



Source Selection Process

Cost Reimbursement Contracts

18 January 2012

Presented to:
National Contracting Management
Association (NCMA)

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Contracting Officers,
Space and Naval Warfare System Command



Topics of Discussion

- ▼ Order of Events
- ▼ Acquisition Planning
- ▼ Source Selection Process
- ▼ Cost Analysis/Cost Realism Analysis
- ▼ Q&A



Order of Events

- ▼ Acquisition Planning/Requirement identified
 - Determination of contract type
 - Define requirement – develop PWS
 - Market research/Synopsis of requirement
- ▼ Development of Source Selection Plan – Sections L&M are developed during this phase; these sections provide the evaluator factors and criteria
- ▼ Release of Request for Proposal (RFP)
- ▼ Evaluation of timely proposal submissions
- ▼ Award



Acquisition Planning: Selecting Contract Type

- ▼ Cost contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract with some type of profit arrangement.
- ▼ Applicable when a firm-fixed price contract (preferred method) is not appropriate due to the immaturity of the product or by the nature of the type of work required.
- ▼ Cost-reimbursement contracts are term (level of effort) or completion.



Acquisition Planning: Term vs. Completion

(see FAR 16.306(d))

Term Type:

- ▼ Obligates contractor to perform a specified level of effort for a stated time period.

- ▼ If performance is considered satisfactory by Government, fixed fee is payable at expiration of agreed-upon period.



Acquisition Planning: Term vs. Completion

(see FAR 16.306(d))

Completion Type:

- ▼ States a definitive goal and end product.
- ▼ Contractor must complete and deliver specified end product within the estimated cost, as a condition for payment of the entire fixed fee.
- ▼ If work cannot be completed within estimated cost, the Government may require more effort without increase in fee (cost overrun).



Source Selection Process



* Not included in SeaPort –e Acquisitions

** SeaPort-e Acquisitions posted via the Seaport-e Portal

***Optional



SPAWAR's Source Selection Process

- ▼ SPAWAR has a documented Source Selection Process which can be found at:

<https://e-commerce.sscno.nmci.navy.mil/cmpg>

- ▼ SeaPort-e has a documented process which can be found at:

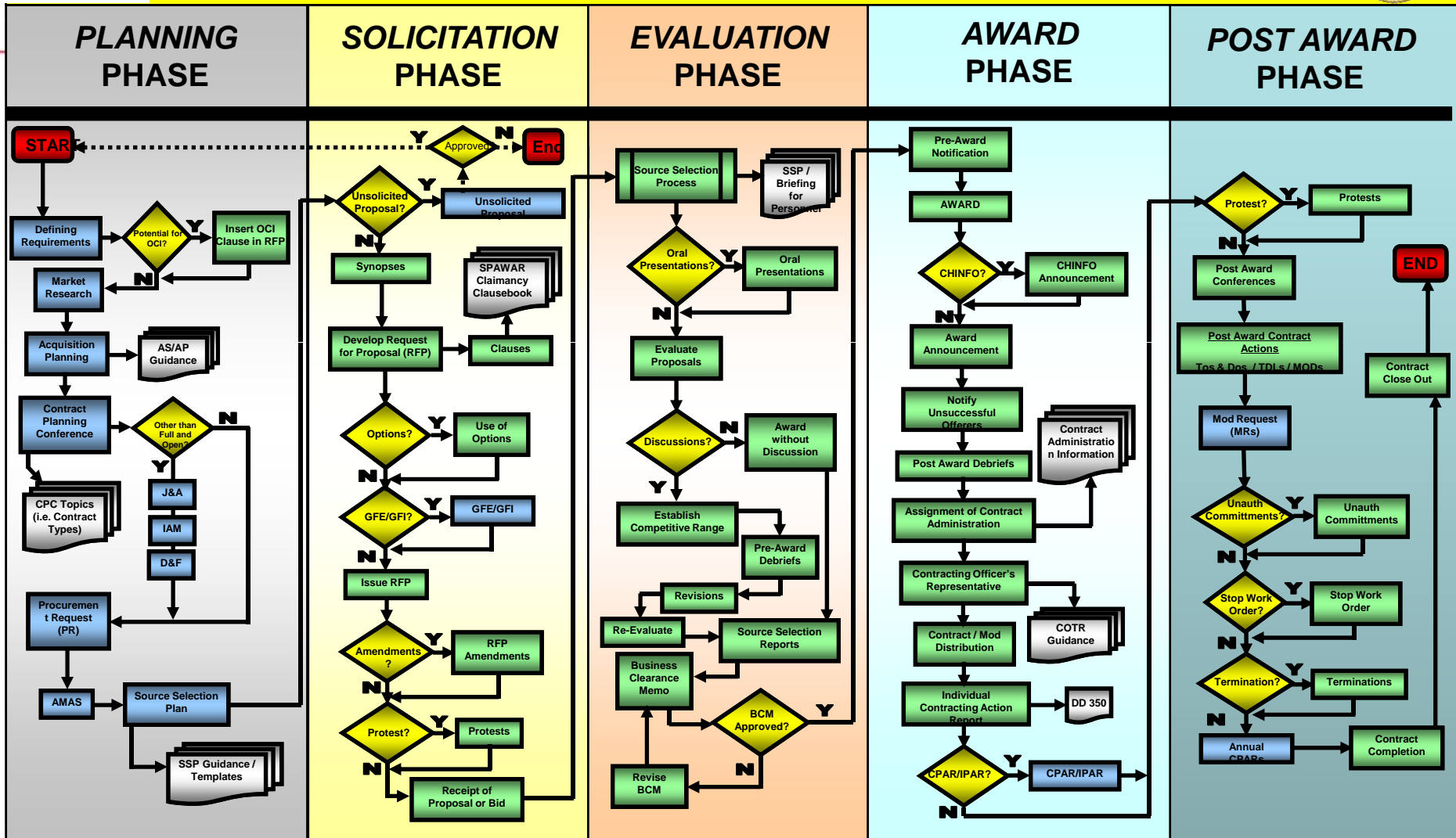
www.seaport.navy.mil



CONTRACT MANAGEMENT PROCESS GUIDE

CONTRACT PROCESS

See Notes 1, 2 & 3



NOTES:

Note 1: This flowchart provides a snapshot of the SPAWAR/PEO (C4I & Space) Contract Process. This flowchart is only a guide in defining when in the Contracting Cycle these tasks normally occur. The exact location in the Contracting Cycle for each item is somewhat flexible depending on Program/Contracting Action dynamics. A more detailed analysis for each Phase can be viewed by clicking on the appropriate phase.

Note 2: The Official Contracting Process is defined in the SCPPM.

Note 3: Please refer to the governing directives for official guidance.

LEGEND

- Program Office (See Note)
- SPAWAR 02 (See Note)
- Supporting Information
- BEGIN / END
- Decision Node

Note: These colors represent the dominate lead for each task.



Source Selection Process

Contracts and Program Office together:

- ▼ Ensure consistency in Defined Requirements; SSP, RFP Section L & M.
- ▼ Contracting Office (**ONLY**) will answer Contractor questions based on Program Office support.



Source Selection Process: Who is involved in Source Selection? (FAR 15.303)

▼ Source Selection Authority –

- Agency Heads are responsible for Source Selection
- Contracting Officer is the SSA, unless another person is so designated

▼ Evaluation Team – EXPERTS

- Contracting
- Legal
- Technical
- Management
- Logistics
- Security
- Cost
- Other Subject Matter Experts



Source Selection Process: Source Selection Plan

- ▼ Source Selection Plan (SSP) sets forth the criteria and evaluation factors for award.
- ▼ The SSP also identifies:
 - Select Evaluation Team(s)
 - Duties and Responsibilities
 - Rules of Conduct
 - Evaluation Procedures
 - Schedule
- ▼ Some Factors are mandatory:
 - Past Performance (can be waived)
 - Small Business Subcontracting (can be waived; not applicable to Small businesses)
 - Cost
- ▼ SPAWAR uses Best Value criteria for award.



Source Selection Process: Section L - Instructions, Conditions and Notices to Bidders

▼ This Section of the RFP provides:

- Formatting instructions
- Page limitations
- Submission time and date
- Evaluation factors and sub-factors – these represent the specific characteristics that are tied to significant RFP requirements and objectives having an impact on the source selection decision and are expected to be discriminators or are required by statute/regulation (DoD Source Selection Procedures 2.3.1).



Source Selection Process: Typical Section L Evaluation Factors

- ▼ Technical Approach – explains the how
- ▼ Program Management Approach – explains how effort will be managed
- ▼ Organizational Experience – explains how it was done before on similar effort
- ▼ Resumes (key personnel) – explains who will manage
- ▼ Past Performance (statutory requirement) – provides evaluation of similar effort performed in terms of breadth, scope, dollar value, contract type(relevancy) and provides evaluation of how well the effort was performed (level of confidence)



Source Selection Process: Section M – Evaluation Factors for Award

▼ This section of the RFP provides:

- Best Value Award Determination
 - Trade-Off Process (FAR 15.101-1)- permits trade-offs among cost or price and non cost factors.
 - Lowest Price Technically Acceptable (FAR 15.101-2)- selection is made of the technically acceptable proposal with the lowest evaluated price (generally not appropriate to cost type contracts).
- Relative Importance of Factors
- Rating Methodology
- Cost Analysis/Realism Methodology



Source Selection Process: Best Value Source Selection Process

- ▼ Best Value award decision is based on that combination of technical and cost factors which offer the Government the “Best Value”

Does not have to be the lowest evaluated cost or have received the highest technical rating



Source Selection Process: Receipt of Proposals

- ▼ Instructions on how to submit proposals are provided in Section L of the RFP.
- ▼ SPAWAR proposals are received electronically via the SPAWAR E-Commerce Central Website

<https://e-commerce.sscno.nmci.navy.mil/command/02/acq/navhome.nsf/homepage?readform>



Source Selection Process: Proposal Submission

▼ Important things to know:

- Read the RFP: Sections A-M, PWS, CDRLs, SPEC, and other Exhibits and Attachments
- Electronic submission is considered late:
 - If the full proposal is not received by the closing time specified in Section L of RFP; time is also specified on the SF26 or SF33 – meaning the time stamp of the recipients' inbox.
 - If technical difficulties are experienced and the Contracting Officer is not notified by 5:00PM of the day prior to the close of the RFP. (FAR 15.208(b)(1)(i))



Source Selection Process: Proposal Submission

▼ Important things to know:

- Approved/Adequate Cost Accounting System is needed for a contractor to be eligible for a cost type contract (FAR 16.301-3(a)(3)).
 - The Defense Contract Audit Agency (DCAA) performs this review at the Contracting Officer's request.
 - Reviews system of methods and records established to identify, assemble, analyze, classify, record and report transactions, and to maintain accountability for the related assets and liability.



Cost Analysis/Cost Realism Analysis

- ▼ Techniques used in the evaluation of cost proposals in a competitive environment

- ▼ Examples of Govt. Cost Realism Techniques include:
 - DCAA/DCMA Forward Pricing Rate Agreements
 - DCAA/DCMA recommendations
 - Information submitted in the proposal for evaluation purposes
 - Payroll Records
 - Contingent Hire Data
 - Historical Direct and Indirect Rates
 - Statistical Analysis



Summary

- ▼ Acquisition Planning – Contract Type established; PWS; Market Research
- ▼ Source Selection Plan – Evaluation Team, Evaluation Factors, Evaluation Criteria, Roles and Responsibilities defined
- ▼ Request for Proposal (RFP) released
- ▼ Evaluation of timely proposals
- ▼ Award Determination is made
- ▼ Contract Award
- ▼ Debriefs: provides basis for ratings for each of the evaluation factors in accordance with the Source Selection Plan and the Request for Proposal



QUESTIONS???

NCMA, San Diego

Part II—MANAGING COST REIMBURSEMENT CONTRACTS

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18 January 2012

Contract Administration for CR Contracts

- Allowability and allocability of vouchered costs (SF1034/1035)
 - Audit and negotiate
 - Overhead rate, monitor and adjust
 - Final incurred cost proposals—each FY
- Final invoice for contract/task order/DO
- Contractor provide data to ACO
- Continual administrative interface/
oversight

Cost Reimbursement Contract Types

- Cost Plus Fixed Fee—CPFF
- Cost Plus Incentive Fee—CPIF
- Cost Plus Award Fee—CPAF
- Cost Plus Award Term—CPAT
- Cost No Fee
- Cost Sharing
- Cost Plus Percentage of Cost (Illegal in U.S. Government Contracting, common in small commercial contracting)

Other Rare Contract Types

- Cost plus fixed loss—C-5 Wing Program
Lockheed absorbed first \$200M overrun
- CPNEIS—cost plus no end in sight
- CPNITC—cost plus no incentive to complete
- CPORC—cost plus overhead rate change
(reorganize, lose business base, rate increases)

Contract Costs Risks

- Who has (1) cost risk (2) performance risk (3) schedule risk (4) changes risk?
- Firm Fixed Price—Seller—3 of 4
- Cost Reimbursement—Buyer—all 4 + Inflation, Seller Business Base, Inefficiencies
- Seller risks reputation and reduced fee earned
- Incentive—Buyer and Seller Share Costs (risks) to Determined Level, Then—CR or FP as Above
- T & M—Mixed, risk of performance is in number of hours expended

Limitations On The Use Of Cost-Reimbursement Contracts

- FAR 16.301-3
 - Contractor's accounting system must be adequate for determining applicable costs;
 - Government surveillance will provide reasonable assurance of the contractor's use of efficient methods & cost controls;
 - Statutory limits exist on price or fee (See FAR 15.903(d))
 - Cost-Reimbursement contracts prohibited when acquiring Commercial Items under FAR Part 12.

CPFF Example

- Negotiated Cost Estimate -- \$650,000
- Negotiated Fee -- \$57,500
 - **TOTAL CPFF Award Amount \$707,500**
 - **Scenario 1** -- Actual Cost Incurred --\$597,000
 - **Scenario 2** – Actual Cost Incurred -- \$785,000
- How Much Does The Contractor Get Paid?

Payment and Financing

- 52.216-7 Allowable Cost and Payment
- 52.216-8 Fixed Fee
- Appropriate clause for Award Fee
- 52.216-10 Incentive Fee
- 52.232-20 Limitation of Costs
- 52.232-22 Limitation of Funds

Defective Pricing—CR Contracts

- FAR 15.408(b) When cost or pricing data is required
- FAR 52.215-10 Price Reduction for Defective Cost or Pricing Data
- Is there defective pricing on cost reimbursement contracts?
 - Contractor profits from defective data
 - Buyer is damaged

Defective Pricing—CR Adjustment

- Reimburse actual costs incurred by contractor so no windfall profit (FFP)
- Damage to the Buyer
 - Fee overstated by \$40,000 of costs
 - Fee reduction on defective amount
 - $\$40,000 \times .07 = \$2,800$
 - Adjustment to fee of \$2800

MANAGEMENT AND ADMINISTRATION

- Implementation and Management Team
- Post Award Conference
- Payments—cost and fee clauses
- Limitation of Cost clause
- Incremental Funding—LOF clause
- ID/IQ Task Order Contracts
- Ordering clause (GD case, e mail orders)
- Option Years
- Changes
- Terminations
- Audits Closeout

Post Award Orientation

- FAR Part 42.5 Purpose
 - Clear understanding of all contract requirements
 - Identify and resolve potential problems
 - Invoicing and payment
 - Quality requirements
 - Reporting
 - Schedule
 - Role of COTR
 - Authority and changes
 - Special provisions
- DFARS 242.503-2 Post-award Conference Record (DD Form 1484)

AUDITS - FINANCIAL

- Forward Pricing Rate Agreement (FPRA)
- Pre Award Audits
 - Proposal Costs
 - Compliance of Accounting System
 - Overhead Rates – Interim Billings
- Post Award Audits
 - Defective Pricing
 - Progress Payments (fixed price)
 - Incurred Costs – Public Vouchers
 - Incurred Costs – Annually (Overhead Rates)
 - Incurred Costs – Total Contract or Delivery Order
 - Incentive Price Redetermination

Invoicing and Payments

- SF 1034 Public Voucher (1035 cont)
- Twice monthly; small business weekly?
- Cumulative costs incurred by cost element
 - Direct costs
 - Indirect costs
 - Material costs
- Pro rata fee based on incurred costs
 - Other basis per fee clause (\$ per manhour)

Cost Reimbursement Contracts

- The Allowable Cost and Payment clause (FAR 52.216-7) provides for the reimbursement of contractor costs that are deemed allowable by the Contracting Officer in accordance with the FAR cost principles (FAR Part 31) and contract terms.
- Contractor prepares and submits SF1034 (monthly or bi-monthly)
- Fee is paid per FAR 52.216-8, Fixed Fee
- DCAA Information for Contractors contains detailed information on preparing and processing public vouchers
- Cap on billable overhead rates

Limitation of Costs Clause

- FAR 52.232-20
 - For a fully funded cost-reimbursement contract
- “The Contractor agrees to use its best efforts to perform the work specified in the Schedule and all obligations under this contract within the estimated cost,....”

Limitation of Costs Clause

- “(b) The Contractor **shall** notify the Contracting Officer in writing **whenever it has reason to believe** that—
- (1) The costs the Contractor expects to incur under this contract in the next 60 days (may be 30-90), when added to all costs previously incurred, will exceed 75 percent (may be 75 to 85%) of the costs specified in the schedule, or
 - (2) The total costs for the performance of this contract, exclusive of any fee, will be either greater or substantially less than had been previously estimated.

Limitation of Costs Clause

(c) As part of the notification, the Contractor shall provide the Contracting Officer

(d) Except as required by other provisions of this contract, specifically citing and stated to be an exception to this clause –

(1) The Government is not obligated to reimburse the Contractor for costs incurred in excess of

- (i) the estimated cost specified in the Schedule or,
- (ii) if this is a cost-sharing contract, the estimated cost to the Government specified in the Schedule; and

Limitation of Costs Clause

- (2) The Contractor is **not obligated to continue performance under this contract** (including actions under the Termination clause of this contract) or otherwise incur costs in excess of the estimated cost specified in the Schedule, until the Contracting Officer
 - (i) notifies the Contractor in writing that the estimated cost has been increased and
 - (ii) provides a revised estimated total cost of performing this contract.

Limitation of Costs Clause

(e) No notice, communication, or representation in any form other than that specified in subparagraph (d)(2) above, or from any person other than the Contracting Officer, shall affect this contract's estimated cost to the Government. **In the absence of the specified notice, the Government is not obligated to reimburse the Contractor for any costs in excess of the estimated cost** or, if this is a cost-sharing contract, for any costs in excess of the estimated cost to the Government specified in the Schedule, whether those excess costs were incurred during the course of the contract or as a result of termination.

Limitation of Costs

- (f) If the estimated cost specified in the Schedule is increased, any costs the Contractor incurs before the increase **that are in excess of the previously estimated cost shall be allowable to the same extent as if incurred afterward**, unless the Contracting Officer issues a termination or other notice directing that the increase is solely to cover termination or other specified expenses.
- (g) Change orders shall not be considered an authorization to exceed the estimated cost to the Government specified in the Schedule, unless they contain a statement increasing the estimated cost.

Limitation of Funds Clause

- FAR 52.232-22

As prescribed in [32.705-2\(b\)](#), insert the following clause in solicitations and contracts if an incrementally funded cost-reimbursement contract is contemplated. The 60-day period may be varied from 30 to 90 days and the 75 percent from 75 to 85 percent. “Task Order” or other appropriate designation may be substituted for “Schedule” wherever that word appears in the clause.

Limitation of Funds Clause

- (I) If the Government does not allot sufficient funds to allow completion of the work, the Contractor is entitled to a percentage of the fee specified in the Schedule **equaling the percentage of completion of the work** contemplated by this contract.
- (End of Clause)

Changes—Cost Reimbursement

- Same authority as fixed price clause
- Same process must be followed
- Equitable adjustment
 - Cost, schedule, or both
 - Fixed fee
- Can't unilaterally change
 - Quantities
 - Schedule

TERMINATIONS

FAR Part 49

CONVENIENCE
DEFAULT
REPUDIATION

CR Termination Clause

- CR termination clause—
 - Allowable costs incurred
 - Subcontractor settlements
 - Disposition of contractor acquired property
 - Termination proposal preparation costs
 - Apportion the fee as earned
 - Part 31 cost principles apply
 - Contractor can appeal CO determination
- Alternate I for construction contracts
- Alternate II, III, IV, and V as appropriate

Reasons for Termination for Default

- Cost Reimbursement (FAR 52.249-6):
 - Late Performance (Show Cause, 49.403)
 - Failure to make progress (Cure Notice)
 - Violation of “other” provision (Cure Notice)
- Failure to meet a scheduled delivery?
- Common Law
 - Anticipatory repudiation (Show Cause)
 - Abandonment
- Consider 7 factors in 49.402-3(f)

Managing Cost Reimbursement Contracts

QUESTIONS ?

AND

ANSWERS ?*

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*See limited lifetime warranty.

CONTRACT CLOSEOUT

- IT'S NOT OVER UNTIL....IT'S OVER
 - Physical Completion
 - Administrative Completion
 - Final Payment
- Come back in 15 minutes for Part III with Ken Adam

You Will Soon Be A Graduate of the NCMA,SD



Managing Cost Reimbursement Contracts!

CONTRACT CLOSEOUT

- IT'S NOT OVER UNTIL....IT'S OVER
 - Physical Completion
 - Administrative Closeout
 - Financial Closeout

CONTRACT CLOSEOUT

KENNETH ADAM

Warranted ACO 23 Years

DACO

Negotiated Final Indirect Rates

Negotiated Quick Closeout Rates

Retired Navy Supply Officer

DAWIA LEVEL III, MBA

CONTRACT CLOSEOUT

Objective of today's training:

- Review the elements of contract closeout
- Discuss the elements that create the roadblocks to closeout
- Discuss look at options that can help reduce the closeout backlog.

CONTRACT CLOSEOUT

- Physical Completion
- Administrative Closeout
- Contractor's Action Items
- Buyer's Technical Action Items
- Buyer's Other Action Items
- Third Party Action Items

CONTRACT CLOSEOUT

- BEGINS WITH SOLICITATION
- CHANGE ORDER ADMIN PART OF RECORD
- PHYSICAL COMPLETION INITIATES CLOSEOUT
- CLOSEOUT TRIGGERS TIME PERIODS
- INCURRED COST AUDIT CRITICAL MILESTONE
- FUNDS REQUIRED
- FINAL PAYMENT--ALMOST COMPLETE
- FUNDS RELEASED
- RECORDS RETENTION
 - FAR Part 4
 - IRS
 - SEC

CONTRACT CLOSEOUT

What does the solicitation have to do with contract closeout?

- It is always easy to tell when the contract starts, but most cost reimbursable contracts are vague or fail to define what constitutes “completion’ of individual line items.
- Likewise, there is often no requirement for Government acceptance. It is difficult to closeout a contract that has not been “accepted.”

CONTRACT CLOSEOUT

What does the solicitation have to do with contract closeout? (cont'd)

- Who is the 1st Government Representative who “disappears” after the Statement of Work is complete?—The one who is responsible for Acceptance.

CONTRACT CLOSEOUT

Contract Completion

- All deliverables inspected, accepted and delivered
- All Line Items (CLINs) accepted by the Government

Contract Closeout

Administrative Closeout

- All Government Furnished Property (GFP/GFE) dispositioned

CONTRACT CLOSEOUT

- Final invoice
- Audits
- Intellectual property – patents, tech data, copyrights
- Certification of completed work
- Gov't furnished property or equipment
- Any pending claims
- Release of claims and final payment

ADMIN COMPLETION

- PHYSICALLY COMPLETE
- All Contract Changes Negotiated
- Cleanup and Property Disposition
- Bonds/Lien Releases
- Final Price Determined (CR)
- Final Payment
- Records Retention/Audit

Administrative Completion

- Disposition of GFE/GFP & GFI
- Disposition of classified material is completed
- Final patent report is cleared
- Final royalty report is cleared
- There is no outstanding value engineering change proposal

Administrative Completion

- Plant clearance report is received
- Property clearance is received
- All interim or disallowed costs are settled

Financial Closeout

- Incurred Cost Proposals Submitted
- Quick Closeout Rate Proposal Submitted
- Incurred Cost Proposals Audited
- Quick Closeout Rates Negotiated
- Final Indirect Rates Negotiated
- Final invoice is submitted
- Final payment made
- Excess Funds Removed
- Retention of records from final payment date

FINAL PAYMENT-COST

- FAR Part 31 Defines
 - Direct vs. Indirect
 - Overhead Pools
- FAR Subpart 31.205
 - Specific Cost Elements
- Provisional vs. Final Indirect Cost Rates for Cost Reimbursement and Incentive Contracts FAR Part 42.7

FINAL ANNUAL INCURRED COSTS PROPOSAL

- 6 Months After End of Contractor FY
- Signed Rate Certification Letter
- Actual Allowable Cost for Contractor FY
- Audit/Negotiate Rate Proposal
- Contract Mod for Final Rate Impact
- Adjustment Invoice/Final Payment
- Dispute/C.O. Determination
- Multiple year ID/IQ Task Order Contract

CLOSEOUT ISSUES

- ID/IQ Contracts--Task Order/Delivery Order
 - Incurred cost proposal
 - Each fiscal year
 - At order completion
 - Quick Closeout Request with ICP
 - Changes to order
 - Negotiate
 - Order modification

CLOSEOUT ISSUES

- Payments
 - Interim final voucher
 - Canceling funds
 - Final payment
 - De-obligate excess funds
- Other completion audits

CLOSEOUT ISSUES

- CHANGE PROPOSALS
- INCURRED COSTS/RATES
- POST COMPLETION AUDITS
- PROPERTY DISPOSAL
- SUBCONTRACTORS FINAL COSTS
- SMALL BUSINESS GOALS
- RECORDS STORAGE

Contract Closeout

- Subcontracts are settled by the prime contractor
- Prior year indirect cost rates are settled
- Contract audit is completed
- Contractor's closing statement is completed
- Contractor's final invoice has been submitted
- Assignment of refunds, rebates, credits
- Release of liabilities, claims FAR 52.207(h)
- Contract funds review is completed and de-obligation of any excess funds

Contract Closeout

Is there any way we could make it any harder than it currently works?

Is there anything we can do to make it easier?

Contract Closeout

PCO's

- Don't write contracts with fixed billing rates
- Don't write contracts that require contractors to change approved systems or violate Cost Accounting Standards
 - Imposing Fixed Billing Rates
 - No fee on G&A
- Eliminate unnecessary clauses, e.g patents clause on service contracts

Contract Closeout

PCO's (cont'd)

- Post-Award meeting with contractor and ACO office
- Annual GFE review; contract mod
- Make sure Contract Completion is clearly defined and that there is a designated Government Representative to do Government Acceptance

Contract Closeout

PCO'S:

- Make sure that there is a financial review prior to the end of the contract (every year for a multi-year contracts) to ensure that there are sufficient funds to closeout the contract
- Make Contract Completion and Administrative Closeout part of contract performance

Contract Closeout

Does the Contractor have any control over Closeout ?

Is there anything that contractors can do to improve the closeout process?

Contract Closeout

What can contractors do?

- Read the contract and develop a plan to include Contract Completion and Contract Closeout
- Ask for a post-award meeting; make sure all delivery and payment terms are clearly stated; make sure all issues of contract completion are addressed and the Government Representative for Acceptance is identified and has an “obligation” to sign an Acceptance Document

Contract Closeout

- Make sure that your own people understand contractual authority of government personnel
- If there is any GFE or GFM, make sure it is added by modification and that you have disposition instructions
- If the GFE/GFM is incorporated into a higher level assembly, make sure it is traceable to acceptance of that assembly

Contract Closeout

- GFI needs to be incorporated by modification, which should include disposition instructions or the name/position of the individual who will provide them
- 60 days prior to completion, request disposition instructions for all remaining GFE; identify funds required to return them if they are not otherwise dispositioned.
- Use the ACO Office to get disposition instructions if they are not forthcoming from the Customer/Program Office

Contract Closeout

- Develop a contract closeout procedure
- Incorporate a process to collect data on all Completion Actions and Administrative Closeout Actions and a tracking process for all incomplete actions
- Set a time period goal (30-60 days) for Contract Completion and Administrative Closeout and measure it
- Use DD Form 1597 Contract Closeout Checklist) as a closeout guide

Contract Closeout

- Submit Limitation of Funds/Cost (LOF/C) Notice to notify the PCO/Customer if additional funds are required to complete the contract. If there are multiple CLINs with more than one type of funds (color of money), submit a notice for each CLIN
- On multi-year contracts, submit LOF/C Notice every year.

Contract Closeout

- NEVER over-run a CLIN/Contract before submitting a LOF/C Notice
- If you are forced to use Fixed Indirect Billing Rates:
 1. Make sure you notify the PCO that this is potentially a directed violation to the Allowable Cost and Payment Clause and requires an unapproved change to your approved Billing System

Contract Closeout

- If you are forced to use Fixed Indirect Billing Rates:
 2. Ask the PCO to include language in that clause to identify at what point the Rates in the Contract are to be replaced by your actual indirect rates.
 3. Submit LOF/C Notice based on actual costs, and not the costs based on the directed billing rates.

Contract Closeout

- Perform Contract Completion and Administrative Closeout on a contract basis; perform Financial Closeout on a Fiscal Year basis.
- Submit Incurred Cost Proposal on time. Request an extension prior to the due date
- Submit a request for Quick Closeout Rates with the Incurred Cost Proposal (identify contracts and subcontracts for applicability)—target 50%+ of all contract actions
- Negotiate an Advance Agreement for Areas of Questioned Cost

Contract Closeout

- Use Quick Closeout for subcontracts when they have Rates
- When you are a subcontractor, ask your prime to use Quick Closeout Rates on your subcontract
- When allowable, negotiate subcontracts that can be closed quickly, i.e. FFP, FPLOE, T & M

Contract Closeout

DCAA Audit

- When notified that DCAA is auditing, make sure to properly prepare for them.
- Ask the auditor to explain how they will conduct the audit; when and where will the exit conference be held; how much time you will have to respond to any questioned costs

Contract Closeout

- Review DCAA Contract Audit Manual prior to responding to any questioned costs
- Hold DCAA to their own standards of auditing
- Above all else, be professional
- The only remedy a contractor has to expedite the contract audit process is to file a Claim in accordance with the Disputes Clause

Managing Cost Reimbursement Contracts

QUESTIONS ?

AND

ANSWERS ?*

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*See limited lifetime warranty.

And You Are Now A Graduate of



Managing Cost Reimbursement Contracts!

Speakers Bio

Kate McCoy has been working in Government contracting for 8 years. She is a graduate from the Naval Acquisition Intern Program (NAIP). She worked as a contract specialist at the Naval Air Warfare Center Aircraft Division (NAVAIR) supporting the Procured Precision Strike Weapons, specifically Harpoon Missiles, SLAM-ER, Joint Stand-Off Weapon (JSOW) Missiles, and Aircraft Armament Equipment. For the past 1.5 years, she has been a Contracting Officer at the Space and Naval Warfare Systems Command. During this time, she supported PEOC4I specifically the Digital Modular Radios (DMR), Battle Force Tactical Network (BFTN) and Submarine High Data Rate Antenna System (SubHDR) programs.

Kate graduated with a bachelors in Business Administration and English Literature from the University of Pittsburgh and has a Master's degree from the College of Notre Dame of Maryland.

Kelly Smith is a Contracting Officer for the Space and Naval Warfare Systems Command (SPAWAR), Headquarters. She received a Bachelor of Business Administration with a concentration in Accounting from North Carolina Central University in Durham, North Carolina. She has been a Contracting Officer since 2009 and has been in the contracting field since 1998. She started her career as a Naval Acquisition Intern with the Naval Air Warfare Center - Aircraft Division (NAWC-AD), a systems center field office for the Naval Air Systems Command (NAVAIR) in Patuxent River, Maryland and briefly supported the Fighter Aircraft (F/A) 18 program for NAVAIR Headquarters. In 2000, as required by the internship program, she completed her external rotation at SPAWAR and eventually made the transition to complete her internship at SPAWAR, from which she graduated in 2001. In her career at SPAWAR, she has provided contractual support to the Multifunctional Information Distributions System (MIDS) Fight Data Link (FDL) Program (formerly PMW 101/159), the Tactical Networks Program Office (PMW 160), the Command and Control (C2) Program Office (PMW 150) and the International Command, Control, Communications, Computers and Intelligence (C4I) Integration Program Office (PMW 740).

Kenneth Adam

B.S, MBA in Finance

DAWAIA Level 3 in Contracting

AFIT Certificate in Contracting

Currently working part-time at the Procurement Technical Assistance Center San Diego working with small businesses, to help them with getting registered and certified, and locate opportunities for prime contracts and subcontracts with federal, state and local buying activities. Also working as an independent consultant on federal government contracts.

Ken has over 20 years as a warranted Administrative Contracting with Defense Contract Management Agency (DCMA) supporting major buying commands for Department of Defense and other Defense Related Agencies. Worked with every type of contract from purchase orders with small businesses to ACAT I programs with top 20 government contractors. Extensive background in working with Defense Contract Audit Agency (DCAA) in negotiating final overhead rates; monitoring and reporting for Earned Value Management Systems reports and status: developing Quick Closeout Rates and contract closeout. He emphasized the use of both Post Award meetings and regular program reviews with contractors and PCO/Technical Office personnel, and implementation of Contract Closeout plans. Almost 20 years with DCMA Special Programs retiring in 2009, administering some of the largest classified contracts with all DOD and a number of non-DOD Agencies.

Ken had almost thirty years Active/Reserve with the Navy Reserve as a Supply Corps Officer. He retired as a Captain.

JAMES SOUTHERLAND

jimso-cas@att.net

Jim Southerland has over 30 years experience in Government contracts and subcontracts. For the past 25 years, he has been President of Contracts Advisory Services, Inc., a training and consulting company specializing in Public Agency contracting. He has experience in all types of contracting and subcontracting with various agencies and companies.

Jim has conducted numerous NCMA seminars, presented public seminars in most topics of interest to government contractors and subcontractors and taught contracting courses at several universities. He currently teaches for American Graduate University and Federal Publications Seminars. Jim has authored a series of training texts for Subcontract Management, Price and Cost Analysis, Proposal Preparation, and Contract Management training. He consults on systems compliance, proposal preparation and purchasing systems reviews.

A graduate of Purdue University, he has a Master's degree from the University of Southern California. Jim is a lifetime CPCM and Fellow of NCMA.

ADJUNCT FACULTY RESUME

NAME

JAMES F. SOUTHERLAND
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EDUCATION/CERTIFICATION

1957 BS Transportation, Purdue University, West Lafayette, IN
1970 MS Systems Management, Univ Southern Calif, Los Angeles, CA
1973 Community College Teaching Credential, El Camino CC, Torrance, CA
1974 Certified Professional Contract Manager, National Contract Management Assoc.

PROFESSIONAL EXPERIENCE

1974-84. Northrop Corporation, Hawthorne, CA. Various contract management positions. As Director of International Contract Acquisitions, negotiated complex international agreements to establish aircraft factories in two foreign countries for licensed production. Coordinated with foreign government, U.S. Dept of State, Dept of Defense and U.S. Air Force. Managed advanced programs R&D contracts.

1978-95. Univ of California Los Angeles Extension. Developed and taught courses in principles of government contracts, contracts management, pricing, financial management, legal aspects, negotiation, special topics.

1984-present. Contracts Advisory Services, Inc. President of consulting company specializing in consulting and training for defense contractors and public agencies. This experience includes the full spectrum of activities from requirements development/source selection, proposal preparation, pricing, negotiation, contract preparation, management and proposals for equitable adjustment. He has taught all aspects of government contracting to hundreds of students and working professionals throughout the world.

1985-present. American Graduate University, Covina CA. Instructor for public and on site courses for both government and industry. Taught contract management, contract basics, source selection, pricing, cost and price analysis, service contracting, negotiations, subcontract management and various specialized courses such as Performance Based Work Statements, COTR training and Change Management. Updated existing courses and developed other new or topical courses for both public and on site presentations. Presented courses equivalent to DAU Con 101, 104, 202, and 235.

1998-present. Federal Publications Seminars, Inc, Fairfax, VA. Teach courses in government contracting and subcontracting, managing changes, teaming agreements, performance based contracting and commercial contracting. Developed and taught course in cost and price analysis. Both public and on site presentations.

1980-present. Workshops, speeches and seminars for various professional associations.

2002-2004 USDA Graduate School. Taught three courses several times.

ACQI 7000 Basic Contract Administration

ACQI 7001 Introduction to Government Contracting

ACQI 7003 Contracting Basics for COTRs

On site training at DOE Las Vegas, Los Alamos, Idaho Falls, Fort Monmouth, Edwards AFB, Bainbridge Naval Station, Lockheed Martin, Northrop Grumman, BAE Systems, L-3, Aerojet, Pratt & Whitney, General Electric, IBM, TRW, Hughes, JPL.

PUBLICATIONS

MANAGING SERVICE CONTRACTS Training course developed for AGU

BASICS OF GOVERNMENT CONTRACTING Training course developed for AGU

BUYER'S TECHNICAL REPRESENTATIVE GUIDE 1 day course developed for AGU

CONTRACTING OFFICER TECHNICAL REPRESENTATIVE 3 day course for AGU

WINNING PROPOSALS: A GUIDE FOR THE FEDERAL CONTRACTOR. 2001

Ghost author and reviewer for Hordell and Hoffman.

MANAGING SUBCONTRACTS 2 day course developed for Federal

Publication Seminars. Presented both in house and as public seminar

COST AND PRICE ANALYSIS 2 day course for Federal Publications Seminars

"When is a Purchase Order not a Contract? Welcome to COILTRON, Inc.", 1999

Series of three articles published in CONTRACT MANAGEMENT by NCMA

REFERENCES

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