PGI 215.404-1 Proposal analysis techniques.

(a) *General*.

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

(A) When the contracting officer needs data to determine price reasonableness and the offeror will not furnish that data, use the following sequence of steps to resolve the issue:

(*i*) The contracting officer should make it clear what data is required and why it is needed to determine fair and reasonable prices, and should be flexible in requesting data in existing formats with appropriate explanations from the offeror.

(*ii*) If the offeror refuses to provide the data, the contracting officer should elevate the issue within the contracting activity.

(*iii*) Contracting activity management shall, with support from the contracting officer, discuss the issue with appropriate levels of the offeror's management.

(*iv*) If the offeror continues to refuse to provide the data, contracting activity management shall elevate the issue to the head of the contracting activity for a decision in accordance with FAR 15.403-3(a)(4).

(*v*) The contracting officer shall document the contract file to describe—

(*a*) The data requested and the contracting officer's need for that data;

(*b*) Why there is currently no other alternative but to procure the item from this particular source; and

(*c*) A written plan for avoiding this situation in the future (e.g., develop a second source by…; bring the procurement in house to the Government by…).

(*vi*) Consistent with the requirements at FAR 15.304 and 42.1502 and the DoD Guide to Collection and Use of Past Performance Information, Version 3, dated May 2003, the contracting officer shall, unless exempted by the HCA, provide input into the past performance system, noting the offeror's refusal to provide the requested information.

(B) In some cases, supplies or services that are not subject to TINA may require a cost analysis (see paragraph (c) of this section). This will occur when a price analysis is not sufficient for determining prices to be fair and reasonable. In such cases, the contracting officer should consider the need for a Defense Contract Audit Agency audit of the cost data.

(C) Particular attention should be paid to sole source commercial products or commercial services. While the order of preference at FAR 15.402 must be followed, if the contracting officer cannot determine price reasonableness without obtaining data other than cost or pricing data from the offeror, at a minimum, the contracting officer must obtain appropriate data on the prices at which the same or similar items have been sold previously (often previous sales data was the basis of the commercial item determination and must be requested during price analysis of the data provided by the offeror). If previous sales data is not sufficient to determine price reasonableness, the contracting officer must obtain "data other than certified cost or pricing data" and, if necessary,

perform a cost analysis.

(D) Analysis of termination proposals, including termination of any contract scope, should not rely solely on earned value management budgets or estimates for estimating the costs of all work deleted, or the cost of deleted work already performed (reference FAR Subpart 15.4, Table 15-2—Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data are Required, columns (2) and (3) of section III.B., Change Orders, Modifications, and Claims).

(b) *Price analysis* .

(i) See the Department of Defense Guidebook for Acquiring Commercial Items, Part B: Pricing Commercial Items, for detailed guidance about techniques and approaches to pricing commercial products and commercial services.

(v) Contracting officers must obtain and document sufficient data to confirm that previous prices paid by the Government were based on a thorough price and/or cost analysis. For example, it would not be sufficient to use price(s) from a database paid by another contracting officer without understanding the type of analysis that was performed to determine the reasonableness of the price(s), and without verifying that the quantities were similar for pricing purposes. This does not necessarily need to be another analysis, but there should be coordination with the other office that acknowledges an analysis was performed previously.

(vii) See the Department of Defense Guidebook for Acquiring Commercial Items, Part B: Pricing Commercial Items, for information about how to obtain advisory assistance from the DoD cadre of experts in the Defense Contract Management Agency (DCMA) Commercial Item Group (CIG) via email at dcma.boston-ma.eastern-rc.mbx.Commercial@mail.mil or at http://www.dcma.mil/commercial-item-group/.

(c) *Cost analysis*.

(i) When the contracting officer cannot obtain sufficient data to perform a price analysis in accordance with the pricing steps in FAR 15.404-1(b), a cost analysis is required.

(ii) When a solicitation is not subject to TINA and a cost analysis is required, the contracting officer must clearly communicate to the offeror the cost data that will be needed to determine if the proposed price is fair and reasonable.

(iii) To the extent possible, when cost or pricing data are not required to be submitted in accordance with Table 15-2 of FAR 15.408, the contracting officer should accept the cost data in a format consistent with the offeror’s records.

(iv) The contracting officer must always consider the need for field pricing support from the Defense Contract Management Agency, the Defense Contract Audit Agency, and/or other agencies.

(e) *Technical analysis*. Requesting technical assistance is particularly important when evaluating pricing related to items that are “similar to” items being purchased or commercial products or commercial services that are “of a type” or require “minor modifications.” Technical analysis can assist in pricing these types of items by identifying any differences between the item being acquired and the “similar to” item. In particular, the technical review can assist in evaluating the changes that are required to get from the “similar to” item, to the item being solicited, so the contracting officer can determine sufficient price/cost analysis techniques when evaluating that the price for the item being solicited is fair and reasonable. See the Department of Defense Guidebook for Acquiring Commercial Items, Part B: Pricing Commercial Items, for information about how to obtain advisory

assistance from the DoD cadre of experts in the (DCMA) (CIG) via email at dcma.boston-ma.eastern-rc.mbx.Commercial@mail.mil or at http://www.dcma.mil/commercial-item-group/.

(h) *Review and justification of pass-through contracts*.

(2)(A) This requirement applies to acquisitions that include the clause at FAR 52.215-23, Limitations on Pass-Through Charges, as prescribed at FAR 15.408(n)(2)(i)(B). When considering alternative approaches or making the determination that the contracting approach selected is in the best interest of the Government as required by FAR 15.404-1(h)(2), consider the following elements:

(*1*) The requirement, proposed prime contractor, and overall proposed contract value.

(*2*) The information provided in response to the provision at FAR 52.215-22, Limitations on Pass-Through Charges—Identification of Subcontract Effort, regarding the subcontracts, and the estimated value of the proposed subcontracts.

(*3*) The availability of alternative existing contracts that would allow direct access to the subcontractor, such as existing indefinite delivery/indefinite quantity contracts, Federal Supply Schedule contracts, or Governmentwide agency contracts. Perform market research as appropriate.

(*4*) Potential cost savings of directly contracting with the subcontractor.

(*5*) Feasibility of competition for the subcontracted effort or justification for single source procurement.

(*6*) Potential impacts to the contracting and program schedule for implementing a direct contract with the subcontractors or conducting a competition for the subcontracted effort.

(*7*) Changes in performance risk as result of eliminating prime contractor oversight and substituting direct government oversight. Risks may include loss of prime contractor knowledge of integration and program requirements, availability of government contracting and contract administration personnel, reduced system or program accountability of the prime contractor who is no longer responsible for the entire effort, impact on warranties.

(*8*) Subcontractor past performance and experience directly managing programs of this size.

(B) DoD components shall include reviews of compliance in routine procurement management reviews or other inspections.

Parent topic: PGI 215.404 Proposal analysis.