



**NAVAIR COST EVALUATION
SOURCE SELECTION PROCESS
AND LESSONS LEARNED**

DONCAS

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Presented by

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OUTLINE

- PURPOSE
- OVERVIEW OF AIR-4.2
- NAVAIR COST EVALUATION SOURCE SELECTION PROCESS
 - Planning And Preparation,
 - Performing Cost Proposal Evaluation
 - Post Award Activities
- LESSONS LEARNED
- QUESTIONS & ANSWERS

PURPOSE

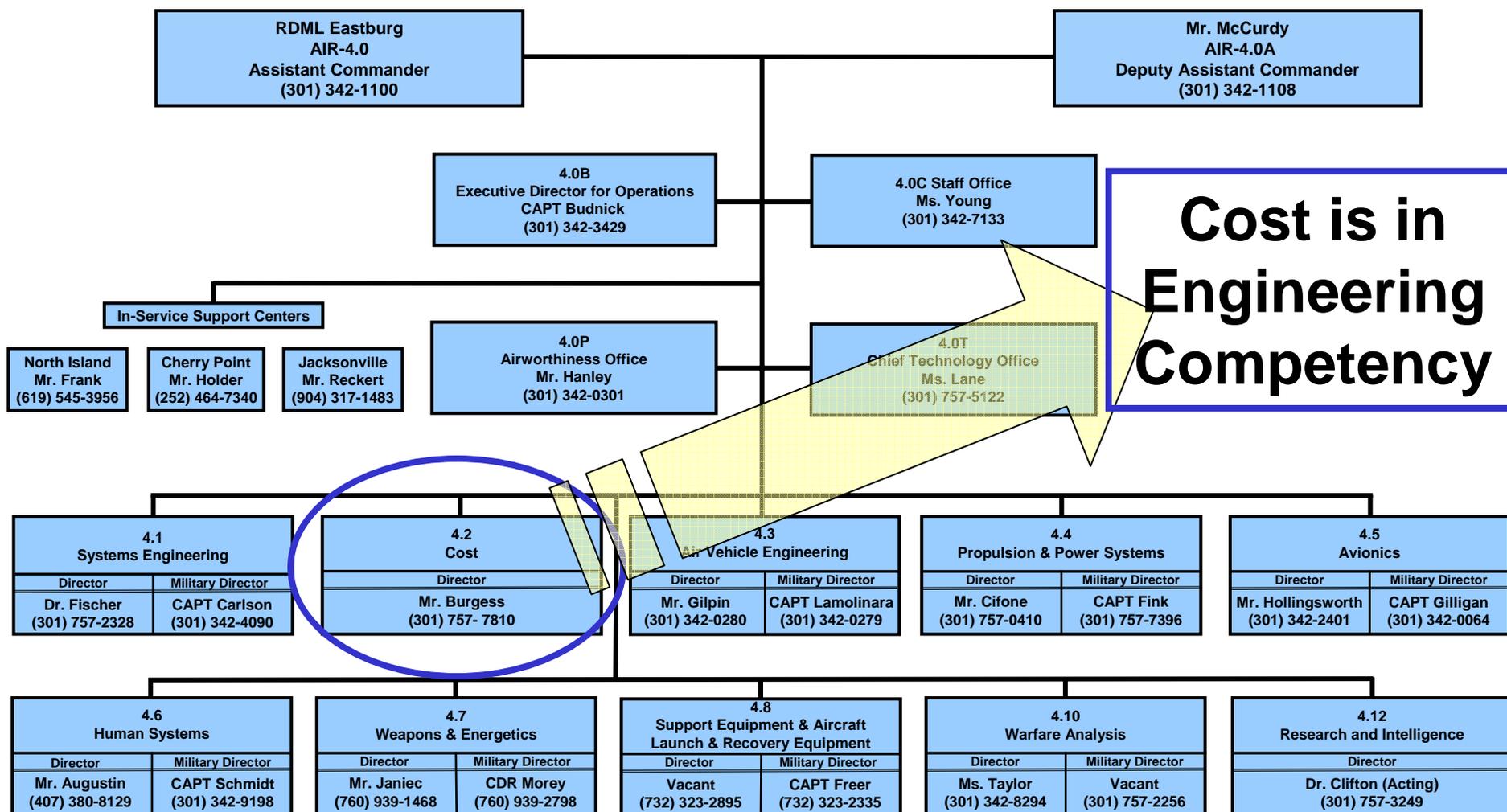
- Present an overview of the NAVAIR Cost Department source selection process
 - The linkage between the technical assessment and the cost evaluation
 - Discussions with offerors
 - Documentation
- Present lessons learned from successful source selections and recent protest activity



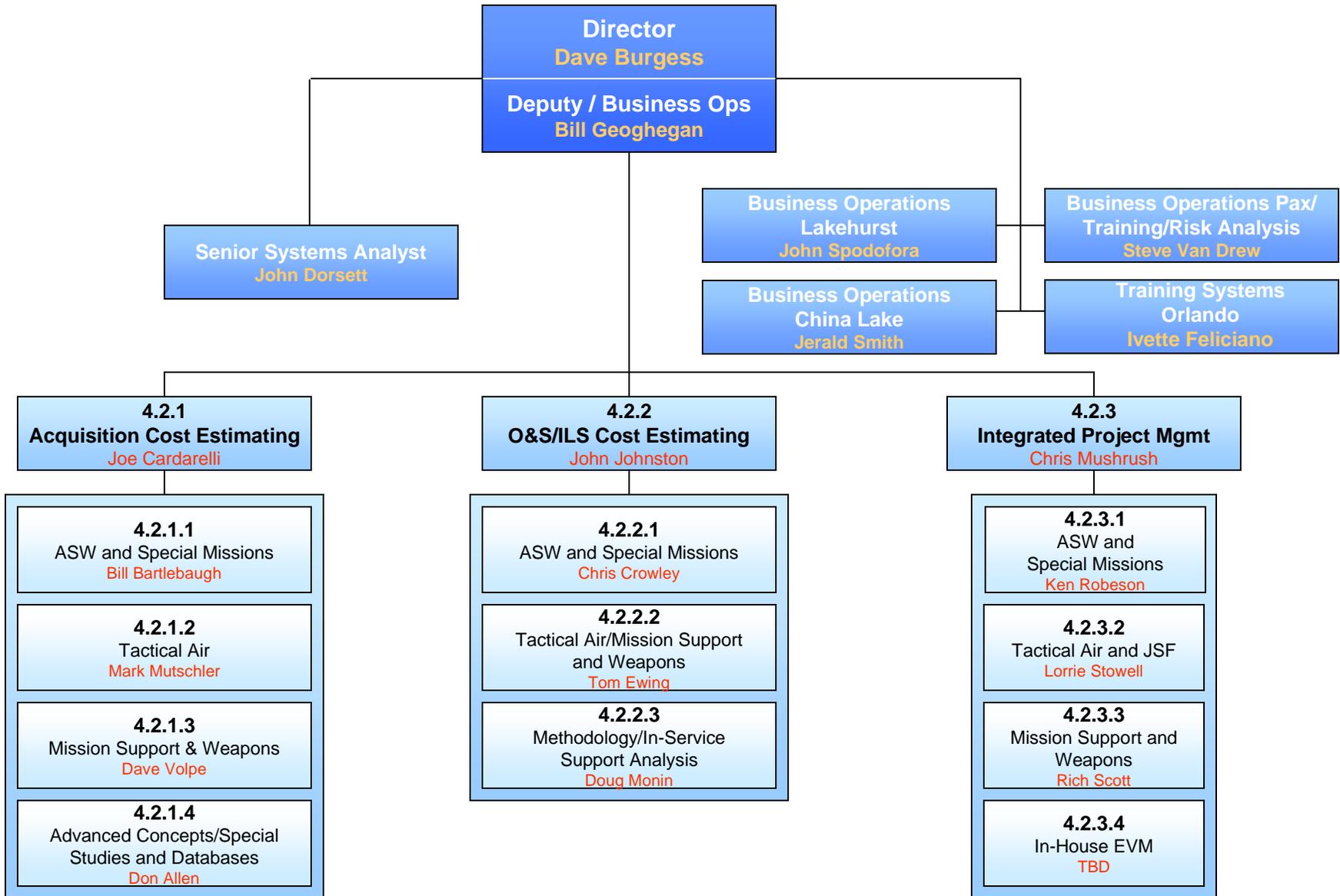
AIR-4.2

The "TEAM" Cost Community is the recognized leader in providing a clear and comprehensive understanding of costs to support cradle-to-grave management of affordable systems.

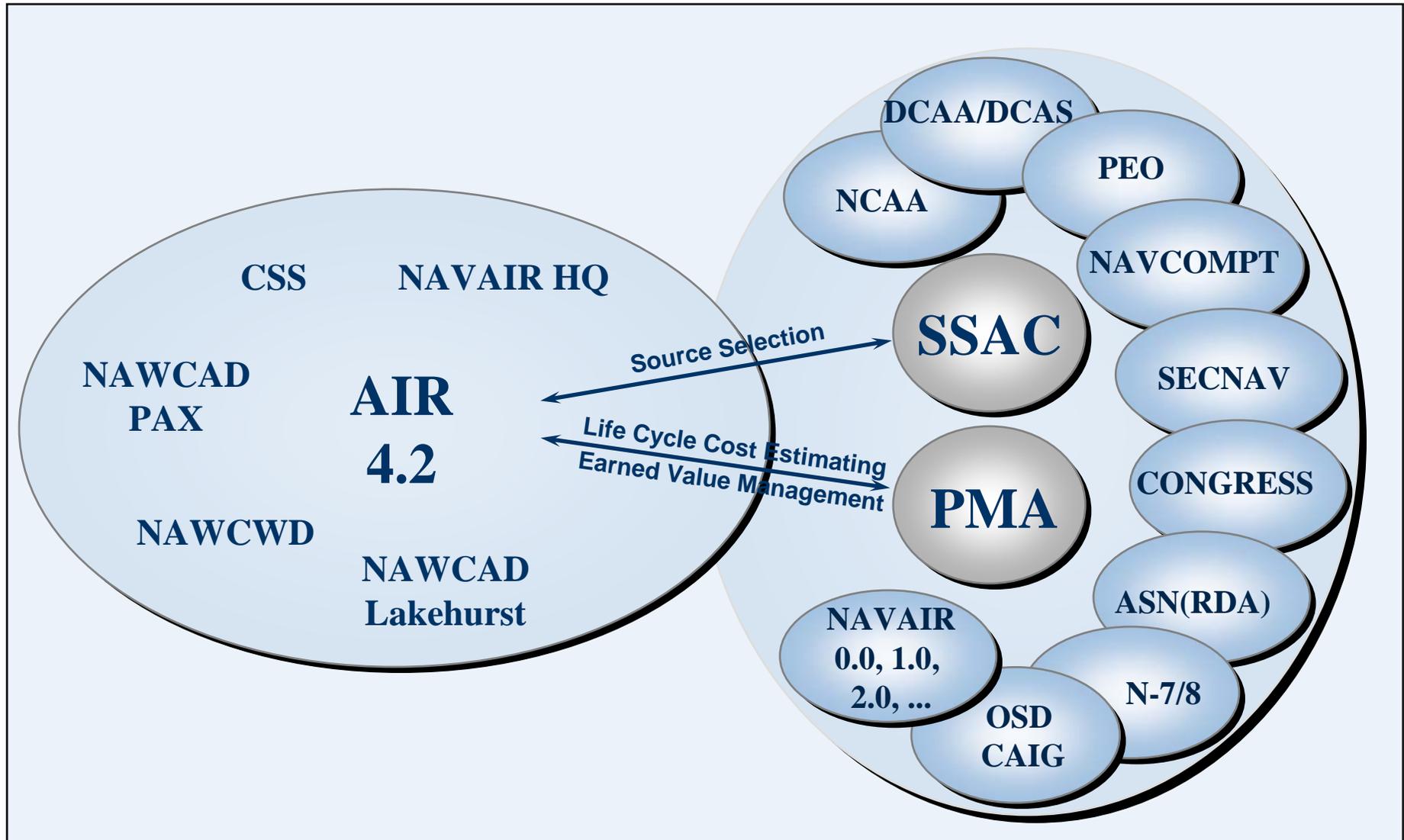
4.0 RESEARCH & ENGINEERING



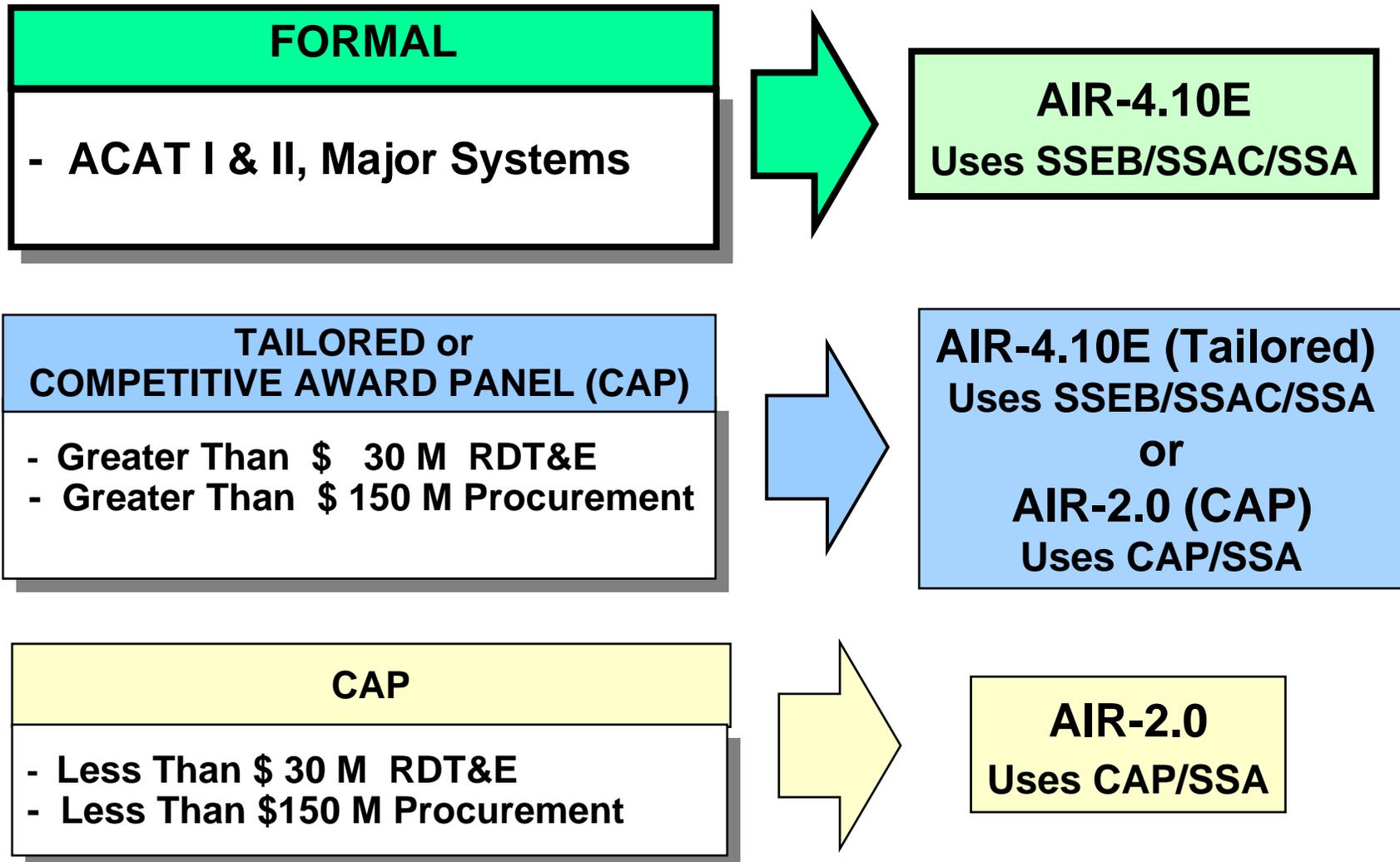
AIR 4.2 ORGANIZATION



AIR-4.2 CUSTOMERS/AGENTS



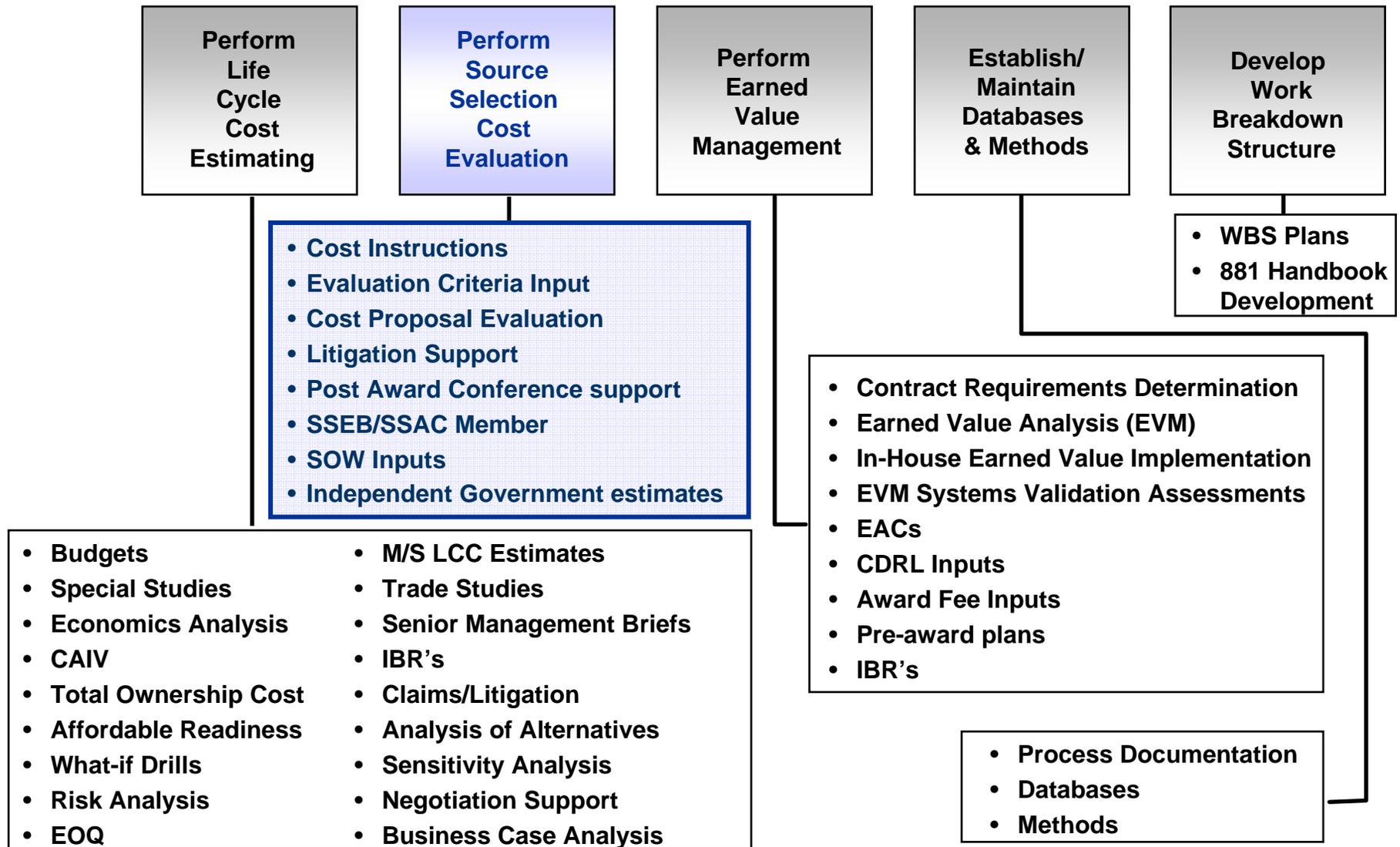
TYPES OF COMPETITIVE PROCUREMENTS



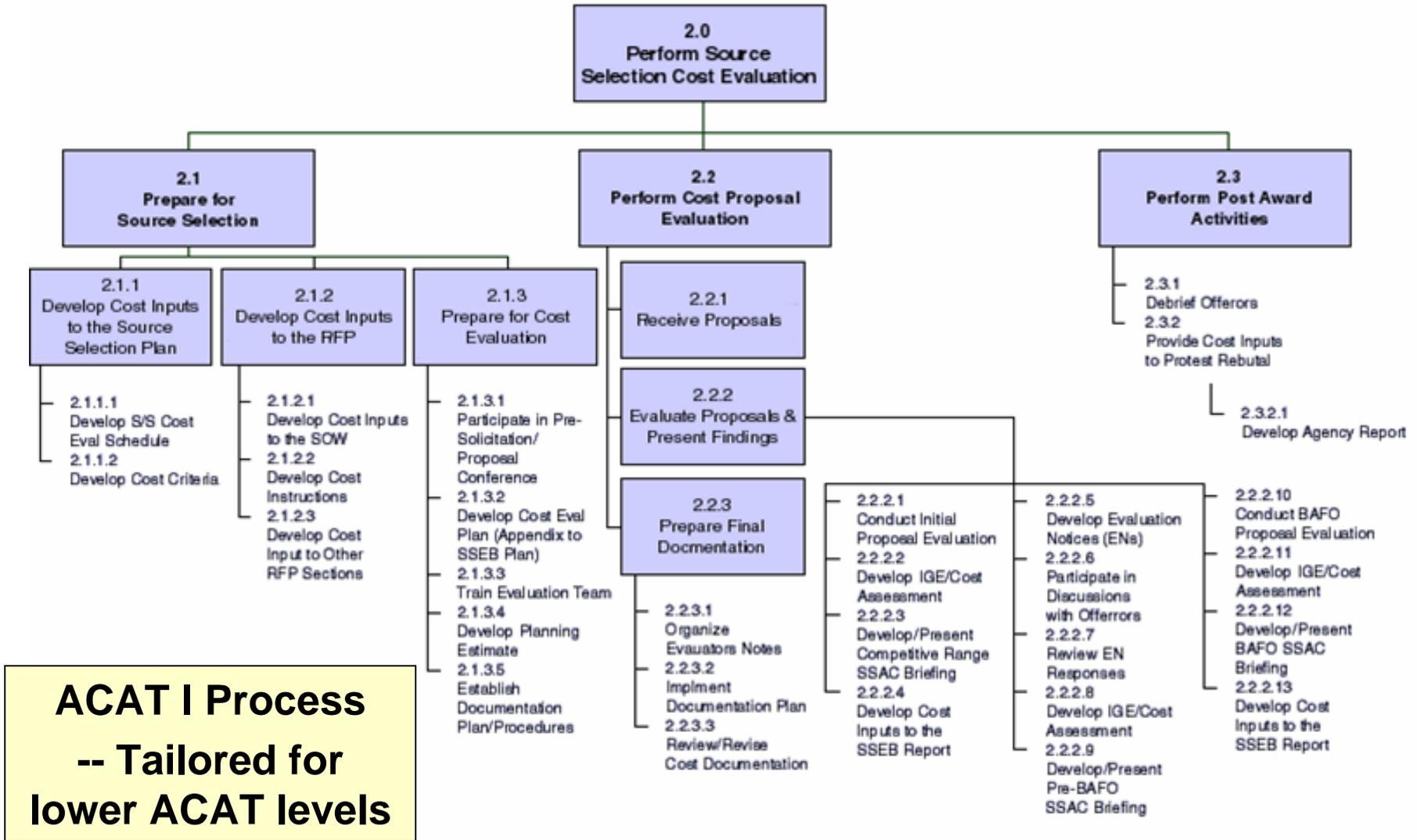
AIR-4.2 SUPPORT OF AIR-4.10E

- AIR-4.2 supports AIR-4.10E for cost evaluations
 - ACAT I and ACAT II
 - Lower ACAT level Design source selections
 - CLS, Service, and Price source selections
- AIR-4.10E is the Source Selection process owner for NAVAIR
 - Since 1987, AIR-4.10E led 101 source selections
 - 27 were ACAT I/II
 - Of those, 3 were in FY07 – FY08
 - Average duration of the evaluation (Proposal Receipt to SSAC source selection recommendation) is 25 weeks
 - Planning for 2 ACAT I/II during FY09

AIR-4.2 PROCESS UNIVERSE

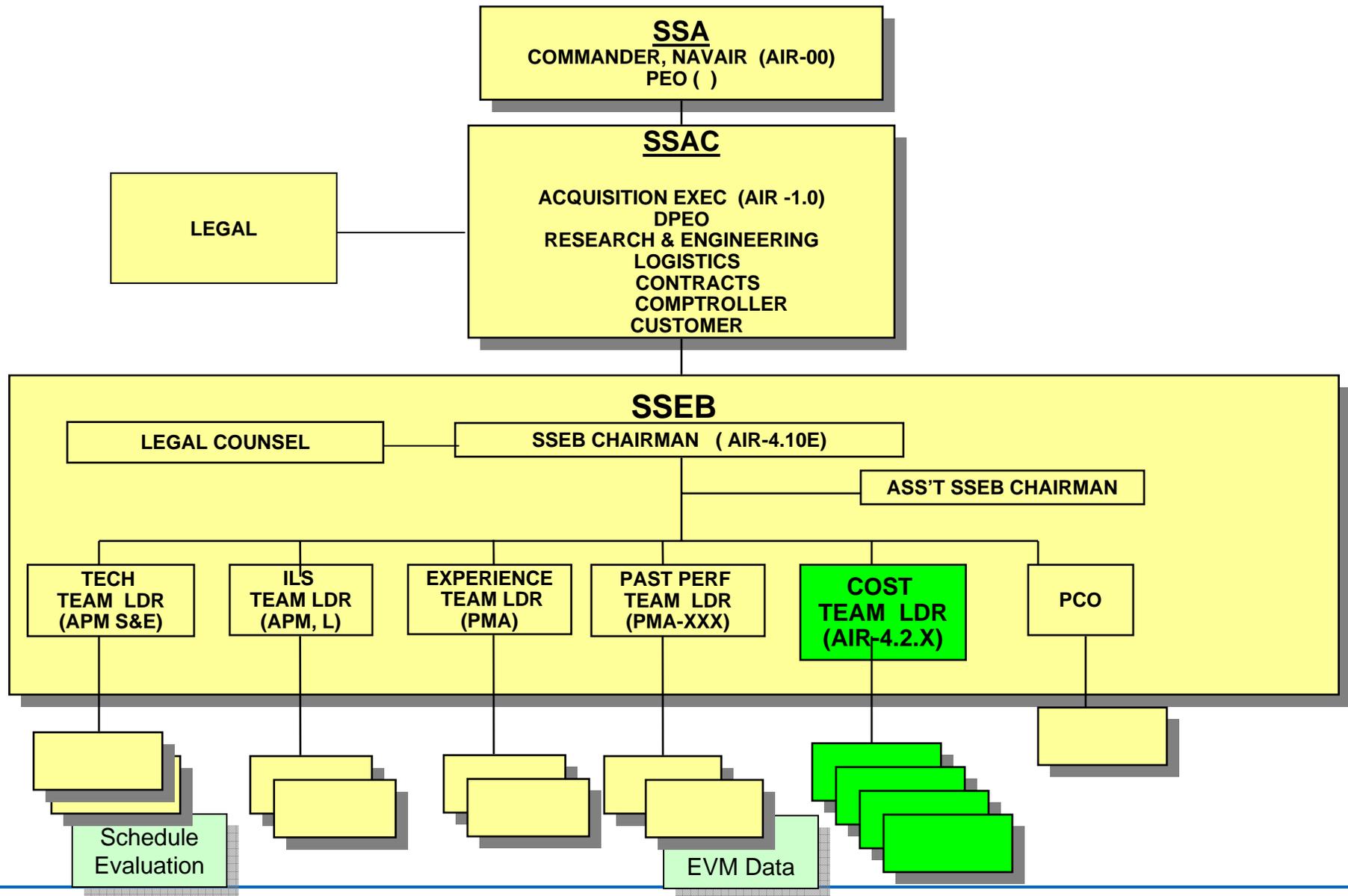


AIR-4.2 SOURCE SELECTION PROCESS

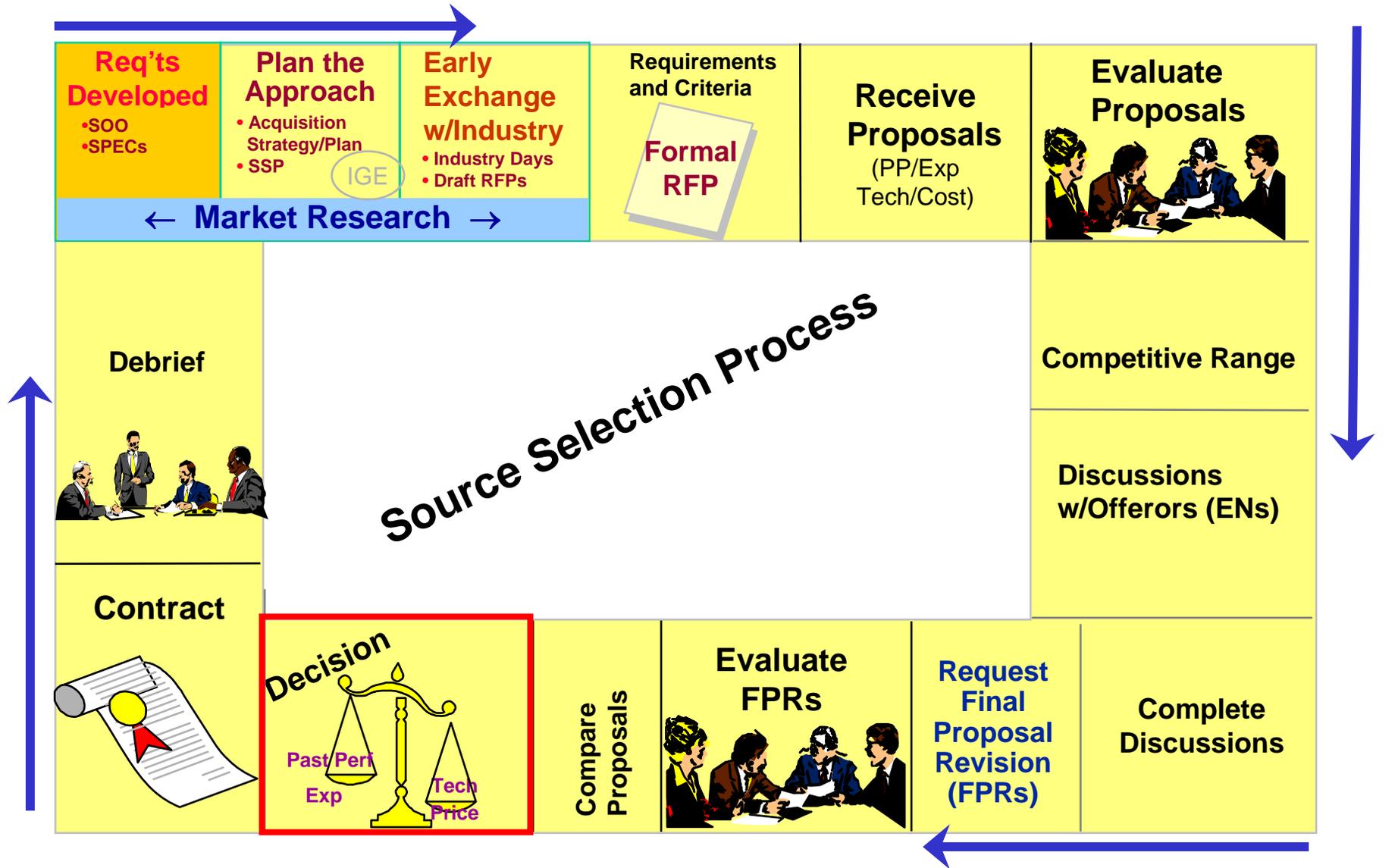


ACAT I Process
-- Tailored for
lower ACAT levels

FORMAL SOURCE SELECTION ORGANIZATION



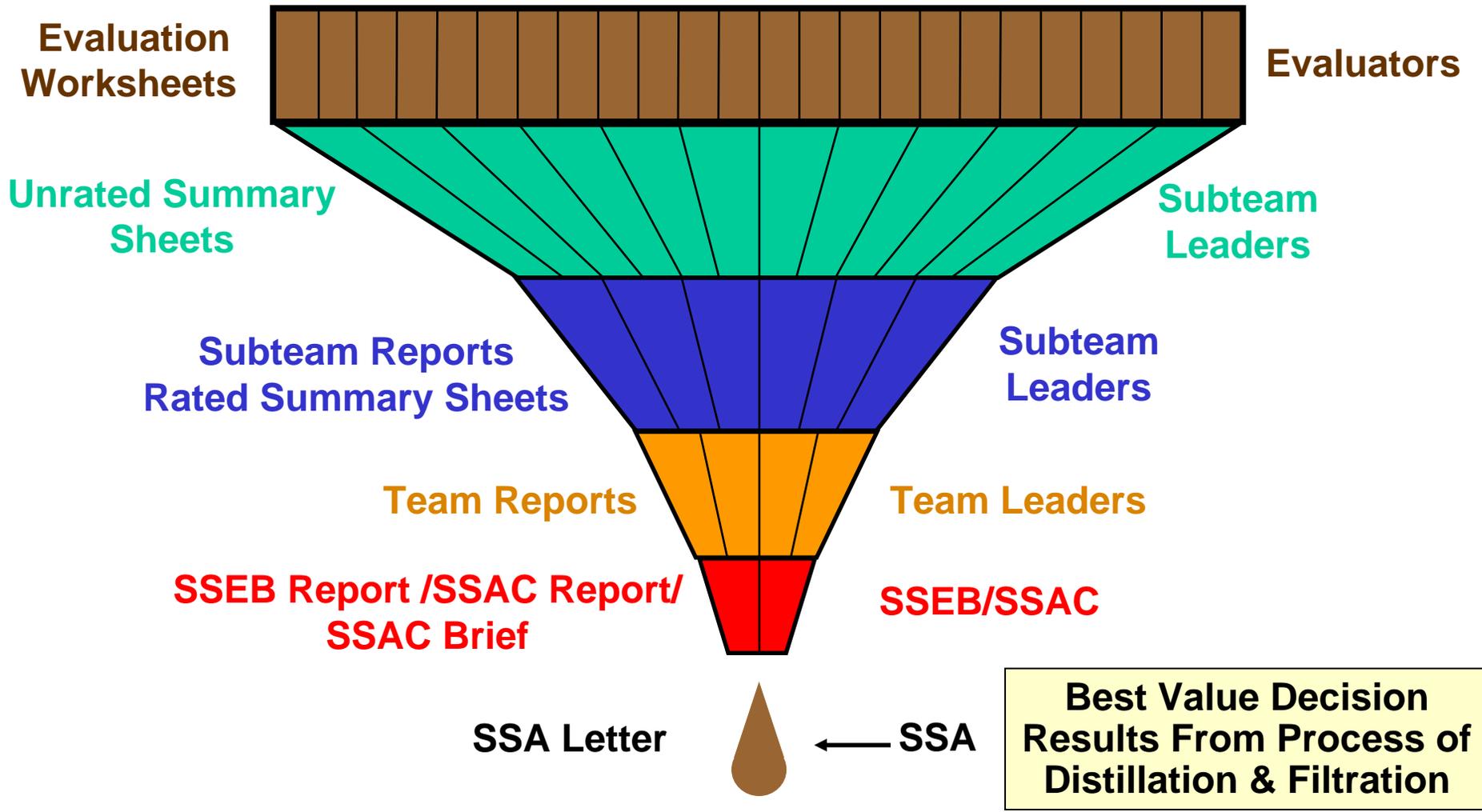
GENERIC SOURCE SELECTION ROADMAP



BEST VALUE DECISION

DOCUMENTATION

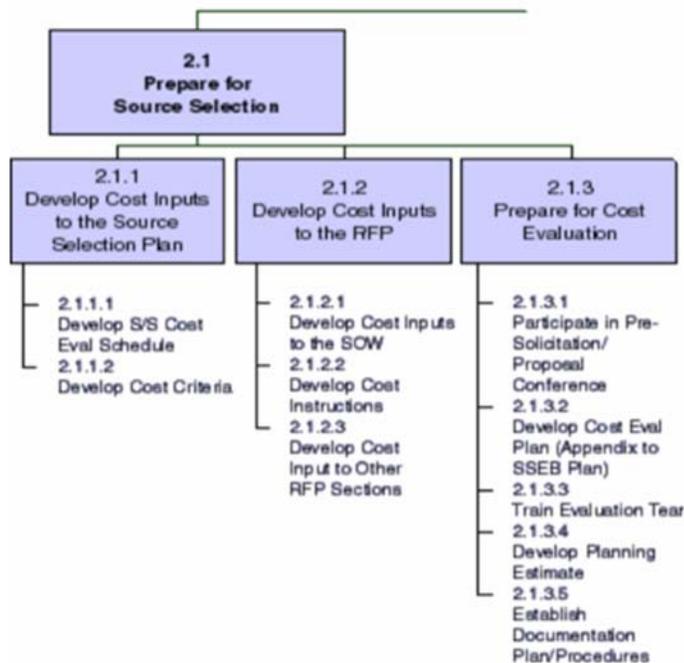
PEOPLE



KEY SOURCE SELECTION DOCUMENTS

- Source Selection Plan
 - Top level source selection process and procedures; includes evaluation criteria
- Evaluation Plan and Team Plans (appendices)
 - Working level source selection procedures and team oriented evaluation approach and emphasis
- SSEB Report(s) (Competitive Range/Final)
- SSAC Proposal Analysis Report (PAR)
- SSA Decision Memorandum

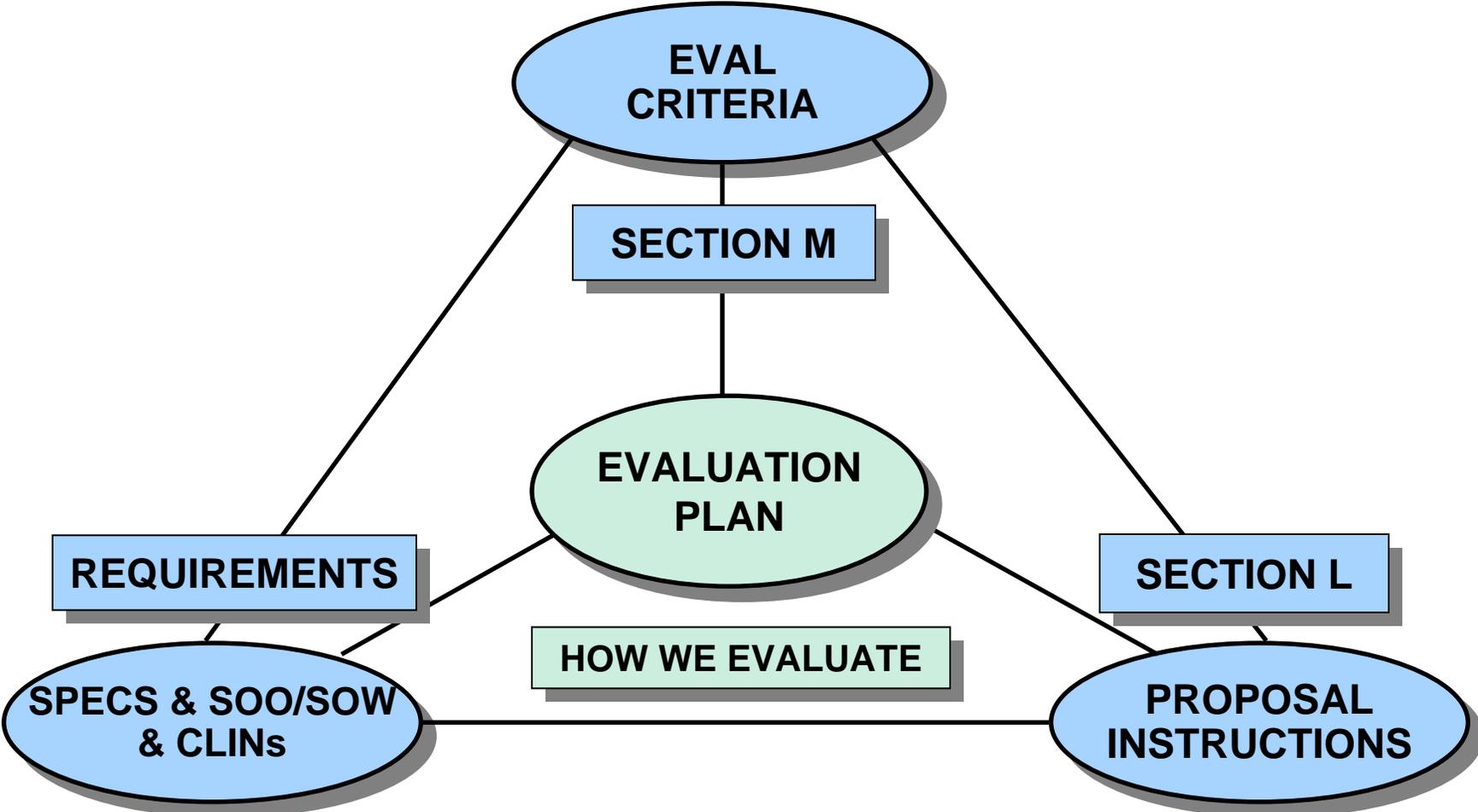
2.1 PREPARE FOR SOURCE SELECTION



- Develop Cost inputs to the RFP
 - Evaluation Criteria
 - Proposal Instructions
 - SOO/SOW
 - CDRL
- Develop Evaluation Plan
- Develop Government Planning Estimate

RFP DEVELOPMENT

Document Linkage



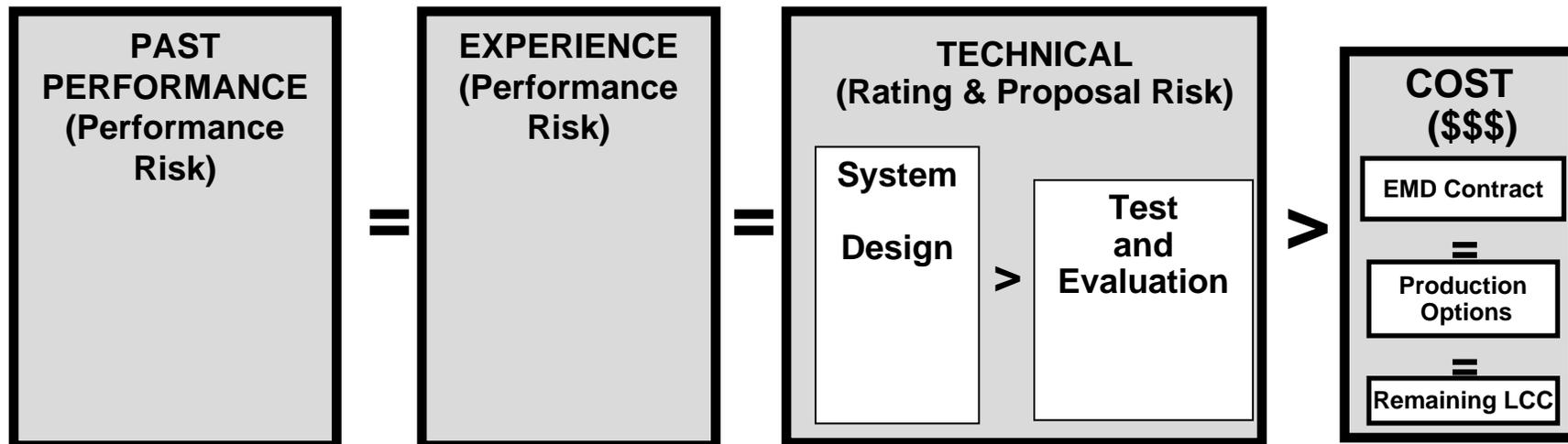
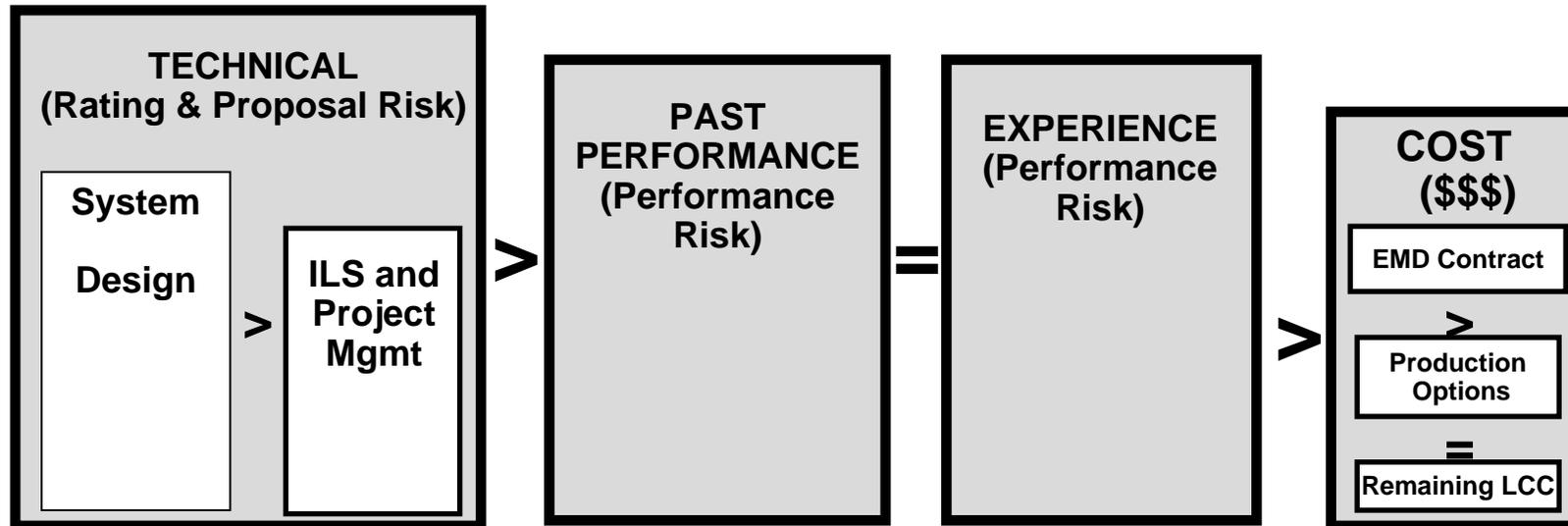
DEVELOP EVALUATION CRITERIA

- Clearly define the work to be accomplished and include realistic requirements
 - Identify the most important requirements that are discriminators
 - Determine which of those discriminators can be fairly and consistently evaluated
 - Determine which of those discriminators can be “gamed” by the offeror, e.g. by good proposal writing

• **New Analysis / Review of O&S as Cost Subfactor**

- Want to be sure O&S is a Discriminator
- Labor and data required to complete is significant

EVALUATION FACTORS FOR AWARD Examples



COST RISK

- Cost Risk is assigned to the Cost Factor or Subfactor(s) that are related to the instant contract. This depicts any potential cost growth's impact on program success.

Risk		Definition
Low	L	The Government's Most Probable Cost Estimate substantially agrees with the proposed cost. To the extent it indicates the potential for cost growth, there is little likelihood that it would be significant enough to impact the success of the program.
Medium	M	The difference between the Government's Most Probable Cost Estimate and the proposed cost indicates potential for cost growth that could have some impact to the success of the program.
High	H	The difference between the Government's Most Probable Cost Estimate and the proposed cost indicates potential for cost growth that could have significant impact to the success of the program.

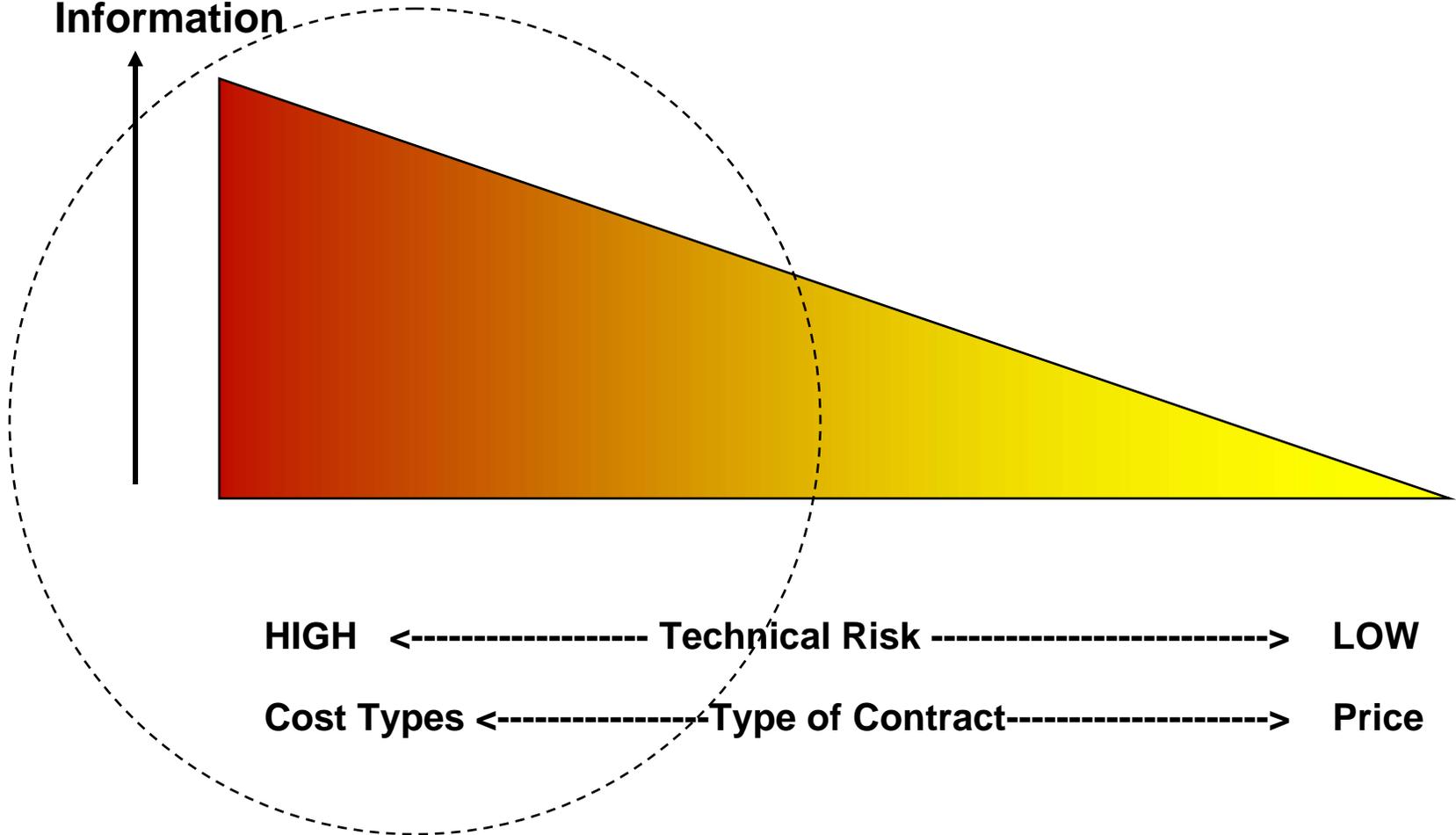
SECTION L PROPOSAL INSTRUCTIONS

- What Cost and Technical data do you need to evaluate their proposal against the selection criteria (Section M)

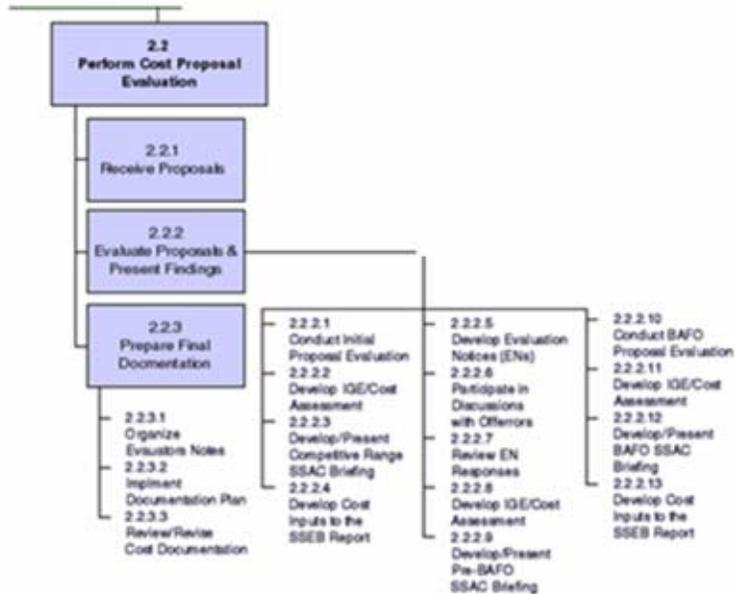
HOW MUCH IS ENOUGH??

.....IT DEPENDS

Amount of Proposal
Information

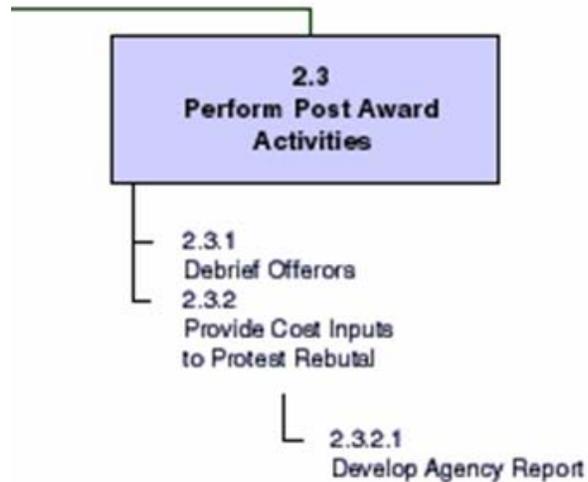


2.2 PERFORM COST PROPOSAL EVALUATION



- Evaluate each offeror on their approach to meeting the requirements
- Evaluation Tasks:
 - Understand proposal data
 - Question poorly substantiated items
 - Generate Evaluation Notices
 - Accept substantiation or add your Independent Estimate
- Prepare briefing material
 - SSAC briefings
 - Face to Face discussions

2.3 PERFORM POST AWARD ACTIVITIES



- Debrief Offerors
- Support any protest activities
 - Develop Agency Report

LESSONS LEARNED

LESSONS LEARNED

- Prepare for Evaluation:
 - Budget in RFP is helpful
 - RFP should request electronic follow structure of hard copy
 - Section M Criteria – Cost Sub-factors:
 - Importance of Cost Factor compared to Technical, Experience, and Past Performance determined at SSEB level and approved by SSAC
 - Cost Sub-factors developed within AIR-4.2 by working with Program Manager, Chief Engineer, AMPL and recommendation provided to SSEB
 - O&S Flow chart
 - If a cost sub-factor, then determine with Technical Team (Eng & Logistics) what information to request in RFP and plan how to evaluate the non-cost and cost information

LESSONS LEARNED

- Prepare for Evaluation - Section L Instructions:
 - For Cost Sub-factors that are Gov't estimates (e.g., O&S and Prod)
 - Carefully consider inputs requesting from offer
 - Ensure Tech and Cost team clear and in agreement on how the evaluation will be performed before requesting inputs
 - Possibly state what Gov't will use as basis
 - Example – MER and provide in RFP Tech Library
 - Issue of how to ensure get good substantiation to cost proposal
 - RFP clear and information provided at Industry day, yet did not receive good substantiation
 - Issue of how to ensure receipt of Excel files
 - RFP clearly stated Excel format, yet received PDF or Word files

LESSONS LEARNED

- Prepare for Evaluation:
 - Ensure Technical and Cost have clear plan for how technical assessments will feed the cost evaluation
 - Integrated Master Schedule (IMS) assessment
 - Technical assessments from Engineering and Logistics
 - Software – how planning to perform evaluation if not a subfactor in Technical Volume
 - Software size assessment against requirements needs to feed cost evaluation

LESSONS LEARNED

- Prepare for Evaluation:
 - Program Office Government estimate prior to source selection is beneficial
 - Technical evaluators know what drive cost estimate and familiar with what cost team will need for evaluation
 - Government data gathered before source selection started
 - Provides an initial government estimate to compare to initial cost proposals
 - Helps identify areas that need focus

LESSONS LEARNED

- Perform Cost Evaluation:
 - Receive Proposals -- Contracts inventories proposals and loads electronic on SS server
 - **Allow the time to do this function**
 - **Well documented** Technical / Cost Interfaces
 - Log all meetings, attendees, and outcomes
 - Technical basis and rationale
 - Must be living document and kept up-to-date
 - Include Cost basis (rates, software productivity & growth, etc) and interfaces with DCAA etc
 - Keep a matrix of Cost and applicable Technical EN by WBS
 - Helpful with Post Award Activities if there is a protest

LESSONS LEARNED

- Perform Cost Evaluation:
 - EN's – for each CBS/WBS element not substantiated
 - Ask as many times as needed to understand costs proposed, methodology, data, etc.
 - Consider asking again prior to closing discussions
 - This includes requested inputs for Cost Sub-factor that are Government estimates, e.g. Production and O&S
 - V&V all model links, inputs and trace to source
 - Trace Gov't data source to original
 - If possible, do before evaluation begins
 - V&V one last time prior to Final Evaluation
 - Cost Risk beneficial in receipt or more realistic proposals
 - Closed gap through discussions from Initial Proposal to Final Revised Proposal (FRP)

LESSONS LEARNED

- Perform Documentation:
 - SSEB Report
 - Structure by WBS and only discuss those elements where delta between proposal and Gov't estimate
 - Recommend a clauses stating “slight differences are due to rounding”
 - Clean up miscellaneous files and papers as a document
 - Organize electronic files by event
 - Initial evaluation
 - Face-to-face discussion
 - Final evaluation
 - Each SSAC briefing

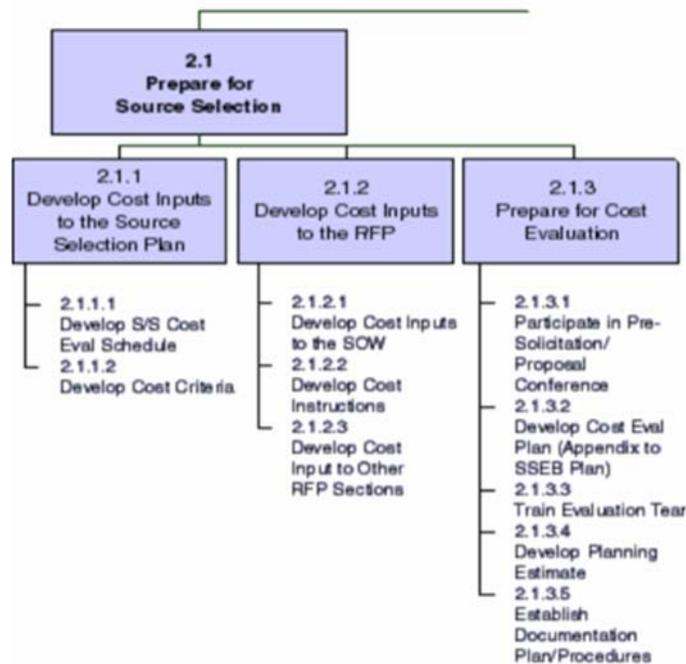
LESSONS LEARNED

- Perform Post Award Activities
 - Debrief Offerors
 - Losers will not be happy
 - Be brief and straightforward
 - Answer the question that is asked
 - Winner will be ecstatic
 - Communicate concerns (done by PCO)
 - Be brief and straightforward
 - Plan for at least one offeror to protest
 - Think about during Prepare for Source Selection and Perform Evaluation
 - Document, document, document

QUESTIONS?

BACK-UP

2.1 PREPARE FOR SOURCE SELECTION



- Develop Cost inputs to the RFP
 - Evaluation Criteria
 - Proposal Instructions
 - SOO/SOW
 - CDRL
- Develop Evaluation Plan
- Develop Government Planning Estimate

TYPE OF CONTRACTS

- **Cost Contract**
 - Cost reimbursable, widely used on development contracts
 - Detailed proposal evaluation required
 - Overruns absorbed by the Government
- **Price Contract**
 - Widely used on production and maintenance contracts
 - Limited proposal evaluation, limited data requested
 - Overruns absorbed by the Contractor

WRITING PROPOSAL INSTRUCTIONS

- Request adequate information in “Cost Section L”
 - Selection Criteria in Section M”
 - Cost Subfactors
 - Contract Cost
 - Remaining LCC, e.g., Production and O&S
 - Type of Contract
 - Cost Type or Price
 - Meet Decision Authority requirements

WRITING PROPOSAL INSTRUCTIONS

Section L Proposal Instructions

- Provide enough instruction/guidance to ensure that the offeror:
 - Understands what information is wanted and purpose
 - Consistent format from one proposal to the next
 - Facilitating a fair, consistent, and efficient evaluation
- Use clear and definitive instructions
- Do not cause offerors unnecessary extra work
 - Allow similar contractor formats
 - Discuss in Draft RFP or Pre-solicitation Conference
 - WBS level should be at the offerors level of substantiation

KEEP IN MIND SPECIFIC INFORMATION

Type of information requested for different situations

- Completeness, Reasonableness, Realism
- Standard Data
- How is the data used?
- What are the opportunities for streamlining the cost/price data requirement?
- What can industry do to improve their cost proposals?

“STANDARD” COST DATA

- Assumptions
 - Cost estimating assumptions include technical and programmatic information
- Product WBS
 - Labor hours and labor rates
 - Overhead rates
 - Labor mix
 - Basis of Estimate/methodologies used
 - Bill of Material, Level of Effort, Analogy, Cross Checks
- Cost-to-Sell Equations
- Quantity Ranges
- Cross Reference WBS to CLIN

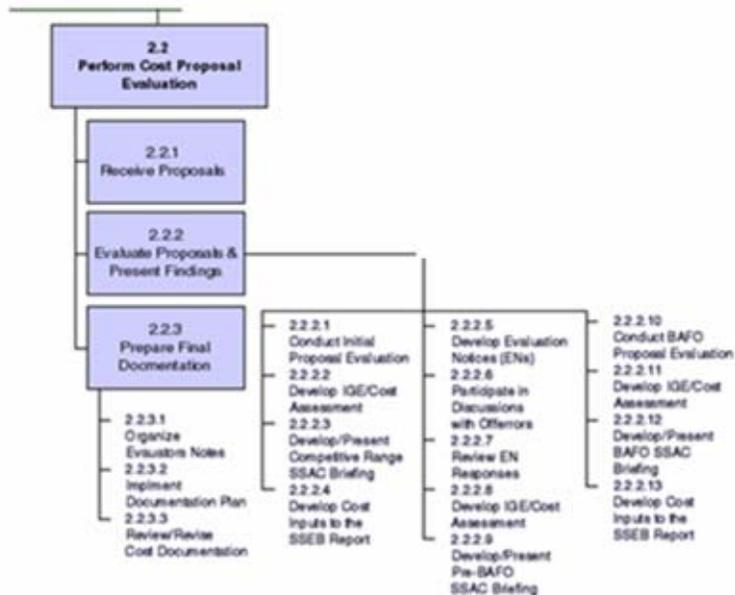
HOW IS THE DATA USED?

- Basis of Estimate (sound methodologies?)
- Extrapolation (projections based on past costs)
- Parametric (mathematical models)
- Analogous (similar systems)
- Engineering Estimate (bottoms–up)
- Cross checks
- Estimate by WBS not CLINS
 - Fixed Price and Services contracts tend to use CLINs vice a WBS structure

DRIVERS: TYPE OF CONTRACT

- **Cost Plus:**
 - Realism is typically assessed. Information is usually requested to develop a Government estimate based on the offerors approach. Completeness supports Realism.
- **Fixed Price Incentive (FPI)**
 - Realism may be assessed up to the ceiling
 - Significantly less data than Cost Plus
 - Reasonableness is a significant cost evaluation
- **Firm Fixed Price (FFP)**
 - Reasonableness only (Realism for unique circumstances, but assessed as risk)
 - No Independent Government estimate
 - Minimal data require, but some is needed

2.2 PERFORM COST PROPOSAL EVALUATION

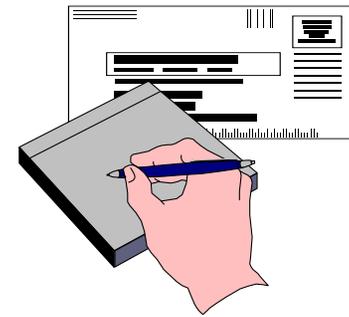
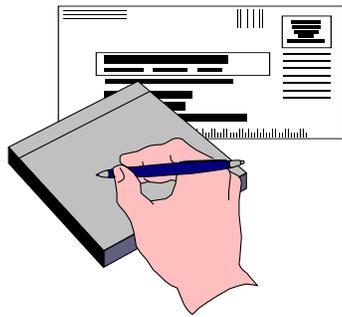


- Evaluate Each offeror on their approach to meeting the requirements
- Evaluation Tasks:
 - Understand proposal data
 - Question poorly substantiated items
 - Generate Evaluation notices to get items clarified
 - Accept substantiation or add your Independent Estimate
- Prepare briefing material

EVALUATION NOTICES (EN)

- ENs are a question we have about the proposal information provided by the offeror
- They can be in the form of:
 - Clarifications: A description, definition, or substantiation did not make sense
 - Additional Information: Items were missing in the proposal or we want further explanation of an area
- ENs are a form of Discussions

THE THREE STEPS OF DISCUSSIONS



**Government sends
ENs and the
offerors respond in
writing**



**Face to Face
Discussions (if
necessary)**



**Offeror documents
oral responses and
sends to the
Government**

FINAL PROPOSAL REVISIONS

- After Discussions and prior to the PCO request for Final Proposal Revisions, the SSEB may brief the SSAC on the concluded Discussions
- The Government requests or allows Proposal Revisions to clarify and document understandings reached during Discussions
- All offerors in the Competitive Range at the conclusion of Discussions shall be given an opportunity to submit a Final Proposal Revision
- Offerors are advised that the Final Proposal Revisions shall be in writing and that the Government intends to make Award without obtaining further revisions
- After receipt of Final Proposal Revisions, the final evaluation is conducted and the results are briefed by the SSEB to the SSAC

SEE FAR 15.307 - PROPOSAL REVISIONS, FOR ADDITIONAL INFORMATION

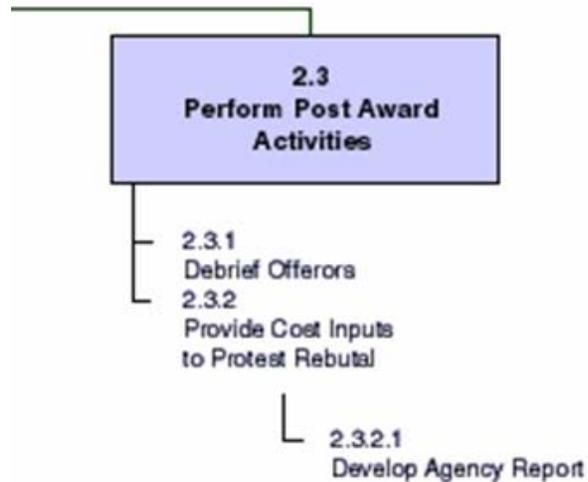
COMPLETING THE SOURCE SELECTION

- Brief Results to SSAC
 - No trivial event, Cost pulls together all the issues
 - Must be able to explain the differences
 - Contractor to Government
- SSEB Cost Documentation
 - Must be clean
 - Assume a Protest will happen
- SSAC Proposal Analysis Report (PAR)
 - Includes briefing info in report form
 - Includes all SSEB results
 - Draws on a portion of SSEB documentation
- SSA Decision Memorandum

WRITING THE SSEB COST REPORT

- Provide sufficient information to enable the SSAC and SSA to:
 - Compare the offers and make trade-off decisions
 - Understand the differences
 - Contractor vs. Contractor
 - Contractor to Government
 - Government to Government
 - Confidence that the cost/price evaluation is fair and reasonable

2.3 PERFORM POST AWARD ACTIVITIES



- Debrief Offerors
- Support any protest activities
 - Develop Agency Report

AWARD PROCESS

- Evaluation is complete
- Once all FPRs are evaluated and findings documented:
 - SSA Selects the source
 - Business Clearance is processed
 - CHINFO/Award announcement is arranged
 - Contract is awarded
 - Debriefings are conducted
 - Share as much information as permitted by the FAR
 - Offerors have 10 days to protest

SUPPORT ANY PROTEST ACTIVITIES

- Office of Counsel leads protest activities
- Document Discovery
 - Proposals including EN responses
 - Cost Evaluation and all supporting files
 - Cost SSEB Report
- Cost inputs to protest rebuttal
 - Statement of Facts (timelines)
 - Well documented technical/cost interface during evaluation expedites this process
- Agency Report
- GAO hearings