



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Center of Excellence for Pricing (COEP)

Rusty Wells
August 24-25, 2010



Topics

- COEP
- Dr. Carter Memo
- Truth In Negotiations Act (TINA)
- Defense Contract Audit Agency (DCAA)-
Preparing For An Audit & Lessons Learned
- Other Than Cost Or Pricing Data
- Questions
- Backup Information



Presenters

- Mr. Russell “Rusty” Wells, DLA HQ J-73
- Mr. Timothy “Tim” Kozar, DLA HQ J-73
- Mr. Charles “Chic” Lurch, DCAA
- Mr. Gus Harris, DCAA
- Mr. Bill Bear, DCAA
- Ms. Cheryl Ann Miller, DCAA



COEP - Overview

- Mitigate Agency, Warfighter and Taxpayer Risk through:
 - Active, aggressive surveillance, detection and corrective actions
 - Management visibility of field pricing health
 - Improved Corporate Decisions
 - Enhanced Pricing Capability
 - Reduce Acquisition Costs
- Independent “expert” pricing professionals who provide oversight, fraud detection, pricing assistance and training
- COEP based at Fort Belvoir with team members at Columbus, Philadelphia, and Richmond

**Supports Defense Procurement and Acquisition Policy
Focus on Pricing**



COEP - Actions

- Provide independent site reviews
- Enhanced tools developed to assist cost and price analysts
- Tailor Intern program to develop pricing specialty for subset of Interns
- Conduct Prime Vendor and Tailored Logistics Support Contract Pricing audits and reviews
- Perform Pre-Award and Post-Award pricing reviews
- Periodic PACE pricing reviews, EMALL and Hotline Issues
- Develop and provide tailored pricing rules, tools and training



Dr. Carter Memo

- “Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending”
- Memo Highlights
 - “Delivering better value to the taxpayer and improving the way the Department does business”
 - “Abandon inefficient practices”
 - Savings
 - Eliminating unneeded programs and activities
 - Conducting programs and activities more efficiently
 - “Doing more without more”



TINA - Sources of Information

- 10 U.S.C. 2306a
- FAR Part 15.4
- DOD-IG TINA Handbook
- Contract Pricing Reference Guides, Volumes 3 and 4
 - http://www.acq.osd.mil/dpap/cpf/contract_pricing_reference_guides.html



TINA – What It Does

- Defines requirements for obtaining cost or pricing data
- Delineates exceptions to the requirement
- Provides right of Government to examine contractor records
- Defines cost or pricing data
- Provides rules governing defective pricing
- ***Ultimate goal is a fair and reasonable price for both Government and Supplier***



TINA - Exceptions

- Certified cost or pricing data is NOT required if any of the following exceptions apply:
 - Adequate price competition exists
 - Prices are set by law or regulation
 - Commercial item is being obtained
 - Waiver has been granted



TINA - Commercial Item Exemptions

- Description of the item's use in the commercial or industrial sector and the specific users
- Description of the exact differences between the item and its commercial equivalent (with estimated cost differences, if available)
- **Determination of an item to be commercial is a separate issue from the determination of the item to be reasonable in price**



TINA - Commercial Item Exemptions

- Competitive Published Price List
 - Cover page from catalog along with page showing actual item
 - Reasonable belief that the item could be expected to be purchased by the general or industrial public at the offered price
- Invoices from commercial sales of the same or similar item
 - Quantities, Dates, and Prices
 - Any discounts from the price list (i.e., most preferred customer information)



TINA Requirements

- Certified Cost or Pricing Data shall be required if the sum of the maximum dollar value for the base year and all option years and surge exceeds \$650,000 (\$700,000 after 9/1/10)
- NOTE: The dollar value of all NSNs in a multi-NSN procurement must be considered together, not separately
- Contracting Officer must determine if the submitted Cost or Pricing Data is adequate



PREPARING FOR AN AUDIT

- **Have Personnel Familiar with Proposal Readily Available**
- **Have An Adequate Accounting System**
- **Be a Going Concern**
- **Have Detailed Support Schedules Readily Available**



PREPARING FOR AN AUDIT

- **Have Supporting Documentation Related to the Detailed Proposed Costs Readily Available**
- **Provide the Proposal and Supporting Schedules in Electronic Format**
- **Have Financial Statements and Cash Forecasts of the Company Available**



LESSONS LEARNED

- **Cover Sheet not in accordance with FAR 15.408, Table 15-2**
 - **Total proposal price not stated**
 - **Company POC(s) not provided**
 - **Management's signature not provided**
 - **Period/Place of performance not provided**
- **Unsupported Labor, Material, ODCs and Indirect Expenses as per failure to provide:**
 - **Adequate explanatory notes that provide the basis of estimate for each proposed cost element**



LESSONS LEARNED

- **Rate calculations, cost pool and allocation base descriptions and dated sources such as previous year's financials, current budget, year-to-date actuals not provided for indirect cost**
- **Data sources such as dated historical activity reports, payroll registers, invoices and vendor quotes not provided for direct costs**
- **Lack of Consolidated Bill of Material (CBOM)**
- **Failure to adhere to Command RFP specifications**



LESSONS LEARNED

- **Failure to identify any individual subcontractor cost over \$650K threshold**
- **No evidence of subcontractor cost and pricing data where required**
- **No evidence of cost analysis of subcontractor, where cost or pricing data is required (FAR 15.404-1(c)(2)(iv))**
- **No evidence of price analysis where cost or pricing data is not required**



LESSONS LEARNED

- Where competition is claimed for subcontractors above the cost or pricing data threshold, no evidence provided showing the degree of competition and the basis for establishing the source and reasonableness of the price
- Where commerciality is claimed for subcontractors above the cost or pricing data threshold, no evidence provided to support assertion
- Unallowable cost included in proposal (FAR 31.205)



LESSONS LEARNED

- **Proposal not mathematically correct**
- **Summary proposal does not reconcile to supporting schedules**
- **Cross referencing not provided from summary schedules to detailed supporting schedules**
- **Where FCCM is proposed applicable form CASB-CMF not provided**



DCAA Website

<http://www.dcaa.mil/>

**At website go to “Publications” and
click on “Information for
Contractors”.**

**Navigate to Chapter 3 for guidance on
Pricing Proposals.**



TINA - Certificate Requirements

- Contractor must provide the certificate after the final negotiated price has been reached
- Certificate must be dated on the date the final price was negotiated
- Contractor must certify that data is current, accurate, and complete as of that date
- The certificate should not be included with the contractor's original offer



Other Than Cost Or Pricing Data

- FAR 15.402(a)(2)(ii)
 - “Cost information that does not meet the definition of cost or pricing data found at FAR 2.101”
- Government can request with the expectation of the contractor to provide
- May be same as cost or pricing data but is NOT certified
- May require non-disclosure agreement
- Submission of data tailored to what is needed by the Contracting Officer to determine price reasonableness
- ***But what exactly is it?***



Other Than Cost or Pricing Data

- Do not require from the contractor any more data than absolutely necessary
- Data tailored to determine price reasonableness
- TINA does not apply
- Can obtain assistance from DCAA and DCMA to review (subject to agency and office policy)
- No other means of determining prices fair and reasonable
- Used primarily for first time buys or items with sporadic procurement history
- Requesting data is the last resort for the Government in an attempt to determine price reasonableness



Other Than Cost or Pricing Data

- Four Examples
 - Price analysis using past buys determined fair and reasonable
 - Informal cost breakdown or other non-certified cost data (i.e., startup costs)
 - Commercial sales – adequate, comparable
 - “Of a type”



COEP Breakout Session

Questions?



Backup Information

- Commercial Items
- DCAA Elements of a Proposal
- DCAA Proposal Example



Commercial Items

- FAR 2.101 - Definition
- Eight part definition too voluminous to list here; can be goods or services
 - “(1) Any item, other than real property, that is of a type used by the general public...for purposes other than governmental purposes, and
 - (i) Has been sold, leased, or licensed to the general public;... (excerpt)



Commercial Items

- Determination that the item is reasonably expected to be purchased by the general or industrial public at the offered price
- Description of the item's use in the commercial or industrial sector
- Description of the exact differences between the item and its commercial equivalent



Commercial Items

- Is the Government a most favored customer?
- The contractor should explain if there is a difference between the offered price, the catalog price, and recent sales price
- The Contracting Officer should validate if the item is found on a commercial price list and if there is a percentage or quantity discount



Commercial Items

- The contractor should provide a list of at least two commercial customers
 - Evidence of prices charged other customers under similar circumstances
 - Evidence of lowest unit price, highest quantity, and transaction date
 - Differences in delivery schedules and f.o.b. points should be considered in the evaluation



Commercial Items

- Minor modification – what constitutes one?
 - “modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item, or change the purpose of a process”
 - Consider the value and size of the modification and final product
- Contracting Officer determination



Commercial Items - Evaluation

- Contracting Officer must perform price analysis (even if price is below catalog price)
 - Determination of item to be fair and reasonable in price from prior procurements
 - Adjust for time, quantity, and inflation (PPI); startup costs, quality gradations, shipping, packaging, financing
 - Market research (Haystack, Internet); prices paid by the commercial customer



Commercial Items - Evaluation

- Order of preference for obtaining data:
 - Within the Government
 - Sources other than the offeror
 - Minimum appropriate information from the offeror; “other than cost or pricing data” only if necessary



Commercial Items - Evaluation

- Comparison of proposed prices with Independent Government Estimates (Navy Price Fighters, local Industrial Engineers, etc.)
- Evaluation of any “other than cost or pricing data” if applicable – **LAST RESORT**



ELEMENTS OF A PROPOSAL

- **Summary of Total Cost by Element**
- **Consolidated Priced Bill of Materials**
 - **Types, Quantities, Cost**
 - **FAR 15.408, Table 15-2 II.A.**
- **Breakdown of Labor (FAR 15.408, Table 15-2 II.B.)**
 - **Hours**
 - **Rates and Costs by Appropriate Category**



VITAL ELEMENTS OF A PROPOSAL

- **Details Supporting Indirect Rates:**
 - **How Indirect Rates Are Computed**
 - **How Indirect Rates Are Applied**
 - **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.C.)**
- **Rationale for Proposed Profit**



Figure 3-5-1 Model Proposal

PROPOSAL COVER SHEET

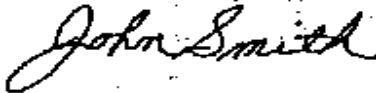
(Cost or Pricing Data Required)

1. **Solicitation/Contract/Modification No.: DAAH01-10-R-001**
2. **Advanced Tank Technologies**
500 East Highway
Washington, DC 20001
3. **Point of Contact**
Jane Doe
Contracts Manager
(202) 555-1212
4.

<u>Contract Administration Office</u>	<u>Audit Office</u>
DCMC Baltimore	District Branch Office
200 Townsontown Blvd., West	8181 Professional Place
Towson, MD 21204-5299	Landover, MD 20785-2218
(301) 339-4800	
5. **Type of Contract: New Contract**
6. **Proposal Cost + Profit or Fee = Total Price**
\$938,241 + \$93,824 = \$1,032,065
7. **Government Property**
We will not require the use of any Government property in the performance of this work.



Figure 3-5-1 Model Proposal (continued)

8. **Cost Accounting Standards (CAS) and Estimating & Accounting Compliance**
 - a. **Our organization is NOT subject to the Cost Accounting Standards Board (CASB) Regulations (Public Law 91-379) as amended and FAR Part 30. We have a Small Business Exemption.**
 - b. **This contract action is not subject to CAS. We have a small Business Exemption.**
 - c. **No, we have not submitted a CASB Disclosure Statement (CASB DS-1 or 2).**
 - d. **We have NOT been notified that we are or may be in noncompliance with our Disclosure Statement or CAS.**
 - e. **No aspect of this proposal is inconsistent with our disclosed practices or applicable CAS.**
 - f. **Yes, this proposal is consistent with our established estimating and accounting practices and procedures and FAR Part 31, Cost Principles.**
9. **This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and FAR 15.408, table 15-2. By submitting this proposal, we grant the Contracting Officer and authorized representative(s) the right to examine, at any time before award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and 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.**
10. **November 21, 2009**

11. **John Smith, President**



Advanced Services Technologies Washington, DC

Proposal Submitted in Response
to RFP DAAH01-10-R-0001

Element of Cost	Amount	Reference
Engineering Labor	\$452,151	Schedule 1
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	Schedule 2
Material	113,175	Schedule 3
Material Handling Overhead @ 5.0%	<u>5,659</u>	Schedule 4
Subtotal	\$868,742	
G&A @ 8.0%	<u>69,499</u>	Schedule 5
Estimated Cost	\$938,241	
Profit @ 10.0%	<u>93,824*</u>	
Total Price	\$1,032,065	
	=====	

*Contractors can negotiate profit with the contracting officer. Typically, contracting officers use criteria in FAR 15.404-4 for establishing a profit objective. DoD contracting officers may use the weighted guidelines policy described in DFARS 215.404-4.



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Schedule 1

<u>Engineering Labor Cost</u>				
<u>Labor Category</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Program Manager	\$23,174	\$27,079	\$18,967	\$69,220
Senior Engineer	31,668	24,939	20,370	76,977
Junior Engineer	39,816	34,845	21,951	96,612
Engineering Aide	26,100	8,377	800	35,277
Technical Writer -	-	15,876	15,876	
Metallurgist	35,815	23,748	14,546	74,109
Draftsman	41,690	29,850	12,540	84,080
Total D/L – Eng	\$198,263	\$148,838	\$105,050	\$452,151
	(Sched 1A)	(Sched 1B)	(Sched 1C)	

<u>Manufacturing Labor Cost</u>				
<u>Labor Category</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Fabrication	\$4,340	\$6,834	\$7,176	\$18,350
Assembly	-	1,942	6,120	8,062
Total D/L – Mfg	\$4,340	\$8,776	\$13,296	\$26,412
	(Sched 1A)	(Sched 1B)	(Sched 1C)	

Total Direct Labor	\$202,603	\$157,614	\$118,340	\$478,563
	=====	=====	=====	=====



**Advanced Services Technologies
Washington, DC**

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Schedule 1A

2010 Engineering Labor Cost

<u>Labor Category</u>	<u>Rate/Hr</u>	<u>Hours</u>	<u>Total .</u>
Program Manager	\$33.93	683	\$23,174
Senior Engineer	26.39	1,200	31,668
Junior Engineer	22.12	1,800	39,816
Engineering Aide	14.50	1,800	26,100
Technical Writer	16.00	-	-
Metallurgist	18.85	1,900	35,815
Draftsman	18.95	<u>2,200</u>	<u>41,690</u>
Total D/L – Eng		9,583	\$198,263

2010 Manufacturing Labor Cost

<u>Labor Category</u>	<u>Rate/Hr</u>	<u>Hours</u>	<u>Total .</u>
Fabrication	\$10.85	400	\$4,340
Assembly	9.25	-	-
Total D/Labor – Mfg		400	\$4,340

Total Direct Labor \$202,603
=====

All hours proposed are based on historical costs, reference contract DAAH01-09-C-0001, account 9271.

The supporting data showing the historical hours and the development of the proposed hours are in file “DAAH01-10-R-0001, Hours” and is available immediately upon request.

The direct labor rates are based on actual average rates as of 31 October 2009. The supporting data and rate calculation are located in file “DAAH01-10-R-0001, Direct Labor Rates” and is available immediately upon request.



**Advanced Services Technologies
Washington, DC**

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Schedule 1B

2011 Engineering Labor Cost

<u>Labor Category</u>	<u>Rate/Hr</u>	<u>Hours</u>	<u>Total .</u>
Program Manager	\$35.63	760	\$27,079
Senior Engineer	27.71	900	24,939
Junior Engineer	23.23	1,500	34,845
Engineering Aide	15.23	550	8,377
Technical Writer	16.80	-	-
Metallurgist	19.79	1,200	23,748
Draftsman	19.90	<u>1,500</u>	<u>29,850</u>
Total D/L – Eng		6,410	\$148,838

2011 Manufacturing Labor Cost

<u>Labor Category</u>	<u>Rate/Hr</u>	<u>Hours</u>	<u>Total .</u>
Fabrication	\$11.39	600	\$6,834
Assembly	9.71	<u>200</u>	<u>1,942</u>
Total D/Labor – Mfg		800	\$8,776

Total Direct Labor			<u>\$157,614</u> =====
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The supporting data showing the historical hours and the development of the proposed hours are in file “DAAH01-10-R-0001, Hours” and is available immediately upon request.

The direct labor rates are based on actual average rates as of 31 October 2009 and escalated 5 percent each year. The supporting data and rate calculation are located in file “DAAH01-10-R-0001, Direct Labor Rates” and is available immediately upon request.



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Washington, DC**

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Schedule 1C

2012 Engineering Labor Cost

<u>Labor Category</u>	<u>Rate/Hr</u>	<u>Hours</u>	<u>Total .</u>
Program Manager	\$37.41	507	\$18,967
Senior Engineer	29.10	700	20,370
Junior Engineer	24.39	900	21,951
Engineering Aide	15.99	50	800
Technical Writer	17.64	900	15,876
Metallurgist	20.78	700	14,546
Draftsman	20.90	600	12,540
Total D/L – Eng		4,357	\$105,050

2012 Manufacturing Labor Cost

<u>Labor Category</u>	<u>Rate/Hr</u>	<u>Hours</u>	<u>Total .</u>
Fabrication	\$11.96	600	\$7,176
Assembly	10.20	600	6,120
Total D/Labor – Mfg		1,200	\$13,296

Total Direct Labor			\$118,346
			=====

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Advanced Services Technologies Washington, DC

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<u>Element of Cost</u>	<u>Amount</u>	<u>Reference</u>
Engineering Labor	\$452,151	Schedule 1
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	Schedule 2
Material	113,175	Schedule 3
Material Handling Overhead @ 5.0%	<u>5,659</u>	Schedule 4
Subtotal	\$868,742	
G&A @ 8.0%	<u>69,499</u>	Schedule 5
Estimated Cost	\$938,241	
Profit @ 10.0%	<u>93,824*</u>	
Total Price	\$1,032,065	
	=====	

*Contractors can negotiate profit with the contracting officer. Typically, contracting officers use criteria in FAR 15.404-4 for establishing a profit objective. DoD contracting officers may use the weighted guidelines policy described in DFARS 215.404-4.



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Schedule 2

<u>Cost Element</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total .</u>
D/L – Engineering	\$198,263	\$148,838	\$105,050	\$452,151
D/L – Manufacturing	<u>4,340</u>	<u>8,776</u>	<u>13,296</u>	<u>26,412</u>
Total Direct Labor	\$202,603	\$157,614	\$118,340	\$478,563
	(Sched 1A)	(Sched 1B)	(Sched 1C)	
D/L Overhead Rate	56.7%	56.7%	56.7%	56.7%
(Schedule 2A)				
Direct Labor O/H	<u>\$114,876</u>	<u>\$89,367</u>	<u>\$67,102</u>	<u>\$271,345</u>
	=====	=====	=====	=====

**Advanced Services Technologies
Washington, DC**

Schedule 2A

Budget for FY 2010 Labor Overhead
Actual Overhead Expenses for FY 2007 - 2009



(Note 2) <u>Overhead Expenses</u>	<u>Budget 2010</u>	<u>Actual Expenses (Note 1)</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	
Indirect Payroll	\$260,000	255,120	280,450	225,320
Payroll Taxes	228,000	223,615	245,538	197,308
Vacation	120,000	117,692	129,231	130,846
Holiday	110,000	107,885	118,462	95,192
Sick Leave	50,000	49,038	47,832	43,269
Pensions	171,000	167,712	184,154	147,981
Employee Morale	5,000	4,530	5,960	4,210
Entertainment	50,000	45,820	57,352	39,820
Office Equipment	7,000	3,251	4,525	6,320
Depreciation	5,000	5,125	5,075	4,925
Subscriptions	1,500	1,485	1,450	1,475
Travel	22,000	25,352	18,085	21,025
Miscellaneous	2,000	2,421	2,310	1,824
Stationery	6,000	5,421	7,921	5,105
Reproduction	17,000	16,891	18,451	14,555
Maintenance	5,000	4,871	5,431	4,322
Rent	202,000	200,000	200,000	196,000
Telephone	11,000	10,545	11,752	9,850
Insurance	<u>102,000</u>	<u>98,500</u>	<u>96,000</u>	<u>92,000</u>
Total Pool	\$1,374,500	\$1,1345,274	\$1,439,979	\$1,214,347
Less Unallowable Costs				
Entertainment	<u>50,000</u>	<u>45,820</u>	<u>57,352</u>	<u>39,820</u>
Net Allowable Expenses	<u>\$1,324,500</u>	<u>\$1,299,454</u>	<u>\$1,382,627</u>	<u>\$1,174,527</u>



Advanced Services Technologies Washington, DC

Schedule 2A

Budget for FY 2010 Labor Overhead Actual Overhead Expenses for FY 2007 - 2009

(Note 2)		<u>Actual Expenses (Note 1)</u>			
<u>Overhead Expenses</u>		<u>Budget</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Net Allowable Expenses</u>		<u>2010</u>			
		\$1,324,500	\$1,299,454	\$1,382,627	\$1,174,527
<u>Allocation Base</u>					
<u>Direct Labor</u>		<u>\$2,336,000</u>	<u>\$2,221,289</u>	<u>\$ 2,613,662</u>	<u>\$2,147,216</u>
		(Note 3)			
Rate		56.7%	58.5%	52.9%	54.7%
		=====	=====	=====	=====
		(Note 4)			

Explanatory Notes

- (1) Provide the prior three years' actual overhead expense and allocation base in the same format as the budget for 2010. For the year 2009, actuals to date are provided.
- (2) The projected overhead expenses are based on the company's operating budget for 2010. The operating budget supporting data is located in file "DAAH01-10-R-0001, Overhead Operating Budget" and is immediately available upon request.
- (3) Includes Bid and Proposal Labor of \$5,000
- (4) The same rate is estimated for fiscal years 2011 and 2012. We anticipate minimal inflation and a stable business base. The data and analysis supporting this assertion is located in file "DAAH01-10-R-0001, Overhead Forecast" and is immediately available upon request.



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Schedule 3

Shock Absorber Bill of Material

(Note 3)				
<u>Support</u>	<u>Qty</u>	<u>Unit Price</u>	<u>Total</u>	<u>Notes</u>
Sheet Metal	1,600 sq. yd	\$25.00	\$40,000	(1)
Casings	750 pcs.	8.50	6,375	(2)
Plastic	7,500 pcs.	5.75	43,125	(1)
Springs	1,700 pcs.	4.00	6,800	(2)
Bolts	7,500 pcs.	2.25	16,875	(3)
Total Material			\$113,175	
			=====	

Explanatory Notes

- (1) These prices are supported by multiple vendor quotes. The proposed prices are those provided by the low bidder who was the ACME Corporation in their quotation dated October 21, 2009. The quotations are included in file "DAAH01-10-R-0001, Vendor Quotations" that are available immediately upon request.
- (2) These prices are supported by the Halloween edition of the Springs R Us Catalog. This catalog is available for audit in the pricing office.
- (3) The proposed quantities are from the engineering drawings for the shock absorber. This drawing is located in file "DAAH01-10-R-0001, Engineering Drawing" and is immediately available upon request.



Advanced Services Technologies Washington, DC

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<u>Element of Cost</u>	<u>Amount</u>	<u>Reference</u>
Engineering Labor	\$452,151	Schedule 1
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	Schedule 2
Material	113,175	Schedule 3
Material Handling Overhead @ 5.0%	<u>5,659</u>	Schedule 4
Subtotal	\$868,742	
G&A @ 8.0%	<u>69,499</u>	Schedule 5
Estimated Cost	\$938,241	
Profit @ 10.0%	<u>93,824*</u>	
Total Price	\$1,032,065	
	=====	

*Contractors can negotiate profit with the contracting officer. Typically, contracting officers use criteria in FAR 15.404-4 for establishing a profit objective. DoD contracting officers may use the weighted guidelines policy described in DFARS 215.404-4.



**Advanced Services Technologies
Washington, DC**

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Schedule 5

Engineering Labor	\$452,151	Schedule 1
Manufacturing Labor	26,412	Schedule 1
Direct Labor Overhead @ 56.7%	271,345	Schedule 2
Material	113,175	Schedule 3
Material Handling Overhead @ 5.0%	<u>5,659</u>	Schedule 4
Total Cost Input	\$868,742	
 G&A Rate	 <u>8.0%</u>	 Schedule 5A
G&A	\$69,499	
	=====	

**Advanced Services Technologies
Washington, DC**

Schedule 5A

Budget for FY 2010 G&A
Actual G&A Expenses for FY 2007 – 2009



(Note 2)		Less	Net Allow	<u>Actual Expenses (Note 1)</u>		
<u>2010 Projected G&A Expenses</u>		<u>Unallow</u>	<u>Expenses</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Payroll Taxes	\$16,000		\$16,000	15,764	15,768	14,468
Officers' Salaries	165,000		165,000	155,000	152,000	142,000
Indirect Salaries	21,000		21,000	20,152	23,201	18,752
Interest	14,000	\$14,000	-	12,351	15,321	11,057
Vacation	11,000		11,000	10,509	10,512	9,645
Holiday	9,000		9,000	8,758	8,760	8,037
Sick Leave	5,000		5,000	4,532	5,103	4,102
Contributions	8,000	8,000	-	8,500	7,000	6,500
Pensions	12,000		12,000	10,509	10,512	9,645
Office Equipment	1,000		1,000	952	1,125	856
Depreciation	2,500		2,500	2,490	2,750	2,360
Travel	10,000		10,000	9,580	9,830	8,520
Miscellaneous	2,000		2,000	1,890	2,130	1,725
Legal Fees	7,000		7,000	6,520	6,850	6,320
Accounting Fees	7,000		7,000	6,950	6,250	5,852
Computer	17,500		17,500	18,235	16,520	14,265
Rent	15,000		15,000	15,000	12,500	12,500
Advertising	8,500	8,500	-	9,000	9,800	7,500
Telephone	3,000		3,000	2,980	2,750	2,598
Insurance	7,000		7,000	6,500	5,800	4,700
Total Pool	\$341,500	\$30,500	\$311,000	\$296,321	\$292,361	\$266,345
B&P (Note 3)	8,500		8,500	7,900	8,925	8,654
Total G&A and B&P	\$350,000	\$30,500	\$319,500	\$304,221	\$301,296	\$274,999

**Advanced Services Technologies
Washington, DC**

Schedule 5A



Budget for FY 2010 G&A
Actual G&A Expenses for FY 2007 – 2009

(Note 2&3)		Less	Net Allow	<u>Actual Expenses (Note 1)</u>		
<u>2010 Projected G&A Expenses</u>		<u>Unallow</u>	<u>Expenses</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total G&A and B&P	\$350,000	\$30,500	\$319,500	\$304,221	\$301,286	\$274,999
<u>Allocation Base</u>						
Labor			\$2,331,000	\$2,216,789	\$2,608,162	\$2,141,816
Overhead	(Note 4)		1,371,665	1,342,642	1,437,070	1,211,393
Other Direct Costs			29,000	28,523	27,854	22,525
Materials			250,000	225,700	317,450	185,000
Material Overhead			12,500	11,700	14,920	9,270
Total Base			<u>\$3,994,165</u>	<u>\$3,825,354</u>	<u>\$4,405,456</u>	<u>\$3,570,004</u>
G&A Rate	(Note 5)		8.0%	8.0%	6.8%	7.7%
			=====	=====	=====	=====

Explanatory Notes

- (1) Provide the prior three years' actual G&A expenses and the allocation base in the same format as the 2010 budget. For the year 2009, actuals are provided to date.
- (2) The projected G&A expenses are based on the company's operating budget for 2010. The operating budget supporting data is located in file "DAAH01-10-R-0001, G&A Operating Budget" and is available immediately upon request.
- (3) Includes \$665 B&P Travel (\$5,000 + \$2,835 + \$665).
- (4) Total Pool, **including** unallowables, **excluding** \$2,835 allocated to B&P Labor (\$5,000 x .567) [\$1,374,500 -- \$2,835].
- (5) The same rate is estimated for fiscal years 2011 and 2012. We anticipate minimal inflation and a stable business base. The data and analysis supporting this assertion is included in file "DAAH01-10-R-0001, G&A" and is available immediately upon request.

DEFENSE LOGISTICS AGENCY

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