Cost or Pricing Data Proposals

Proposal Compliance

Material Acquisitions Strategy and Adequacy (MASA)

PIRA #TLS202203004
Overview

Our customers rely on Lockheed Martin and our suppliers to provide timely and compliant proposals to support the USG timelines

- The proposal function drives future revenue for your business
- It is critical for Lockheed Martin and our Global Supply Chain to deliver timely and compliant Proposals with Certified Cost or Pricing Data
- Department of Defense and Oversight Agencies are pushing contractors by demanding greater accountability and protecting taxpayer interests
- We all need to deliver on the commitment of providing FAR compliant proposals on the due date
- Noncompliant proposals are deemed by the Oversight Agencies as “unsupported”
- Only 1 in 3 proposals from our Global Supply Chain partners is adequate upon submission

Supplier’s willingness to be proactive and diligent in meeting requirements is appreciated!
The objective of this training is to provide an overview of the Lockheed Martin proposal process. The training will outline the FAR (Federal Acquisition Regulation) requirements for submitting a proposal and provide guidance on completing the required documents, estimates and compliance checklist.

- FAR 15.408, Table 15-2
  - The Truthful Cost or Pricing Data Act\(^{(1)}\) requires Cost or Pricing Data for proposals:
    - $2,000,000 for prime contracts awarded after July 1, 2018
    - $750,000 for prime contracts awarded prior to July 1, 2018
  - Proposal Adequacy Checklist \(^{(2)}\)
    - Lockheed Martin Form F330
    - Document submitted by supplier to certify proposal compliance to FAR

\(^{(1)}\) Previously known as the Truth in Negotiations Act (TINA)
\(^{(2)}\) FAR 252.215-7009 Proposal Adequacy Checklist as prescribed in 215.408 (4)
Minimum Documents Required for a FAR Compliant Proposal

• Expectation: Proposal needs to be responsive to the RFQ and include:

  • Price Buildup Model (working excel spreadsheet)
    • Including CBOM
  • Basis of Estimate – explain estimating methodology
  • Proposal Cover Letter – SA1235 / SF1411 / Supplier Created
  • Cost Accounting Standards Notices and Certification – RF540 form
  • Adequacy Checklist – F330 form
  • Index or Table of Contents of documents submitted
  • Any other RFQ required documentation

• If necessary, Audit Denial Letter
What is your Proposal Process?

• Standard Operating Procedures (SOP)
• Do you apply continuous improvement initiatives to your proposal process?
• Who is responsible to submit the proposal to Lockheed Martin?
• Internal timeline per organization?
• Who supports each of the cost elements included in the proposal?
  • Estimating Process
    • Material
      • Escalation methodology
    • If applicable, sub tier over threshold, CID, cost analysis, proof of competition
    • Labor hours
    • Labor rates
      • Escalation methodology
    • Indirect rates
    • ODC
    • other
• Business Systems
  • Accounting system
  • Cost estimating
  • Purchasing
  • Time keeping
  • Property management*required if government furnished property is provided
  • Earned Value Management *generally applicable to large business
  • Material management *generally applicable to large business
Proprietary Information – Access to books and records

At time of proposal submittal, all elements of cost must be ready to be audited

- Determine which entity you will allow access to books and records
- Evaluation will be conducted either by Lockheed Martin or the US Government
- Specify which cost elements will be reviewed by which entity

If access is denied to Lockheed Martin a Refusal/Release letter will be required, and must:

- Identify the specific cost and pricing data element that LM is being denied access to
- Specify whether permission is granted for the “US government to release a copy of their findings to Lockheed Martin” (sanitized/redacted)

**Full DCMA Assists Audit:**

- Audit Refusal/Release letter on Supplier’s letterhead stating that the Supplier will not allow Lockheed Martin to perform a Fact Find; however, the DCMA will be allowed to visit the Supplier to perform an Assist Audit.
- Completed Proposal Cover Sheet
- Supplier must be ready for the DCMA to come in and conduct the full assist audit with a fully FAR compliant proposal at the time the RFQ response is submitted. Complete the adequacy checklist in preparation of the assist audit. The DCMA assist audit will be initiated upon receipt of the Supplier’s bid. DCMA assist audits take months to complete and in order to meet our timeline, the Supplier must be fully prepared for the audit.

**Rate-only DCMA Assists Audit:**

- Audit Refusal/Release letter stating that Lockheed Martin will not be allowed to fact find the Supplier’s rates and factors, but the DCMA will be allowed to perform an assist audit of the rates and factors.
- Completed Proposal Cover Sheet
- Completed and signed F330 Adequacy Checklist
- CCOPD for the direct material, subcontractor cost, ODC and labor hours in the proposal. Lockheed Martin will conduct a fact find of those direct cost elements.
Federal Acquisition Regulation (FAR) 15.408 Table 2

FAR 15.408, Table 15-2 outlines instructions for submitting Cost/Price When Certified Cost or Pricing Data (COPD) and includes 3 main subject areas:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Required Item</th>
<th>FAR Section</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Instructions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cover Sheet</td>
<td>FAR 15.408, Table 15-2, I.A</td>
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<tr>
<td></td>
<td>Index of Cost or Pricing Data</td>
<td>FAR 15.408, Table 15-2, I.B</td>
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<td><strong>Cost Elements</strong></td>
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<td></td>
<td>Cost or Pricing Data</td>
<td>FAR 15.408, Table 15-2, I.C</td>
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<tr>
<td></td>
<td>Cost Element Breakdowns</td>
<td>FAR 15.408, Table 15-2, I.D</td>
</tr>
<tr>
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<td>Summary Cost Element Breakdowns</td>
<td>FAR 15.408, Table 15-2, I.E</td>
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<td></td>
<td>Incurred Cost</td>
<td>FAR 15.408, Table 15-2, I.F</td>
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<tr>
<td></td>
<td>Forward Rate Pricing Agreement (FPRA)</td>
<td>FAR 15.408, Table 15-2, I.G</td>
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<tr>
<td></td>
<td>Certificate of Current Cost or Pricing Data</td>
<td>FAR 15.408, Table 15-2, I.H</td>
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<tr>
<td></td>
<td>Materials (CBOM)</td>
<td>FAR 15.408, Table 15-2, II.A</td>
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<tr>
<td></td>
<td>Direct Labor</td>
<td>FAR 15.408, Table 15-2, II.B</td>
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<td></td>
<td>Indirect Costs</td>
<td>FAR 15.408, Table 15-2, II.C</td>
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<td>Other Costs (ODC)</td>
<td>FAR 15.408, Table 15-2, II.D</td>
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<td></td>
<td>Royalties</td>
<td>FAR 15.408, Table 15-2, II.E</td>
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<tr>
<td></td>
<td>Facilities Capital Cost of Money (FCCM)</td>
<td>FAR 15.408, Table 15-2, II.F</td>
</tr>
</tbody>
</table>
| **Formats for Submission of Line Item Summaries** | | *
| | New Contracts | FAR 15.408, Table 15-2, III.A |
| | Change Orders, Modifications, and Claims | FAR 15.408, Table 15-2, III.B |
| | Price Revision / Redetermination | FAR 15.408, Table 15-2, III.C |

*Cost by Fiscal Period is required*
A Cover Sheet is required with each proposal submitted to Lockheed Martin and must include all 11 items listed below:

1. Solicitation, contract, and/or modification number
2. Name and address of Offeror
3. Name and telephone number of point of contact
4. Name of Government contract administration office (if available)
5. Type of contract action
6. Proposed cost; profit or fee; and total
7. Whether the offer will use Government property, and, if so, what property
8. Whether the organization is subject to Cost Accounting Standards (CAS)
9. The following Required Statement
10. Date of Submission
11. Name, title, and signature of authorized representative

“This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and Table 15-2. By submitting this proposal, Offeror grants Lockheed Martin and or, the Contracting Officer and authorized representative(s) the right to examine, at any time before award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the proposed price.”

Federal Standard Form (SF) 1411, includes all 11 items and can be submitted as the Cover Sheet

This is primarily an administrative item and may be more efficient to fill out after the proposal is completed but before submitting to LM
Contract Number: 6326015NDW

(D3) Decelerometers
500 Harmony Road
Floyd, Virginia 20001

Point of Contact
Dave Higgens
D3 Contracts Manager
(444) 333-2222
d.hassellhoff@d3.com

Contract Administration Office
DCMA Blacksburg
Tom Stoppard, DACO
300 Anderson Station Blvd, Blacksburg, VA 20002
(434) 222-3333
tom.stoppard@dcma.mil

Type of Contract Action: New Contract / FFP

Proposed Cost + Proposed Fee = Total
$3,259,376 + $488,906 = $3,748,282

Government Property: We will not require the use of any Government property in the performance of this work.

Cost Accounting Standards (CAS) and Estimating & Accounting Compliance
D3 is subject to the Cost Accounting Standards Board (CASB) Regulations (Public Law 91-379) as amended and FAR Part 30. This contract action is subject to CAS. D3 submitted a CASB Disclosure Statement to the above referenced DACO on January 15, 2014. D3 has not been notified that we are or may be in noncompliance with our Disclosure Statement or CAS. No aspect of this proposal is inconsistent with our disclosed practices or applicable CAS. This proposal is consistent with our established estimating and accounting practices and procedures and FAR Part 31, Cost Principles.

This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and FAR 15.408, Table 15-2. By submitting this proposal, we grant the Contracting Officer, Lockheed Martin and authorized representatives the right to examine, at any time before award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the proposed price.

January 25, 2020

Dan Little, President/CEO
## Cover Sheet
### SF 1411 Example

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Solicitation, contract, and/or modification number</td>
</tr>
<tr>
<td>2</td>
<td>Name and address of Offeror</td>
</tr>
<tr>
<td>3</td>
<td>Name and telephone number of Point of Contact</td>
</tr>
<tr>
<td>4</td>
<td>Name of Government contact Admin Office</td>
</tr>
<tr>
<td>5</td>
<td>Type of contract</td>
</tr>
<tr>
<td>6</td>
<td>Proposed Cost; profit or fee; and total</td>
</tr>
<tr>
<td>7</td>
<td>Whether Government Property is Required</td>
</tr>
<tr>
<td>8</td>
<td>Whether the offeror is subject to Cost Accounting Standards</td>
</tr>
<tr>
<td>9</td>
<td>Required FAR statement</td>
</tr>
<tr>
<td>10</td>
<td>Date</td>
</tr>
<tr>
<td>11</td>
<td>Name, Title and signature</td>
</tr>
</tbody>
</table>

Each number correlates to one of the 11 subparts of FAR.408 Table 2 Section 1.A
Include an Index, appropriately referenced, identifying all certified cost or pricing data and information accompanying or identified in the proposal and is a separate table from the Table of Content.

- This is a living document that is updated throughout review and analysis
- The document is updated with any future additions and/or revisions, up to the date of agreement on price
- This index and all supplements must be included as an attachment to the Offeror’s Certificate of Current Cost or Pricing Data to be provided at the conclusion of negotiations

This document can be completed after the supplier has put together the proposal, so accurate page numbers are used in the Index.
Cost Elemental Breakdown

Cost Element Breakdown typically includes but is not limited to the following cost elements:

- Total Direct Labor hours and cost
- Total Material cost
- Other Direct Cost (ODC)
- Indirect Cost (G&A, Overhead, Fringe, etc.)
- Profit/Fee

Proposals covering multiple years or price points (min/mid/max) require a cost element breakdown and summary totals for each year or price point

- Ensure that part pricing is included in the proposal and reconcile to summary pricing
- All numbers (hours, rates, qty) need to be supported with logical tracing/mapping back to the source data
- Nonrecurring Expenses (NRE) are considered a separate line item

*If a proposal has multiple CLINs, it must include cost elemental breakdown per CLIN which flows into a total cost summary breakdown*
## Cost Elemental Breakdown Example

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Direct Labor Hours</td>
<td>6000</td>
<td>3600</td>
<td></td>
<td>9600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing Direct Labor Cost</td>
<td>$20.00</td>
<td>$273,900</td>
<td>$164,340</td>
<td>$438,240</td>
<td>$20.60</td>
<td>$444,250</td>
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<td>Manufacturing Overhead</td>
<td>300.00%</td>
<td>$27,910</td>
<td>$16,746</td>
<td>$44,657</td>
<td>305.00%</td>
<td>$42,870</td>
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<tr>
<td>Manufacturing Cost</td>
<td>$301,810</td>
<td>$181,086</td>
<td></td>
<td>$482,897</td>
<td>$304,550</td>
<td>$487,120</td>
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<td>Engineering Direct Labor Hours</td>
<td>3000</td>
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<td></td>
<td>5160</td>
<td></td>
<td></td>
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<tr>
<td>Engineering Labor Cost</td>
<td>$45.87 $288,289</td>
<td>$171,378</td>
<td>$123,392</td>
<td>$294,770</td>
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<td></td>
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<tr>
<td>LOE Labor Hours</td>
<td>10 $1,252</td>
<td>25 $370</td>
<td></td>
<td>35 $1,294</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOE Labor Cost</td>
<td>$45.76 $358</td>
<td>$894</td>
<td></td>
<td>$46.98 $370</td>
<td>$925</td>
<td>$1,294</td>
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<tr>
<td>Direct Material</td>
<td>$11,128 $91,185</td>
<td>$11,295</td>
<td>$80,774</td>
<td>$92,070</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material Handling</td>
<td>10.60% $8,944</td>
<td>$10,245</td>
<td></td>
<td>$22,566</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material Cost</td>
<td>$13,977 $114,528</td>
<td>$14,423</td>
<td>$103,140</td>
<td>$117,564</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODC</td>
<td>$0.00 $5,710.00</td>
<td>$5,710</td>
<td></td>
<td>$5,710</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Cost</td>
<td>$483,755 $408,921</td>
<td>$892,676</td>
<td></td>
<td>$900,748</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G&amp;A</td>
<td>7.57% $36,620</td>
<td>$30,955</td>
<td></td>
<td>$67,576</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>$520,376 $439,876</td>
<td>$960,251</td>
<td></td>
<td>$972,213</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCCM</td>
<td>0.36% $1,873</td>
<td>$1,584</td>
<td></td>
<td>$3,457</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>11.08% $57,662</td>
<td>$48,742</td>
<td></td>
<td>$106,405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>$579,911 $490,202</td>
<td>$1,070,113</td>
<td></td>
<td>$1,083,637</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>11.08% $57,662</td>
<td>$48,742</td>
<td></td>
<td>$106,405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>$579,911 $490,202</td>
<td>$1,070,113</td>
<td></td>
<td>$1,083,637</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total All Years</td>
<td></td>
<td></td>
<td></td>
<td>$1,793,423</td>
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</tr>
</tbody>
</table>

**Proposal Compliance**
Incurred Cost

Incurred Cost, per FAR 15.408, Table 15-2, I.F, are costs associated with work performed before submitting the proposal

- If the supplier has incurred cost, they must be identified in the Cost or Pricing Data

Forward Pricing Rate Agreement (FPRA)

Agreements with the Government on use of forward pricing rates/factors, FAR 15.408, Table 15-2, I.G, are to be included with the proposal submission and include

- A copy of the FPRA approval page
- Description of the nature of the agreement

If there is no FPRA, the proposal must identify all rates and factors by year that are utilized in the development of the proposal and the basis for those rates and factors

<table>
<thead>
<tr>
<th>TABLE 2.3.5-1 FORWARD PRICING RATES AND FACTORS</th>
</tr>
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<tbody>
<tr>
<td><strong>DESCRIPTION</strong></td>
</tr>
<tr>
<td>Direct Labor Rates</td>
</tr>
<tr>
<td>Overhead, Fringe, and Prorates</td>
</tr>
<tr>
<td>Facilities Capital Cost of Money (FCCOM)</td>
</tr>
</tbody>
</table>
Certified Cost or Pricing Data

FAR 2.101 defines certified cost or pricing data as “cost or pricing data” that were required to be submitted in accordance with FAR 15.403-4 and 15.403-5 and have been certified, or are required to be certified, in accordance with FAR 15.406-2.

FAR 2.101 further defines “cost or pricing data” as all facts that, as of the date of price agreement or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price, prudent buyers and sellers would reasonably expect to affect price negotiations significantly.

Certified cost or pricing data are factual, not judgmental, and are verifiable. While this data does not indicate the accuracy of the Offeror’s judgment about estimated future costs or projections, it does include the data forming the basis for that judgment.

Keep in mind that certified cost or pricing data are more than historical accounting data; they are all facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred.

This is the certification that the data submitted, in support of the proposal, is in accordance with FAR. It is independent of the certification that is required at the time of price agreement.
Material

A Consolidated Bill of Material (CBOM) is a roll up of all the individual material parts and services in the proposal. A CBOM is a consolidation of the individual line item Bill of Materials (BOMs)

- The CBOM is used to aggregate the quantity of material used, and evaluate if there are duplicate efforts in the acquisition
- Determines the price reasonability if the same material is used in multiple Work Breakdown Structures (WBS), Task Orders (TOs) or Contract Line Item Numbers (CLINs) and provides the basis for pricing
- Ensures uniformity and consistency among proposals
- Material estimating methodology needs to be supported and include rationale
  - Escalation
  - Other markups
- Material CBOM must reconcile to the Cost Element Breakdown

*Items are to be submitted with proposal or provide a schedule showing expected submission date*
A Consolidated Bill of Material (CBOM) needs to include the following 5 basic elements:

1. Item (Part Number and description)
2. Quantity (Unit of Measure)
   • If the contract Period of Performance exceeds one year, quantify annual spend and provide total effort summary
3. Source (Supplier)
   • Identify sub tier suppliers over applicable threshold
4. Cost Basis (negotiated/invoice prices, vendor quotes, average unit pricing, prior purchase history, long term agreements, etc.)
5. Price (Unit Price and Extended Cost)
   • Unit price on CBOM should tie to BOM, which should tie to support

FAR 15.403-1, effective July 2019, requires two or more responsible offerors, competing independently, to satisfy adequate competition
Identify sub tier suppliers over applicable threshold

If the total potential price of material procured from any one vendor exceeds The Truthful Cost or Pricing Data Act threshold, supplier/sub contractor needs to conduct adequate substantiation of sub tier spend using one of the following:

- Cost Price Analysis
- Adequate competition must provide evidence of receipt of competitive bids
- Commercial Item Determination (CID)
  - If a sub-tier supplier claims Commerciality, the Supplier will conduct a CID review and provide a robust CID report to Lockheed Martin with supporting documentation

### Schedule for Cost and Pricing Data

<table>
<thead>
<tr>
<th>Sub-tier Supplier</th>
<th>Sub-tier Description</th>
<th>Type</th>
<th>Dollar Amount</th>
<th>Provided or Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/R Products</td>
<td>Aluminum Latches</td>
<td>CoPD</td>
<td>$2,947,082</td>
<td>30-Jul-20</td>
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<tr>
<td>GDO Lighting</td>
<td>Valve and lights</td>
<td>Competitive</td>
<td>$11,567,587</td>
<td>Provided</td>
</tr>
<tr>
<td>Vance tooling</td>
<td>Latches</td>
<td>CID</td>
<td>$4,541,822</td>
<td>01-Aug-20</td>
</tr>
</tbody>
</table>

Sub tier over the threshold:

Competitive quotes, CID and CoPD reports must be submitted with proposal or if not available, provide an estimate date when data will be provided

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**Material – sub tier suppliers over threshold**
### Material - CBOM Example

<table>
<thead>
<tr>
<th>Part No</th>
<th>Description</th>
<th>Supplier</th>
<th>Source</th>
<th>Unit</th>
<th>Unit Cost</th>
<th>Qty (EA)</th>
<th>Ext. Cost</th>
<th>Per Unit</th>
<th>Qty (EA)</th>
<th>Ext. Cost</th>
<th>Ext. Cost</th>
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<td>1111-1</td>
<td>cable A</td>
<td>Quote</td>
<td></td>
<td>$1,256.76</td>
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<td>$6,283.80</td>
<td>$1,256.76</td>
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<td>10</td>
<td>$12,567.60</td>
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<tr>
<td>1111-2</td>
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<td>$783.95</td>
<td>10</td>
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<tr>
<td>1111-3</td>
<td>bolt C</td>
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**Total QTY** 186,677.65

**Total Extended Cost** $186,677.65

---

**Escalation Rate** 3%

---

**CBOM Total** $186,677.65
**Direct Labor Rate**

Identify the proposed direct labor rates

Explain how the proposed direct labor rates were derived and calculated

Provide detailed explanations and reference to rate estimating methodology and adjustments, such as wage rate escalation and salaried workers labor rate conversion

- Direct labor rates are expected to be presented in hours
  
  \[
  \frac{100,000}{2,080 \text{ hours}} = 48.07 \text{ per hour}\]

- Time phased Breakdown of direct labor costs by proposed labor category

<table>
<thead>
<tr>
<th>Resource</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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<td>77.18</td>
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</table>

2019 direct labor reflects actual 2018 department-level averages escalated by 3%

Rates applied for 2023 through 2022 reflect 3% annual escalation per PPI90210556 (Global Insight, 4th quarter 2018)

Employee-level detail from 2018 is available upon request
Direct Labor Hours

Explain how proposed labor hours were derived and calculated

Describe your Basis of Estimate (i.e. Historical, similar to programs/products, learning curve, engineering estimate, Standards, Cost Estimating Relationships (CERs), etc.)

Provide time phased breakdown of hours by deliverable items and proposed labor category

- Breakdown of direct labor hours by proposed labor category, summarized by year and at contract level
- Direct Labor rate and hour data must reconcile to the Cost Element Breakdown

Supporting data to substantiate will be required during the proposal analysis phase
**Basis of Estimates (BOE)**

- FAR 15.408, Table 15-2, II. Cost Elements, B. Direct Labor states “Provide a time-phased (e.g., monthly, quarterly, etc.) breakdown of labor hours, rates, and cost by appropriate category, and furnish bases for estimates.”

- Sole-source / ECP proposals with U.S. Government customers require full DFARS and RFP compliance that demands substantiated Basis of Estimates

- A BOE is written so that customers and auditors can validate our estimate

- Documents and substantiates effort required to perform tasks
  - Details understanding of requirements & conveys credibility by clearly defining the task
  - Demonstrates that estimates are credible, defendable and realistic (historical data)
  - Time-phased consistent with IMP/IMS & Aligns with WBS and SOW

- The Basis of estimate needs a clear rationale for each proposed labor category
  - Historical labor data, if applicable
  - Similar to program or products
  - Learning curves
  - Engineering Estimates
  - Cost Estimating Relationships (CERs)
  - Standards
Basis of Estimates (BOE)

**MATERIAL**

- A BOE should be created for Material as well to include the following:
  - Total Material Cost at Base Year
  - Escalation applied with a basis or source of the applied escalation annually
  - Scrap Rate applied with a basis of the source of the scrap rate
  - Any other factor applied with an explanation of the basis and source of that factor
  - Equations as applied to the base material

**ODC**

- A BOE should be created for ODC costs
  - ODC will be covered below

**Rates and Factors**

- A BOE should be created to show base rates and basis of rates
  - Should include any escalation or factors applied to the rates and the basis of the escalation or factors applied
  - Equations as applied to the base rates
BOE Relationship to Customer Requirements (RMS)

Basis of Estimate

CLIN 0001 - Widget Build QTY 25
WBS 02.34.12 - Program Management
Period of Performance: 01/2021 – 12/2022

SOW References:
3.0 – Program Management
3.10 – Release and Review

Scope of Work:
This BOE estimates the efforts of for the proposed Program Management (PM) Labor Category. The PM is tasked with leading all business and administrative functions of the program, including management of subcontracts.

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<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
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Total Hours: 11,100

Task Elements

Task #1: Program Management Office

Task Description
This task is the Program Management efforts from contract award though contract close-out to provide overall program direction, monitoring, and cost control across all functions to ensure all program objectives are achieved.

ESTIMATE:
Equation 1: PMO Hours

This estimate is based on previous efforts by Program Management completed on Program T.D.A (contract BD-456-9802) during the period of January 2019 – December 2019. During this period, 5,550 hours were spent over the 12-month period, an average of 452.5 hours per month (5,550 / 12 months).

The proposed effort is estimated to require similar management efforts through contract award to contract completion (24 months) since the scope and size of the program are a continuation of the previous contract.

METHODOLOGY: (5,550 hrs / 12 months) * 24 months = 11,100
Indirect Cost

In your Basis of Estimate, describe your estimating process, including how your indirect rates were calculated and applied.

Example of indirect rates may include overhead, G&A, fringe, material handling, cost of money, etc.

Provide trends and budgetary data as a basis for evaluating the reasonableness of proposed rate:

- FAR expectation is minimum three years of historical data
- **Flatlining of indirect rates** is considered to be **not** FAR compliant

Indirect cost data must reconcile to the Cost Element Breakdown.
Other Direct Cost (ODC)

List all other costs not otherwise included in the categories previously discussed and provide basis for pricing

Travel
  • Each trip must include
    • number of attendees
    • days on the trip
    • locations visited
    • Travel rates (Car Rental, airfare, per diem, etc.)

Other examples of ODC:
  • consultant services
  • Rental equipment
  • Packing and packaging

ODC data must reconcile to the Cost Element Breakdown

For illustrations of the Cost Elemental Breakdown (CEB), Bill of Materials (BOM), Consolidated BOM (CBOM), Labor, and Other Direct Costs (ODC)
Royalties

If royalties exceed $1,500, provide the following information on a separate page for each separate royalty or license fee:

1. Name and address of licensor;
2. Date of license agreement;
3. Patent numbers;
4. Patent application serial numbers, or other basis on which the royalty is payable;
5. Brief description (including any part or model numbers of each contract item or component on which the royalty is payable);
6. Percentage or dollar rate of royalty per unit;
7. Unit price of contract item;
8. Number of units;
9. Total dollar amount of royalties; and
10. If specifically requested by Lockheed Martin, a copy of the current license agreement and identification of applicable claims of specific patents (see FAR 27.202 and 31.205-37).

Facilities Capital Cost of Money (FCCM)

Submit Form CASB-CMF if FCCM is proposed.

Royalties and FCCM data must reconcile to the Cost Element Breakdown.

Download a Form: [Here]
# Formats for Submission of Line Item Summary

## New Contacts

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## Change Orders, Modifications, and Claims

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<td>Estimate</td>
<td>Cost of Deleted Work Already Performed</td>
<td>Net Cost to be Deleted</td>
<td>Cost of Work Added</td>
<td>Net Cost of Change</td>
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## Price Revision / Redetermination

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<td>Number of Units to be Completed</td>
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<td>Redetermination Proposal Amount</td>
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<td>Incurred Cost – Completed Units</td>
<td>Incurred Cost – Work in Process</td>
<td>Total Incurred Cost</td>
<td>Estimated Cost to Complete</td>
<td>Estimated Total Cost</td>
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</table>

For detailed instructions on each column referenced (#)
Common Proposal Adequacy Checklist (F330) Errors

- Not answering all questions or not answering correctly
- No Index
- Estimating methodology applied is not discussed
- No Cost Breakdown provided for each part
- NRE included in recurring part price
- No CBOM (Consolidated Bill of Material)
- Sub-tier suppliers are not substantiated
- Non-competitive $2M+ Sub-tier CPA reports are not provided with proposal
- **Competitive $2M+ Sub-tiers – missing all competitor’s quotes to validate competition**
- Inter-organizational cost is not substantiated or is incorrectly treated as a sub-tier
- No BOE for Labor; labor cost not broken down by Category, Skill, Task, WBS, Hours, Rates
- No support provided for Indirect Rates (or inadequate support provided)
- FCCOM is proposed but not substantiated
- Supporting Data is not provided in Excel
- **No letter of refusal provided when requesting DCMA audit assistance**
  - Letter does not specify whether permission is granted for the “US government to release a copy of their findings to Lockheed Martin”
Scott Gordon
MASA / TLS CAPA Manager
Phone (407)306-3406
Mobile (817)507-8553
Scott.S.Gordon.jr@lmco.com
Back up Slides
Adequate Price Competition

• FAR 15.403-1 change
  • Effective July 12, 2019 – Immediate implementation with no grace period
  • Procurement Contracting Officers cannot waive the new requirement

• The new FAR requires two or more responsible offerors, competing independently, submit priced offers that satisfy the requirement
  • Eliminates competition exception when only one responsible offer is received

• Based on section 822 of the National Defense Authorization Act
  • “Section 822 excludes from the standard for adequate price competition the situation in which there was an expectation of competition but only one offer is received.”
    • from 27494 Federal Register / Vol. 84, No. 113 / Wednesday, June 12, 2019 / Rules and Regulations
    • Department of Defense (DoD), General Services Administration (GSA), National Aeronautics and Space Administration (NASA)
# Indirect Cost Example

## G&A Expense Examples

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<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020</th>
<th>2021</th>
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## Unallowable

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<th>2019 Actual</th>
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<th>2021</th>
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<tr>
<td>Interest</td>
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<td>($11,317)</td>
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## Total Allowable

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| G&A & Administrative Rate | 7.1% | 6.0% | 6.5% | 7.8% | 8.0% |

## G&A Rate

(G total Allowable / Total Manufacturing Cost)
Supplier Compliant and Timely Proposal Requirements

The Following is Required From Supplier with RFQ Response:

**Access to books and records**
Lockheed Martin or US Government

**Supplier’s Proposal**
Proposal including all non-competitive part numbers and NRE

**Form F330 Adequacy Checklist**
Filled out completely, manually signed and with page numbers/tabs referenced

**Form RF540**
CAS Certification

**Certified Cost or Pricing Data (CCOPD)**
Documentation to support all cost elements must be provided with the proposal on due date
A Cost Breakdown by cost element for all part numbers and NRE is required