



DLA
DEFENSE LOGISTICS AGENCY
Established 1961



The Nation's Combat Logistics Support Agency

Cost and Pricing Overview

April 23-24, 2024



WARFIGHTER ALWAYS



- Warfighter Support
- Fair and Reasonableness; the Pricing Concept
 - Price Analysis
 - Cost Analysis
- Certified Cost or Pricing Data
- Commercial Items
- Opportunities for Improvement
- Recommendations



Warfighter Support

- Warfighter Support is a Team Sport
 - It takes effort and support from all parties
 - The Government and Industry are on the same team



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Warfighter Support

- We need to work together to:
 - Lower costs and deliver value to the Warfighter
 - Ensure that warfighter capability increases with every dollar spent
 - Ensure prices are fair and reasonable on behalf of the taxpayer and Warfighter!





Fair and Reasonable Prices

- Contracting Officers have the following responsibility to the Taxpayer and Warfighter:
 - To conduct procurements in accordance with applicable polices and procedures
 - Obligate the Taxpayer's money in an efficient manner to meet the needs of the Warfighter
 - Ensure the price is Fair and Reasonable



Fair and Reasonable Prices

FAR 15.402

Contracting Officers shall –

(a) Purchase supplies and services from responsible sources at Fair and Reasonable prices

(1) Obtain certified cost or pricing data when required

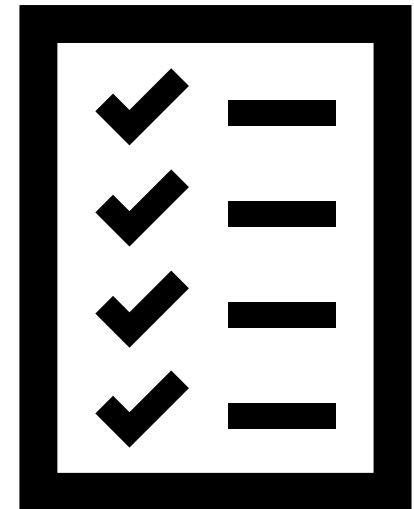
(2) When certified cost or pricing data are not required, shall obtain data other than certified cost or pricing data as necessary

(3) Obtain the type and quantity of data necessary to establish a fair and reasonable price. Use techniques such as, but not limited to, price analysis, cost analysis, and/or cost realism analysis to establish a fair and reasonable price



Fair and Reasonable Prices

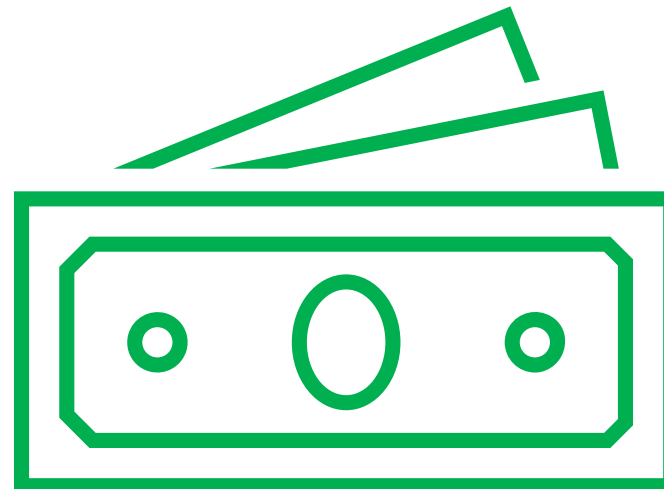
- There is not a specific definition for “Fair and Reasonable Price” in the FAR, but it is mentioned a lot!
 - Generally, we view it as:
 - Reasonable: A price that a prudent and competent buyer would be willing to pay, given knowledge of
 - Market Conditions
 - Supply and Demand
 - General Economic Conditions
 - Competition
 - Market Definition
 - Relative Pricing
 - Fair: Fair to both the seller and buyer





Fair and Reasonable Prices

- As mentioned, a Fair and Reasonable price is a price that is acceptable to both the Buyer and Seller (i.e., win-win outcome)
 - DLA Land and Maritime is always interested in getting the best deal for the Warfighter and Taxpayer!
 - ***Profit*** is not a dirty word and is necessary for companies to operate but it should be reasonable





Fair and Reasonable Prices

- For DLA Land and Maritime, the most common analysis techniques used are:
 - Price Analysis (FAR 15.404-1 (a)(2))
 - Cost Analysis (FAR 15.404-1 (a) (3) and (4))

15.404-1 Proposal analysis techniques.

(a) *General.* The objective of proposal analysis is to ensure that the final agreed-to price is fair and reasonable.

(1) The contracting officer is responsible for evaluating the reasonableness of the offered prices. The analytical techniques and procedures described in this subsection may be used, singly or in combination



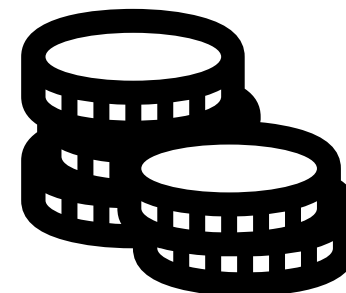
Price Analysis

- Two most common types of price analysis used at DLA Land and Maritime:
 - Comparison with other quotes/bids received
 - Comparison with past procurement(s) that were determined fair and reasonable
 - The buyer will take into account quantity, inflationary factors, solicitation changes, economic conditions, and any other factors that can affect the price



Cost Analysis

- Cost Analysis is evaluation of separate cost elements and proposed profit/fee of:
 - An offeror's or contractor's cost or pricing data information
- This can be in the form of:
 - Certified Cost or Pricing data
 - Procurements where certification is required
 - Generally for total values over \$2,000,000
 - Other than Certified Cost or Pricing data
 - Procurements not requiring certification





Cost Analysis

- Cost Analysis refers to review of the individual cost elements such as:
 - Direct costs
 - Materials
 - Labor
 - Indirect costs
 - Overheads
 - General and Administrative (G&A)
 - Profit
- We review these cost elements to see if they support a fair and reasonable price determination





Certified Cost or Pricing Data Threshold

- Certified Cost or Pricing data /Truth in Negotiations Act (TINA) Threshold is \$2,000,000.00
 - CCPD is required for procurements above the threshold that do not meet the following exceptions (FAR 15.403):
 - Adequate competition
 - Prices set by law or regulation
 - Commercial Item

10 U.S. Code § 2306a - Cost or pricing data: truth in negotiations



Certified Cost or Pricing Data

- When submitting Certified Cost or Pricing, data be sure to:
 - Sign and date the cover sheet
 - Have the correct total amount on the cover sheet (to include all option years)
 - Include a summary sheet with all applicable cost elements for all NSN(s)
 - The summary sheets (and sub-summary sheets, if required) need to reference all applicable schedules (e.g., G&A, overheads, etc.)
 - The details concerning rate calculations should be provided



Certified Cost or Pricing Data

- Certified Cost or Pricing Data should also include:
 - Budgetary forecasts for the all years of contract performance
 - Sufficient explanatory notes where needed
 - Current rates
 - Costs need to include a Bill of Materials (BOM) or labor breakout by labor category, rate and hours



Commerciality

- If the item/product being offered is Commercial:
 - Submit adequate supporting data for the commerciality
 - Demonstrate that the item/product being offered is sold in the commercial marketplace:





Opportunities for Improvement

- Pre-proposal Conferences
 - Contractor, DLA L&M, DCMA and/or DCAA
- Respond timely to requests for information
- Submit complete cost data package
 - Proposal Adequacy Checklist
- Submit adequate supporting data for commerciality (i.e., Invoices)



DCAA
DEFENSE CONTRACT AUDIT AGENCY



Recommendations

- Provide your best offer up front can help reduce lead times
- Informal Cost Breakdowns need to identify key drivers behind the cost (i.e., material, labor, overheads, profit, etc.)
- Responding to buyer's requests in a timely manner will allow buyers to make award decisions more quickly
- If Contracting Officer's don't have sufficient information to support a fair and reasonable price, it can delay or prevent an award from being made



Questions





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