### Steps for contractors:

- ▶ The offeror is to provide the location of each of the 36 items in the proposal
  - ▶ If an item in the checklist is not included in the proposal, the offeror is required to provide an explanation for why it is not included.
  - ▶ Offerors are not required but may choose to have their prospective subcontractors use the same or similar checklist, if appropriate.

# Proposal adequacy checklist

## High-risk areas

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- ▶ Checklist categories:
  - ▶ General instructions (Items 1–13)
  - ▶ Cost elements (Items 14–29)
    - ▶ **Materials and services**
    - ▶ **Subcontracts (purchased materials or services)**
    - ▶ Exceptions to certified cost or price data
    - ▶ Interorganizational transfers
    - ▶ **Direct labor**
    - ▶ **Indirect costs**
    - ▶ Other costs
  - ▶ Formats for submission of line-item summaries (Items 30–32)
  - ▶ Other (Items 33–36)

# Appendix

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# Appendix

## Proposal adequacy checklist, DFARS 252.215-7009

Item number	Topic	Brief description
1	Solicitation and Receipt of Proposals and Information	Is Table 15-2 presented?
2	Government Property	Does proposal include government-furnished materials?
3	CAS Noncompliance	Does proposal identify and explain noncompliances with CAS? Any proposal inconsistencies with Cost Accounting Standards Board Disclosure Statement or established accounting and pricing practices
4	Cost or Pricing Data - disclosure of activities that could materially impact cost (FAR 2.101 Compliance)	Quotations, cost data, production and purchasing data, unit-cost trends and labor efficiency, make-or buy, estimated resources
5	Table 15.2 and Compliance with FAR 15.403	Is index of all certified cost or pricing data provided included and appropriately referenced? Identification of whether there are any exceptions to submission of certified cost or pricing data
6	Compliance with FAR 15.403	Identification of whether there are any exceptions to submission of certified cost or pricing data
7	Compliance with FAR 15.408	Does proposal disclose the judgmental factors applied and the mathematical or other methods used in the estimated, including those used in projecting from known data?
8	Compliance with FAR 15.408	Does the proposal disclose the nature and amount of any contingencies included in the proposed price?
9	Compliance with FAR 15.408	Does the proposal explain the basis of all cost estimating relationships (labor hours or materials) proposed on other than a discrete basis?
10	Compliance with FAR 15.408	Summary of total cost by element of cost cross-referenced to supporting cost or pricing data. Breakdown for each cost element consistent with contractor cost accounting system, by year
11	Compliance with FAR 15.408	Summary of total cost by CLIN (when necessary) with total covering all items for each element of cost, cross-referenced to supporting cost or pricing data
12	Compliance with FAR 15.408	Does proposal identify any incurred costs for work performed prior to submission of proposal?

DFARS Proposal Adequacy Checklist: [252.215-7009 Proposal Adequacy Checklist](#). | [Acquisition.GOV](#)



# Appendix

## Proposal adequacy checklist, DFARS 252.215-7009

Item number	Topic	Brief description
13	Compliance with FAR 15.408	FPRA - offeror shall identify submittal No FPRA - does proposal include all indirect rates and factors by year that are utilized in development of proposal and basis for those rates and factors?
14	Compliance with FAR 15.408 Instructions for Submitting Cost/Price Proposals When Cost or Pricing Data Are Required	Consolidated Bill of Materials (CBOM) with the basis for pricing, including raw materials, parts, components, assemblies, subcontracts and services. Must identify at a minimum the item, source, quantity and price
15,16,17	FAR 15.404-3 – Subcontract Pricing Considerations	Subcontractor’s certified cost or pricing data included? Has offeror identified subcontract proposals for which CO will need to request field pricing analysis? Is there a price/cost analysis establishing the reasonableness of each of the proposed subcontracts included with the proposal? If price/cost analysis not provided, is there a matrix identifying dates for receipt of subcontractor proposal, completion of fact finding for purposes of price/cost analysis, submission of the price/cost analysis
18	FAR 52.215-20 and FAR 2.101 – Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data or Commercial Items	Is there a prime or subcontract commercial item exemption from C or P data, including basis for the claim modified commercial item exemption and/or technical description for commercial items “of a type” or “evolved” or modified differences between the proposed item and comparison item(s)?
19, 20	FAR 15.408 – Instructions for Submitting Cost/Price Proposals when Cost or Pricing Data Are Required	Does proposal support the degree of competition for subcontract/purchase order? Source and basis for price reasonableness for subcontracts/purchase orders priced competitively in excess of the certified cost or pricing data threshold
21, 22	FAR 15.408 – Instructions for Submitting Cost/Price Proposals when Cost or Pricing Data Are Required	Does proposal include a complete cost proposal for interorganizational transfers proposed at cost? If interorganizational transfers are proposed at a price, is analysis included that supports the exemption from certified cost or pricing data?
23, 24	FAR 15.408 – Instructions for Submitting Cost/Price Proposals when Cost or Pricing Data Are Required	Time-phased (e.g., monthly, quarterly) breakdown of labor hours, rates and costs by category. If labor is the allocation base for indirect costs, summarized so that the applicable overhead rate can be applied For labor BOEs: labor categories, labor hours and task descriptions
25	FAR 22.10 - Service Contract Act	Compliance with Service Contract Labor Standards. Reference where rates in proposal comply with minimum rates specified in the Act

DFARS Proposal Adequacy Checklist: [252.215-7009 Proposal Adequacy Checklist](#). | [Acquisition.GOV](#)



# Appendix

## Proposal adequacy checklist, DFARS 252.215-7009

Item number	Topic	Brief description
26,27	Compliance with FAR 15.408	Instructions for submitting cost/price proposals when cost or pricing data is required Indirect costs: basis of estimate for indirect costs Other direct costs: travel cost details, royalties, facilities capital cost of money
30,31	FAR 15.408 - Instructions for Submitting Cost/Price Proposals when Cost or Pricing Data Are Required	Applicable format for cost element breakdowns per FAR 15-2. For modifications or change orders, cost of work deleted (credits) and added (debits). Price revisions/redeterminations must comply with FAR 15-2.III.C
33	FAR 16.4 - Incentive Contracts	Proposed target cost, profit or fee, share ratio, min/max fee, ceiling price
34	FAR 16.203-4 - Fixed Price Contracts	Rationale and application of economic price adjustment
35	FAR 52.232-28 - Invitation to Purpose Performance-Based Payment	Compliance with terms and conditions included in FAR 52.232-28
36	FAR 52.215-22/23 - Limitations on Pass-Through Charges	Excessive pass-through charges – identification of subcontract effort greater than 70% of total cost

DFARS Proposal Adequacy Checklist: [252.215-7009 Proposal Adequacy Checklist. | Acquisition.GOV](#)  
 SF1411: [Flsf1411.pdf \(ornl.gov\)](#)

# Appendix

## DFARS 252.215-7002 cost estimating system requirements - criteria

### Estimating system criteria

1. Establish clear responsibility for preparation, review and approval of cost estimates and budgets
2. Provide a written description of the organization and duties of the personnel responsible for preparing, reviewing and approving cost estimates and budgets
3. Ensure that relevant personnel have sufficient training, experience and guidance to perform estimating and budgeting tasks in accordance with the contractor's established procedures
4. Identify and document the sources of data and the estimating methods and rationale used in developing cost estimates and budgets
5. Provide for adequate supervision throughout the estimating and budgeting process
6. Provide for consistent application of estimating and budgeting techniques
7. Provide for detection and timely correction of errors
8. Protect against cost duplication and omissions
9. Provide for the use of historical experience, including historical vendor pricing information, where appropriate
10. Require use of appropriate analytical methods

Source: DFARS 252.215-7002 Cost Estimating System Requirements : [252.215-7002 Cost Estimating System Requirements.](#) | [Acquisition.GOV](#)

# Appendix

## DFARS 252.215-7002 cost estimating system requirements - criteria

### Estimating system criteria

11. Integrate information available from other management tools
12. Require management review, including verification of compliance with the company's estimating and budgeting policies, procedures and practices
13. Provide for internal review of, and accountability for, the acceptability of the estimating system, including the budgetary data supporting indirect cost estimates and comparisons of projected results to actual results, and an analysis of any differences
14. Provide procedures to update cost estimates and notify the Contracting Officer in a timely manner throughout the negotiation process
15. Provide procedures that ensure subcontract prices are reasonable based on a documented review and analysis provided with the prime proposal, when practicable
16. Provide estimating and budgeting practices that consistently generate sound proposals that are compliant with the provisions of the solicitation and are adequate to serve as a basis to reach a fair and reasonable price
17. Have an adequate system description, including policies, procedures, and estimating and budgeting practices, that comply with the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement

Source: DFARS 252.215-7002 Cost Estimating System Requirements : [252.215-7002 Cost Estimating System Requirements. | Acquisition.GOV](#)

# Appendix

## Estimating regulations, guidance and applicability

Business system	Cost estimating system
Implementing guidance	DFARS (PGI) 215.407-5
FAR/DFARS contract clause guidance	DFARS 252.215-7002
Threshold level and attributes	Large businesses that in preceding fiscal year received Department of Defense prime contracts and subcontracts of at least \$50 million for which cost and pricing data was required or contractors having awards of at least \$10 million (but less than \$50 million) where procuring contracting officer and administrative contracting officer determine audit to be in government's best interest (e.g., significant estimating problems believed to exist)
Exemptions	Sales of commercial items; competitively awarded fixed-price contracts; small businesses, educational institutions or other nonprofit organizations
Cognizant audit/review authority	Defense Contract Management Agency/DCAA/Contracting Office
Frequency	Every three years

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2303-4199989  
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