

Cost Proposal Assistance

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Note: The purpose of this article is to provide PTAC counselors with ideas and suggestions as to ways they can assist their clients in the preparation of successful proposals for government contracts.

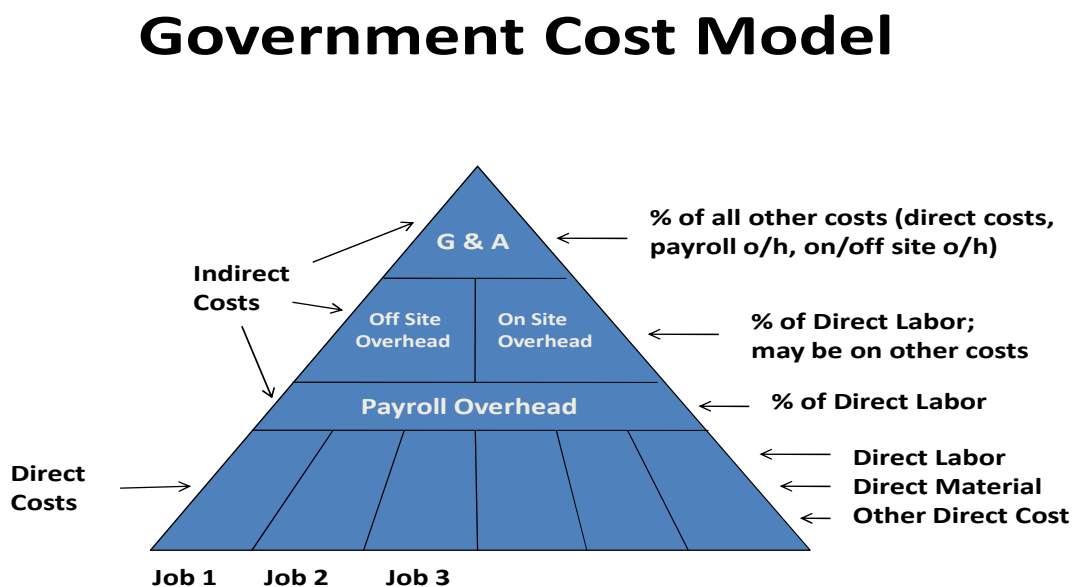
Cost proposal preparation for a government contract can be divided into three stages: pre-proposal, proposal, and post-proposal.

In the pre-proposal stage, there are two critical things that can and should be done.

The accounting system should be made compliant with government requirements. The requirements are set forth in GSA Form 1408 Preaward Survey of Prospective Contractor Accounting System. Principal among the requirements are the separation of direct and indirect costs, the exclusion of unallowable costs, and the allocation of indirect costs.

Secondly, the client's indirect rates should be calculated. Indirect rates involve the establishment of appropriate pools and bases.

The following diagram summarizes the government approach to costs, as prescribed by the Federal Acquisition Regulation.



At the base of the pyramid are the direct costs (labor, materials, and other direct costs). Above the direct costs are the indirect costs. Typically, there will be payroll overhead and general and administrative (G & A) expense. Depending on the structure of the client's business, an onsite overhead rate and an offsite overhead rate may be required. The base for the payroll overhead rate will be labor. The base for the G & A rate is typically total cost input, that is, all costs before G & A expense. The author of this article has a Template for Indirect Rates which he will be happy to share with anyone who desires to have the template. The author's contact information can be found at the end of the article.

In the proposal stage, the PTAC counselor should acquaint the client with the following:

1. Contracting Methods. Sealed Bidding (FAR Par 14) versus Negotiated Acquisition (FAR Part 15).
2. Types of Solicitations. Invitation for Bid (IFB) and Request for Proposal (RFP).
3. Types of Contracts. Fixed Price, Cost Plus, and Indefinite Delivery Indefinite Quantity (IDIQ) (FAR Part 16).
4. Uniform Contract Format (UFC) establishes the contents and order of bid packages. The UFC has four parts: I. Schedule, II. Contract Clauses, III. Documents, Exhibits and Attachments, and IV. Representations and Certifications.
5. Steps to prepare the proposal.
 - Read solicitation again and again.
 - Attend proposal conference.
 - Develop a work plan.
 - Technical proposal.
 - Pricing proposal.
 - Review your proposal.
6. Technical proposal.
 - Executive Summary.
 - Key Personnel + Resumes.
 - Past Performance.
 - Statement of Work.
 - Charts and Graphs.
 - Quality Control Plan, if required.
 - Subcontracting Plan, if required.
7. Pricing Model.
 - Direct Materials
 - Direct Labor

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Payroll Overhead (% applied to direct labor)
Other Direct Costs
Total Cost before General and Administrative (G & A) expense
G & A (% applied to total cost before G & A)
Total Cost
Profit (% of total cost)
Proposed Price

8. Profit. In the government world, profit is both good and necessary. FAR 15.404 states that it is in the government's interest to offer contractors opportunities for reasonable profit. Profit stimulates efficient contract performance, attracts the best capabilities of qualified business concerns to government contracts, and maintains a viable industrial base. The main factors that influence profit are 1) competition, 2) objectives of the business, 3) necessary investments, and 4) risks involved.

9. Things to do in connection with proposal.

- Read and follow instructions.
- Check evaluation criteria.
- Make certain proposal contains all required documents.
- Review proposal for grammar, style, and appearance.
- Check Amendments.
- Submit proposal on time.

In the post-proposal stage, it is important to follow up with the government buyer. Per FAR 15.505, the offeror for a government contract may request a debriefing. This must be done within 3 days after receipt of the notice of exclusion from the competition. The offeror should request the debriefing. He or she will want to know the strengths and weaknesses of her/ his proposal. Also, the debriefing gives the offeror the opportunity to keep herself /himself and her /his company before the buyer. The next solicitation that the offeror wants to bid on may come from that same buyer. Having previous contacts with the buyer may provide the offeror with a valuable edge.

In the post-proposal stage, the offeror may be subject to an audit, for example, an accounting system review by the Defense Contract Audit Agency (DCAA). All of DCAA's audit programs are posted on the agency's website (www.dcaa.mil). A good way to prepare for a DCAA audit is to download the program for the audit that the PTAC client is anticipating. All of the audit steps that the DCAA auditor is supposed to follow will be listed there. Reviewing the audit program will provide valuable information. The review may also relieve some of the anxiety that is frequently associated with an upcoming audit.

The key to preparing a proposal for a government contract (and hopefully one that results in a contract award) is careful and effective planning. This article has presented many ideas and suggestions, as well as a timeline, for the proposal preparation process. The author invites your questions and comments. He can be contacted by telephone at 713-752-8450 or by e-mail at rmarta@uh.edu.