



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

OCT 13 2010

OFFICE OF THE ASSISTANT SECRETARY

POLICY MEMO 10-C-14

MEMORANDUM FOR ALMAJCOM/DRU/FOA (Contracting)

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Mandatory Use of the Air Force Proposal Adequacy Checklist

Consistent with the Air Force Contracting vision to provide war-winning capabilities on time and on cost, contracting officers must purchase supplies and services from responsible sources at fair and reasonable prices in a timely manner. Unfortunately, in many cases when contractors are required to submit certified cost or pricing data, they do not submit their proposals in a timely manner and/or do not deliver to the contracting officer the required data and information necessary to establish a fair and reasonable price. These circumstances frequently lead to costly rework and program delays.

In an effort to address and correct these issues, a collaborative team of contracting professionals from the Air Force, other DoD agencies, and industry has developed the attached Air Force Proposal Adequacy Checklist (AFPAC). The AFPAC is intended to help contractors reduce their proposal preparation times and to prepare adequate/qualifying proposals in response to sole source Requests for Proposal (RFPs), including proposals for Undefinitized Contract Actions (UCAs), when the contract value is anticipated to exceed the threshold for obtaining certified cost or pricing data (FAR 15.403-4(a)(1)).

As of the date of this memorandum, contracting officers shall include the AFPAC in sole-source draft and final RFPs and requests for proposals for UCAs when the contract value is anticipated to exceed the threshold for obtaining certified cost or pricing data. The AFPAC may be tailored, where necessary for acquisition-specific reasons, as long as it remains consistent with FAR 15.408, Table 15-2. To comply with this requirement, contracting officers must provide the AFPAC (with preparation guidelines) to contractors and substantially utilize the following language in either Alternate I to the basic provision at FAR 52.215-20 or 52.215-21, or as a paragraph within letter RFPs:

“The offeror shall prepare and submit cost or pricing data and supporting attachments in accordance with Table 15-2 of FAR 15.408. Further, the offeror shall (1) include the attached Air Force Proposal Adequacy Checklist (AFPAC) in pre-submission proposal quality reviews, and (2) furnish the completed checklist as part of their proposal submission.”

Consistent with the notice given to contractors in the AFPAC Preparation Guidelines, in situations when the contractor's original proposal is inadequate and requires revision or rework,

contracting officers should consider whether to recognize as reasonable any contractor costs associated with the revision/rework effort and must consider the nature and extent of any proposal inadequacies when negotiating profit.

Finally, I highly recommend the use of the AFPAC when establishing the agenda for proposal kickoff and proposal walk-through meetings, when required, in accordance with SAF/AQC Policy Memo 10-C-04, dated 24 Mar 10. As a reminder, government personnel are strongly encouraged to maintain open lines of communication with each other and their contractor counterparts to facilitate a complete understanding of what is required for a timely, adequately prepared cost proposal.

This memorandum is effective until superseded by the publication of a formal Air Force Acquisition Circular (AFAC).

If you have any questions or concerns, please contact Ms. Cindy Riess, SAF/AQCP, (937) 257-2612/DSN 987-2612, email, cynthia.riess@wpafb.af.mil or Lt. Col. Jim Bachinsky at (703) 588-7054/DSN 425-7054, email james.bachinsky@pentagon.af.mil.



ROGER S. CORRELL
Deputy Assistant Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
AFPAC Preparation Guidelines (w/Checklist)

AIR FORCE PROPOSAL ADEQUACY CHECKLIST (AFPAC) PREPARATION GUIDELINES

FAR 15.403-4 sets forth those circumstances in which contractors are required to submit certified cost or pricing data. The responsibility for providing well-prepared and fully supportable cost proposals for sole source acquisitions that exceed the TINA threshold lies solely with the contractor. The basis and rationale for all proposed costs shall be provided as part of the proposal so that the contracting officer (CO) may rely on the information as sufficiently current to permit negotiation of a fair and reasonable price.

The attached AFPAC must be completed and submitted as part of your proposal. Items within the AFPAC that do not contain specific FAR references are needed for Government review and negotiation, as applicable. Contact the CO as soon as possible prior to proposal submittal if there is uncertainty as to whether a checklist item is a requirement, or how to adequately comply with a proposal item. Non-compliances with the enclosed checklist will require immediate correction in order to proceed with proposal evaluation and negotiation, however, completion of the checklist does not relieve you from your responsibility to comply with regulations and any special requirements of the solicitation.

In addition, it is highly recommended that you flow this (or a similar) checklist to your subcontractors/affiliates where certified cost and pricing data is required and that you use the elements of the AFPAC (or elements of a similar checklist) to evaluate the adequacy of a subcontractor/affiliate proposal.

You are advised that the contracting officer may determine costs associated with revising/reworking inadequate cost proposals as unreasonable, and must consider the nature and extent of any proposal inadequacies when assessing/negotiating profit.

SPECIAL NOTE: In order to preclude delays in negotiations and contract award, you should discuss the basis for all "No or N/A" responses that may have a material impact, and particularly any claim to not submit cost or pricing data because of any of the five exceptions found at FAR 15.403-1(b) in the explanation column for each item.

Attachment:
AFPAC

Air Force Proposal Adequacy Checklist for Sole Source Actions above TINA Threshold

ITEM #	ITEM DESCRIPTION	FAR REFERENCE	Y	N or N/A	PROVIDE EXPLANATION IF EITHER "NO or N/A" (use continuation page if necessary)	PROP REF PG
1	Is there a properly completed first page of the proposal in accordance with Table 15-2 I.A or as specified by the Contracting Officer (CO) in the solicitation?	FAR 15.408, Table 15-2 I.A				
2	Is an Index, appropriately referenced, of all certified cost or pricing data and information accompanying or identified in the proposal, provided?	FAR 15.408, Table 15-2 I.B				
3	Are there any exceptions to submission of certified cost or pricing data pursuant to FAR 15.403-1(b)? If so, is supporting documentation included in the proposal? Refer to checklist items 15, 16 and 17.	FAR 15.403-1(b)				
Note	<i>If the total price of the proposal is > threshold for certified cost or pricing data, the checklist is required even if a portion of that value qualifies as an exception. Address exception(s) with the CO and proceed with checklist.</i>					
4	Is there a summary of total cost by element of cost and are the elements of cost cross-referenced to the supporting cost or pricing data? (Breakdowns for each cost element must be consistent with your cost accounting system.)	FAR 15.408, Table 15-2 I.D & E				
5	If more than one CLIN (Contract Line Item Number) or sub-CLIN (Sub Line Item is proposed as required by the RFP, are there summary total amounts covering all line items for each element of cost and is it cross-referenced to the supporting cost or pricing data?	FAR 15.408, Table 15-2, I. D & E				
6	Is total price by cost element provided by year? Identify if by Calendar Year (CY) or Government Fiscal Year (GFY) or both, as required.					
7	Are CLIN prices by cost element provided by year? Identify if by CY or GFY or both, as required.					
8	Are recurring and non-recurring costs segregated at both the CLIN/SubCLIN and total cost levels?					
9.1	Are all cost element breakdowns provided using the applicable format prescribed in FAR 15.408, Table 15-2 III? (or alternative format if specified in the RFP)	FAR 15.408, Table 15-2				
9.2	Does the proposal reflect all specific requirements established by the CO?					

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10	If an incentive contract type, is contract geometry included (e.g. contractor proposed target cost, target profit or fee, min/max, ceiling, share ratio)?					
	MATERIAL					
Note	Consolidated Bill of Material (CBOM). A CBOM is a consolidated priced summary of individual material quantities and subcontract items included in the various tasks, orders, or contract line items being proposed and the basis for pricing (negotiated/invoice prices, vendor quotes, average unit pricing, prior purchase history, long term agreements, etc). The offeror's CBOM shall include estimated raw materials, parts, components, assemblies, subcontracts and services to be produced or performed by others, identifying as a minimum; the item, source, quantity and cost.					
11.1	Is a CBOM included at the total contract level?	FAR 15.408, Table 15-2 II A.				
11.2	If the CBOM is being provided at other than a total contract level as described in Notes 1 and 2 below, did the contractor address how the CBOM is provided?					
Note 1	In the event the contractor intends to propose the CBOM at other than a total contract level, the contractor is encouraged to contact the CO and/or the cognizant DCAA auditor prior to proposal submittal.					
Note 2	The CO and auditor are allowed to exercise judgment in making the determination as to what elements/CLINs are included in the CBOM(s) depending on the contractor's estimating techniques used and whether those techniques are appropriate in the circumstances.					
Note 3	Depending on your system, inter-organizational transfers may be included as part of a total CBOM or be a separate CBOM.					
Note 4	The CBOMs must be in an electronic format that is able to be sorted by supplier, and category (e.g., raw material, purchased parts, subcontracts, extended dollar of part numbers, etc.).					
Note 5	Additional CBOMs may be required or desired for separate CLIN end item deliverables (e.g., Alternate Mission Equipment, Special Test Equipment, Spares, etc.).					
	SUBCONTRACTS (Purchased material or services)					
12.1	If the subcontract or purchase order exceeds the threshold for certified	FAR 15.403-4, FAR 15.408,				

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	cost or pricing data and none of the exceptions to TINA apply, does the proposal include the prime contractor's Price/Cost Analysis establishing the reasonableness of each subcontract price?	Table 15-2 II.A				
12.2	If the prime contractor's Price/Cost Analysis are not provided with the proposal, does the proposal include a matrix identifying dates for receipt of subcontract proposal, completion of fact finding for purposes of Price/Cost Analysis, and submission of the Price/Cost Analysis? As later information/data comes into your possession, it should be submitted promptly to the CO in a manner that clearly shows how the information/data relates to the offeror's price proposal. The requirement for submission of certified cost or pricing data continues up to the time of agreement on price, or an earlier date agreed upon between the parties if applicable.	FAR 15.408, Table 15-2, Note 1				
Note	<i>Analyses not provided with the proposal may result in a delay to audit, fact-finding and negotiations. Analyses not included with the proposal shall be provided as soon as possible after the proposal submission date and shall be accomplished in sufficient time to support the definitization/contract award schedule.</i>					
12.3	Does the proposal identify those actions where assist audits have been requested by the prime or sub-tier contractors and identify the request date and scheduled receipt date?					
Note	<i>The need for assist audits resulting from proprietary data rights assertions at any tier must be identified to the CO as soon as possible in the proposal build cycle. Notwithstanding assist audits performed by the government, contractors must still perform and provide Price/Cost Analysis.</i>					
12.4	In accordance with the thresholds of FAR 15.404-3(c), Subcontract Pricing Considerations, does the proposal include a copy of the applicable subcontractor's proposal(s)?	FAR 15.404-3(c)				
INTERORGANIZATIONAL TRANSFERS						
13	For inter-organizational transfers proposed at cost, does the proposal include a complete cost proposal in compliance with Table 15-2 and this checklist?	FAR 15.408, Table 15-2 II.A.(2)				
Note	<i>Inter-organizational work is considered to be part of the certified cost or pricing data submission of the prime. As such, the prime contractor's responsibility for conducting subcontractor Cost/Price Analysis does not apply to inter-organizational transfers. However, prior to the submission</i>					

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	<i>of the proposal, the prime contractor shall (a) ensure that all statement of work tasks are addressed without duplication and are consistent with the overall program performance schedule and, (b) ensure ground rules and assumptions are consistent with the prime proposals.</i>					
14	For inter-organizational transfers proposed at price in accordance with FAR 31.205-26(e), does the proposal provide an analysis by the prime that supports the exception from certified cost or pricing data in accordance with FAR 15.403-1 (reference checklist items 15, 16, and 17 below)?	FAR 31.205-26(e), FAR 15.403-1				
	ADEQUATE PRICE COMPETITION					
15	Does the proposal support the degree of competition and the basis for establishing the source and reasonableness of price for each subcontract or purchase order priced on a competitive basis exceeding the threshold for certified cost or pricing data?	FAR 15.408, Table 15-2 I.A.(1)				
	COMMERCIAL ITEM DETERMINATIONS					
16	Is the contractor proposing commercial items either at the prime or subcontractor level that would be exempt from certified cost or pricing data requirements?	FAR 2.101, FAR 15.403-1 (b)(3) or (b)(5)				
Note	<i>If you are modifying a commercial item or are providing a modified commercial item, there may be circumstances that require the submission of certified cost or pricing data (see Note to checklist item 17.3 below).</i>					
17	Has the contractor provided support for prime contractor assertions of commerciality and any subcontractor Commercial Item Determinations (CIDs) addressing, at a minimum, the following:					
Note	<i>A subcontractor CID includes the following information/data in addition to the prime contractor's independent price analysis and conclusion of the subcontractor's commerciality assertion. (checklist item 17.5.D)</i>					
17.1	Has the contractor provided a description of supplies or services and the basis for which the supply or service meets the Government's requirements?					
17.2	Has the contractor specifically identified the type of commercial item claim (FAR 2.101 commercial item sub-definitions (1) through (8)), and the basis on which the item meets the definition?	FAR 2.101				

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17.3	<p>For modified commercial items (commercial item sub definition) (3); did the contractor classify the modification(s) as either:</p> <p>A. Of a type customarily available in the commercial marketplace (FAR 2.101 commercial item sub-definition (3)(i)) or</p> <p>B. A minor modification (FAR 2.101 commercial item sub-definition (3)(ii)) of a type not customarily available in the commercial marketplace made to meet Federal Government requirements not exceeding the thresholds in FAR 15.403-1(c)(3)(iii)(B)? (see note below)</p>	FAR 2.101 FAR 15.403-1				
Note	<p><i>Modifications that do not qualify as "minor" under FAR 2.101 sub-definition (3) or modifications that qualify as "minor" where the total price of all such modifications exceeds the greater of the threshold for certified cost or pricing data (FAR 15.403-4) or 5% of the total price of the contract at the time of contract award are NOT exempt from the submission of certified cost or pricing data. Where the contractor is proposing a modified commercial item, the CO should, in every case, be consulted as soon as possible before the proposal is submitted.</i></p>					
17.4	<p>Technical Assessment: For proposed commercial items "of a type", or "evolved" or modified (FAR 2.101 commercial item sub-definitions (1) through (3)), did the contractor provide a technical description of the differences between the proposed item and the comparison item(s)?</p>	FAR 2.101				
17.5	<p>Price Reasonableness: Has the contractor provided, or made available, data other than certified cost or pricing data to establish price reasonableness of the proposed commercial item (to include any modifications not subject to certified cost or pricing data (ref. Note under checklist item 17.3 above) by supplying:</p> <p>A. Information/data related to competition (refer to checklist item 15),</p> <p>B. Information/data related to prices (sales data, market price assessments, etc.),</p> <p>C. cost data (cost elemental breakdown and supporting documentation not subject to certification in accordance with FAR 15.406-2), and</p> <p>D. for subcontractor assertions, the prime contractor's price analysis/price reasonableness determination?</p>	FAR 15.402(a)(2), FAR 15.403-1(c)(3)(ii), FAR 15.403-3(c), FAR 15.404-3(b) FAR 15.404-3(c) FAR 15.406-2				
Note	<p><i>The preferred method to establish the price reasonableness of</i></p>					

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	<p><i>commercial items is to obtain commercial sales data. It is recognized that other methods, such as market price assessments data or cost data not subject to certification, are also acceptable when prior sales data cannot be obtained. Sales data must (1) demonstrate sales to the general public, (2) be current and where possible, (3) in like quantities. Items sold to state, local or foreign governments or items sold with applications only to state, local, foreign government or the US government end items, are not considered to be sales to the general public unless the proposed commercial item meets the commercial item definition FAR 2.101 commercial item sub-definition (8).</i></p>					
	LABOR					
18	Are the Basis of Estimates (BOEs) included for all labor hours with detailed rationale to support the estimates?					
19	For labor BOEs, does the proposal include labor categories, task descriptions, Statement of Work (SOW) reference, applicable CLIN, Work Breakdown Structure (WBS), BOE rationale, applicable history, and time-phasing?					
	OTHER DIRECT COSTS					
20	Does the proposal include other direct costs and the basis for pricing? If travel is discretely estimated does the proposal include number of trips, number of people, number of days per trip, locations, and rates (e.g. airfare, per diem, hotel, car rental, etc)?	FAR 15.408, Table 15-2 II.D				
	NEW CONTRACTS (INCLUDING LETTER CONTRACTS)					
21	Does the proposal identify actual hours, and cost incurred as well as hours/cost to complete and the time phasing associated with these hours/costs? This information/data is to be provided consistent with cost element summaries as identified in checklist item 9.1	FAR 15.408, Table 15-2, III				
	CHANGE ORDERS, MODIFICATIONS AND CLAIMS					
22	If the proposal is for a modification or change order, have cost of work deleted (credits) and cost of work added (debits) been provided in the format described in FAR 15.408, Table 15-2.III.B?	FAR 15.408, Table 15-2 III.B				
	PRICE REVISIONS/REDETERMINATIONS					
23	For price revisions/redeterminations, does the proposal follow the format in FAR 15.408, Table 15-2.III.C?	FAR 15.408, Table 15-2 III.C				

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	FACILITIES COST OR MONEY					
24	If facilities capital cost of money is proposed, does the proposal include submission of Form CASB-CMF or reference to an FPRP/FPRA and show the calculation of the proposed amount?	FAR 31.205-10 FAR Table 15-2.II.F				
	RATES AND FACTORS					
25	Does the proposal include all rates and factors by year that are utilized in the development of the proposal and the basis of those rates and factors (FPRA/FPRP)? Identify the official submittal of such rate and factor data.					
	OTHER					
26	Does the proposal identify the location and point of contact for any certified cost or pricing data which is referenced, but not included, in the proposal?					
27	Does the proposal disclose the judgmental factors applied and the mathematical or other methods used in the estimate, including those used in projecting from known data?	FAR 15.408, Table 15-2, I.C.(2)(i)				
28	Does the proposal disclose the nature and amount of any contingencies included in the proposed price?	FAR 15.408, Table 15-2 I.C.(2)(ii)				
29	If Royalties exceed \$1,500 does the proposal provide the information/data identified in FAR 15.408, Table 15-2 Paragraph II. E.?	FAR 15.408, Table 15-2 II. E.				
30	If Economic Price Adjustments are being proposed, does the proposal show the rationale and application for the proposed indices?	FAR 16.203-4(a)(1)				
31.1	Is the contractor proposing Performance-Based Payments?	FAR 32.10				
31.2	If so, has the contractor provided an expenditure profile, proposed events and their projected dates, proposed values for each event, completion criteria, and identification of which events are severable or cumulative?	FAR 32.10				
32	Excessive Pass-through Charges – Identification of Subcontract Effort, if the offeror intends to subcontract more than 70% of the total cost of work to be performed, does the proposal identify: (i) the amount of the offeror's indirect costs and profit applicable to the work to be performed by the subcontractor(s); and (ii) a description of the added value provided by the offeror as related to the work to be performed by the subcontractor(s)?	FAR 15.408(n) DPAP Memo 23 Dec 2009 (DARS Tracking Number 2009- 00015)				

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33	Does the proposal explain the basis of all cost estimating relationships (CERs) (labor hrs or material) proposed on other than a discrete basis?					
Note	<i>Calculations/formulas/logic made to generate "CER" costs should be presented with proposal.</i>					
34	Does the proposal identify the need for government furnished material/tooling/test equipment? <i>Include the lending contract number and CO contact information if known.</i>	FAR 15.408, Table 15-2, 1 A. (7)				
35	Does the proposal include identification of any CAS non-compliances, or other estimating deficiencies that may impact the proposed price?	FAR Table 15-2.1.A.(8)				