

A Lockheed Martin F-35 fighter jet is shown in flight against a blue sky with white clouds. The jet is viewed from a low angle, looking up at it. The cockpit canopy is prominent, and the aircraft's stealthy design is evident. The background shows a clear blue sky with scattered white clouds.

*Adequacy of Proposals*  
for  
*Global Supply Chain*

# Adequacy of Proposals



## Objectives

This resource document covers the following:

- An overview of the proposal process, including applicable FAR (Federal Acquisition Regulations) and DFARS (Department of Defense FAR Supplement) definitions and requirements for submitting certified cost or pricing data
- The roles and responsibilities of the Procuring Contracting Officer (PCO) and Administrative Contracting Officer (ACO), the Offeror and the Lockheed Martin Authorized Procurement Representative (hereinafter referred to as the Lockheed Martin Buyer) concerning proposal adequacy
- The general requirements for an adequate proposal
- Assessing the adequacy of the data supporting estimates for the individual cost elements proposed
- Assessing the adequacy of the data supporting special items proposed, the adequacy of proposals when costs have already been incurred, and the adequacy of change order proposals
- Introduction to the Proposal Adequacy Checklist required to be completed by all Offerors when required to do so by the Lockheed Martin solicitation



## Outline

This reference document is made up of the following sections:

- Background Information
- Responsibilities for Adequacy
- General Adequacy Requirements
- Material and Subcontracts
- Direct Labor Costs
- Indirect Costs
- Other Direct Costs
- Royalties
- Proposal Adequacy Checklist
- Conclusion



## **Background Information**

We must understand the nature and purpose of proposals to assure proposal adequacy. As you navigate through the sections that follow, imagine yourself in the role of Government auditor (e.g., DCMA, DCAA) as you consider the necessity and effectiveness of current, accurate and complete certified cost or pricing data.

This section contains the background information needed to understand how the Government uses proposals and why so much effort is spent to ensure they are adequate.



## What is a Proposal?

**FAR 31.001** defines a proposal as ***any offer or other submission used as a basis for pricing a contract, contract modification, or termination settlement or for securing payments thereunder.*** This resource document focuses only on adequacy requirements for proposals that require Offerors to submit certified cost or pricing data.

Under certain conditions, certified cost or pricing data are not required. Those exceptions are specified later in this presentation.



## PCO and ACO Role in Cost Analysis

**FAR 15.404-1(a)(3)** requires the Government to perform a cost analysis to evaluate the reasonableness of individual cost elements included in proposals that require submission of certified cost or pricing data. Cost analysis procedures generally include the following activities by either the Procuring Contracting Officer (PCO) or the Administrative Contracting Officer (ACO):

- Performing a technical appraisal of the estimated labor, material, tooling, and facilities requirements and of the reasonableness of scrap and spoilage factors
- Comparing proposed costs to:
  - Previous cost estimates from the offeror or from other offerors for the same or similar items
  - Other cost estimates received in response to the Government's request
  - Independent Government cost estimates by technical personnel
- **Determining if the proposal is adequate to provide a sound basis for pricing decisions and contract award**



## 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.



## Certified Cost or Pricing Data (cont'd)

Some of the most important aspects of certified cost or pricing data are:

- The data must be information that could reasonably be expected to significantly affect negotiations to qualify as cost or pricing data
- Certified cost or pricing data must be factual and verifiable
- Facts forming the basis for Offeror judgments qualify as certified cost or pricing data even though the judgments themselves do not



## **Certified Cost or Pricing Data (cont'd)**

Certified cost or pricing data also includes such factors as:

- Vendor quotations
- Nonrecurring costs
- Changes in production methods and in production or purchasing volume
- Data supporting projections of business prospects and objectives and related operations costs
- Unit-cost trends such as those associated with labor efficiency
- Make-or-buy decisions
- Estimated resources to attain business goals
- Information on management decisions that could have a significant bearing on costs



## Certified Cost or Pricing Data Submission Criteria

The threshold for obtaining certified cost or pricing data is defined in FAR 15.4. Currently, this threshold is \$2M, but USG prime contracts prior to July 1, 2017 may require a lower threshold. 15.403-4(a) requires certified cost or pricing data if a pricing action exceeds the threshold, unless one of the exception criteria (described later in this lesson) apply, before:

- Awarding any negotiated contract (except undefinitized actions such as letter contracts)
- Awarding a subcontract at any tier, if the Offeror and each higher-tier subcontractor have been required to furnish certified cost or pricing data
- Modifying any sealed bid or negotiated contract (whether or not certified cost or pricing data were initially required) or any subcontract covered in the second bullet above. Price adjustment amounts should consider both increases and decreases. (For example, a net \$900,000 modification resulting from a \$1,500,000 reduction and a \$600,000 increase is a price adjustment over \$2,000,000.) This requirement does not apply when the same modification includes unrelated and separately priced changes for administrative convenience that would not otherwise require certified cost or pricing data.



## Exception Criteria

**FAR 15.403-1(b)** prohibits the PCO from requiring Offerors to submit certified cost or pricing data:

- If the price is based on adequate competition
- If the price is set by law or regulation
- For the acquisition of a commercial item
- When the head of the contracting activity grants a waiver
- For modifications to contracts or subcontracts for commercial items



## **Responsibilities for Adequacy**

This section identifies the benefits of reviewing proposals for adequacy, responsibilities for proposal adequacy, and the actions required when there are inadequacies.



## Offeror Responsibilities

The Offeror is solely responsible for preparing and submitting an adequate proposal and supporting its proposed costs. When the proposal is submitted, it should be complete and ready for audit.

**FAR 15.403-4(b)** further emphasizes this responsibility by requiring Offerors to certify that, as of the date of price agreement, the certified cost or pricing data submitted in support of its proposals are current, accurate and complete.



## Lockheed Martin Buyer Responsibilities

The Lockheed Martin Buyer is the decision maker in the procurement process. For proposals requiring the Offeror to furnish certified cost or pricing data, the Lockheed Martin Buyer must determine:

- If the certified cost or pricing data the Offeror submits is acceptable as a basis for negotiating a fair and reasonable price
- Whether the proposal complies with the requirements of **FAR 15.4**; in particular **FAR 15.408, Table 15-2**
- If the Offeror will be able to perform the contract
- Which Offeror will be awarded the contract
- What clauses to include in the contract
- An acceptable contract price



## **General Adequacy Requirements**

This section identifies the general FAR requirements for an adequate proposal. These requirements form the basis for initial assessment of proposal adequacy.



## General Requirements

**FAR 15.408, Table 15-2** requires the first page of the pricing proposal to contain the following:

- The solicitation, contract and/or modification number
- The name and address of the Offeror
- The name and telephone number of the Offeror's point of contact
- Name of the contract administration office (if available)
- The type of proposed contract action (new contract, change order, price revision/redetermination letter contract, unpriced order, or other)
- Proposed cost; profit or fee; and total
- If Government property will be required for use in performing the contract
- If the Offeror is subject to cost accounting standards



## General Requirements (cont'd)

- If the Offeror has submitted a CASB Disclosure Statement and if it has been determined adequate
- If the Offeror has been notified they are, or may be, in noncompliance with their Disclosure Statement or cost accounting standards and, if yes, an explanation
- If any aspect of the proposal is inconsistent with the Offeror's disclosed practices or cost accounting standards and, if so, an explanation
- If the proposal is consistent with the Offeror's established estimating and accounting practices and procedures and **FAR Part 31 Cost Principles** and, if not, an explanation
- Date of submission
- Name, title and signature of authorized representative



## General Requirements (cont'd)

The following statement must also be included on the first page of the proposal:

*This proposal is submitted in response to the solicitation, contract, modification, etc. and 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, the Offeror, if selected for negotiation, grants Lockheed Martin and 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 or 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*



## Summary Cost-Element Breakdowns

**FAR 15.408, Table 15-2** requires Offerors to segregate the proposal by line item with sufficient detail to permit cost analysis. Offerors must also attach cost element breakdowns for each proposed line item and furnish supporting breakdowns for each cost element consistent with its cost accounting system. The Offeror must provide summary total amounts for each cost element covering all line items when it proposes more than one contract line item.



## Other Requirements

For the proposal to be adequate, the Offeror must also:

- Submit a copy of any agreement on use of forward pricing rates/factors reached with Government representatives and describe its nature. This is typically referred to as a Forward Pricing Rate Agreement (FPRA).
- Submit, and clearly identify as such, certified cost or pricing data. Identify on the proposal cover sheet that certified cost or pricing data are included in the proposal.
- Include an index, appropriately referenced, identifying all certified cost or pricing data and information accompanying or identified in the proposal. Future additions and or revisions must also be annotated. This is not the Table of Contents.
- Submit any information reasonably required to explain the offeror's estimating process, including:
  - The judgmental factors applied
    - The mathematical or other methods used in the estimate, including those used in projecting from known data
  - The nature and amount of any contingencies included in the proposed price.
- Identify costs incurred for work performed before proposal submission that are included in the proposal
- A completed F330, Proposal Adequacy Checklist (defined in detail later in this training module)



## What Constitutes Submission?

There is a clear distinction between submitting certified cost or pricing data and merely making available books, records, and other documents without identification. The requirement for submission of certified cost or pricing data is met when all accurate certified cost or pricing data reasonably available to the Offeror have been submitted, either actually or by specific identification, to Lockheed Martin. As later data come into the Offeror's possession, it should be submitted promptly to Lockheed Martin in a manner that clearly shows how the data related to the Offeror's price proposal. The requirement for the 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. See **FAR 15.408, Table 15-2, Note 1.**

Data submitted by specific identification should be readily available and waiting for review. The subcontractor should not need to create this data or other information during field visits.

All certified cost or pricing data or other information submitted with or referenced or otherwise utilized in providing the proposal, must be identified on a separate index as required by **FAR 15.408, Table 15-2, Section I.B.**



## Keeping the Proposal Current

As stated above, the Offeror's responsibility for an adequate proposal does not end when the proposal is submitted. **FAR 15.408, Table 15-2** requires the Offeror to promptly submit any later information impacting the proposal as it comes into the Offeror's possession.

The Offeror must submit the data in a manner that clearly shows how the information relates to the price proposal. In addition, the Offeror must annotate any future additions and/or revisions, up to the date of agreement on price, on a supplemental index.

## **Material and Subcontract Costs**

In this section, the FAR submittal requirements related to material and subcontract costs are identified.

## Direct Materials

**FAR 15.408, Table 15-2** requires the Offeror to provide a consolidated priced summary of individual material quantities (typically referred to as a Consolidated Bill or Material, or CBOM) included in the contract being proposed. The proposal should also include Bills of Material (BOMs) at the line item level as well. The CBOM and line item BOMs should include raw materials, parts, components, assemblies, subcontracts and services to be produced or performed by others.

**FAR 15.403-5** allows the Offeror to use its own format for this and other summaries.

Material items proposed must include:

- Source, quantity and cost
- The basis of estimate (BOE) which describes the basis for proposed material costs

## **Basis for Estimating Material Items**

The basis for a material item estimate may be a supplier quote, purchase history with or without escalation, weighted average cost, etc. Different material items and/or categories may be costed by different methods.

The summary of material cost, included in the functional cost summary, provides traceability to the BOE.

The material BOE, containing task orders or CLINs, quantities, and part numbers, etc., in conjunction with the functional cost summary, provides a consolidated price summary and provides traceability to the Bill of Material (BOM).

## Bill of Material Elements

A Summary CBOM or line item BOM must identify elements such as:

- Part number
- Nomenclature
- Material type
- Non-recurring costs
- Quantity required
- Unit of measure
- Basis of cost, for example:
  - A = Moving average inventory cost
  - Q = Quote
  - E = Engineering estimate
  - C = Catalog pricing
- Unit cost and extended cost
- Escalation and/or decrement

## Subcontracts

The requirements placed on prime Offerors also apply to subcontractors. When the Government requires the prime to submit certified cost or pricing data, its suppliers must also submit certified cost or pricing data to the prime contractor (or next-higher tier subcontractor), as appropriate. The exceptions to the certified cost or pricing data requirements for Offerors also apply to Offeror's sub-tier suppliers. Certified cost or pricing data submittal requirements for Offeror's sub-tier suppliers are described specifically in **FAR Part 15.404-3(c)(1)**.

## Supplier Competition and Certified Cost or Pricing Requirements

For competitively priced items over the certified cost or pricing data threshold, the Offeror must provide data showing the degree of competition and the basis for establishing the source and reasonableness of the price. Where adequate competition exists, certified cost or pricing data is not required from the Offeror; however, other than certified cost or pricing data may be required in support of the proposed price. An exception at **FAR 15.403-1(b)** applies.

## Noncompetitive Subcontracts

The requirements for noncompetitive subcontracts exceeding the certified cost or pricing data threshold are as follows:

- Include in proposal the basis for establishing the reasonableness of the price (Cost/Price Analysis)
- Support required is to be the same as for all higher tier Offerors where certified cost or pricing data is required.
- When purchasing commercial items (see **FAR Part 2.101**) the submittal of certified cost or pricing data is not required - but validation of the commerciality and price reasonableness using market research is required

## Evaluation of Sub-Tier Prices

For all sub-tier proposals over the certified cost or pricing data threshold, where the subcontractor is required to submit certified cost or pricing data, the Offeror is responsible for:

- Conducting a price analysis and a cost analysis
- Including the results of sub-tier proposal reviews and evaluations as part of the Offeror's certified cost or pricing data submittal
- For Price and Cost analyses not available at time of proposal submittal, provide a matrix showing:
  - Planned date of proposal receipt
  - Planned date of factfind completion
    - Planned date for price and cost analyses completion and submittal to Lockheed Martin
- All outstanding Price and Cost Analyses must be submitted in time to support Government audit, typically within 60 days of initial proposal submittal to Lockheed Martin
- The amount in the Offeror's proposal should always reflect any negotiation reductions, decrements or other adjustments anticipated by the Offeror's sub-tier suppliers.

## Inter-organizational Transfers

Inter-organizational transfers are defined as ***materials, supplies, or services sold or transferred between any divisions, subsidiaries, or affiliates of a Offeror under a common control.***

- Competitive Interorganizational Transfers--the criteria described for competitive material or subcontract items also governs competitive Inter-organizational Transfers. For Inter-organizational Transfers priced at other than cost, **FAR 15.408, Table 15-2** also requires an explanation of the pricing method.
- Non-competitive Inter-organizational Transfers--for non-competitive Inter-organizational Transfers priced at cost, the Offeror must provide a separate breakdown of cost by element, even if below the certified cost or pricing data threshold.

## Inter-organizational Transfers (cont'd)

**FAR 31.205-26(e)** establishes allowability criteria for inter-organizational transfers proposed on an "other than cost" basis. Such transfers may be at price rather than cost when:

- It is the established practice to price such transfers for the commercial work of the Offeror and any division subsidiary or affiliate of the Offeror, *and*
- When the item being transferred qualifies for an exception under **FAR 15.403-1(b)** and the Contracting Officer has not determined the price to be unreasonable

The price of commercial items transferred at a price based on a catalog or market price may be adjusted to reflect the actual cost of any modifications necessary because of contract requirements under the provisions of **FAR 31.205-26(f)**.

## Sub-tier Supplier Certification

Certified cost or pricing data must be obtained from sub-tier suppliers when the:

- Higher tier Offeror is required to submit certified cost or pricing data, and
- Subcontract or purchase order is expected to exceed the certified cost or pricing data threshold

If Lockheed Martin is not required to submit certified cost or pricing data, with the exception of a waiver, there is no requirement to obtain or submit certified cost or pricing data for subcontracts in support of the proposal.

If a waiver is granted to a prime contractor such that certified cost or pricing data are not required, the contractor is viewed as having submitted certified cost or pricing data. However, because the waiver is with the contractor and not the subcontractor(s), subcontractors are still required to submit certified cost or pricing data if the value is expected to exceed the certified cost or pricing threshold. (Note: A waiver is not the same as an exemption or exception.)

The Certificate of Current Cost or Pricing Data, certifying that all data is current, accurate and complete, must be effective as of the date of the agreement on price and executed (signed) as close as reasonably possible to the agree to date allowing time for internal certification processes. This will not necessarily be the same date as Lockheed Martin's certification date.



## **Direct Labor Costs**

In this section, the FAR submission requirements related to direct labor costs are identified.



## General Requirements

Offerors must provide a time-phased breakdown of labor hours, rates, and cost by appropriate labor category, and furnish the basis for its estimates ***for the entire period of performance***. FAR 15.408, Table 15-2 requires the Offeror to identify labor costs as they are projected to be incurred. The breakout by category must be consistent with the method of cost accounting.



## Basis for Labor Estimates

**FAR 15.408, Table 15-2** also requires the Offeror to provide the basis for estimates of labor costs. For instance, the Offeror might indicate that:

- Estimated manufacturing hours (all categories) are based on historical hours adjusted for projected learning
- Quality and engineering hours are analogous estimates based on the expected level of effort during the anticipated period of contract performance, based on actual cost of similar effort



## Basis for Labor Estimates (cont'd)

Typically, Labor BOEs would contain, but not be limited to, the following information:

- Work Breakdown Structure
- Period of Performance showing start and stop dates
- Labor Categories being priced, to include task descriptions
- Time Phased hours
- Complete rationale
- Name of person who owns that BOE
- Identification of any historical data utilized in the estimate
- Cost estimating relationships forming all or part of the estimate
- If man-months are used, must identify hours per man-month.

The Offeror must also provide the basis for proposed labor rates and supporting data to include budgetary and trend data. The basis may be a Forward Pricing Rate Agreement (FPRA), Forward Pricing Rate Recommendation (FPRR), or a Forward Pricing Rate Proposal (FPRP) recently submitted to the Government for review.



## Indirect Costs

For Indirect Costs included in proposals at any tier, the following apply:

- The proposal shall indicate how indirect costs have been computed and applied, including time-phased cost breakdowns
- For each year of the period of performance, the rates utilized must be supported by a discrete sales forecast and detailed firm/budgetary data in order to provide a solid basis for evaluating their overall reasonableness. **The use of flat-lined rates is prohibited**
- The proposal shall indicate the rates utilized and provide an appropriate explanation



## Other Direct Costs (ODC)

Other Direct Costs (ODC) The term Other Direct Costs (ODC) is a loosely defined term that refers to anything ***charged directly to a contract not otherwise included as Direct Material or Direct Labor***. Examples of items often classified as ODC include:

- Special tooling
- Special test equipment
- Outside consulting
- Outside processing not receiving Material overhead
- Travel (most common)

# Adequacy of Proposals – Other Direct Costs



## General Requirements

If the Offeror proposes travel costs, it might show the basis for the proposed travel costs as follows:

City/State	Trips	Persons	Days	Airfare	Total Airfare	Lodging	Total Lodging	Per Diem	Total Per Diem	Car Rental	Total Car Rental	Grand Total
Washington D.C.	4	2	3	\$198	\$1,584	\$105	\$2,520	\$103	\$2,472	\$49	\$1,176	\$7,752
Dallas, TX	1	4	8	\$245	980	\$120	\$3,840	\$90	2,880	\$35	280	\$7,980
San Diego, CA	2	2	3	\$540	2160	\$140	\$1,680	\$103	1,236	\$40	240	\$5,316
<b>Total</b>					\$4,724		\$8,040		\$6,588		\$1,696	\$21,048



## Basis for Pricing

Cost details alone are often insufficient. **FAR 15.408, Table 15-2** requires the Offeror to provide the basis for estimate. This is often satisfied by a narrative description of the costs. For example, the Offeror should:

- Provide justification for the trips. Are they required by the contract? Are they necessary for coordination with subcontractors?
- Explain the basis for the proposed airfares, per diem, and car rental. Are the airfares based on current commercial rates adjusted for projected changes? Are the per diem rates based on established company rates or CONUS as published by the Government? What is the basis for the proposed rental car rates?

Similar details should be provided for any other proposed ODC. Special tooling, for example, should show the description of the tooling, quantities required, and unit prices.



## Royalties

If royalties exceed \$1,500, the Offeror must 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 royalty is payable.
5. Brief description (including any part or model numbers of each contract item or component on which 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.
10. If specifically requested by the Lockheed Martin Buyer, a copy of the current license agreement and identification of applicable claims of specific patents (see **FAR 27.202** and **31.205-37**)



## Proposal Adequacy Checklist (F330)

The Government expects Lockheed Martin and its Global Supply Chain to submit proposals that are compliant with the FAR and DFARS requirements for adequacy and can be relied upon as a basis for negotiating fair and reasonable prices. To help ensure that Lockheed Martin receives an adequate proposal from each Offeror, all Offerors are required to submit a Proposal Adequacy Checklist as part of their proposal submittal when specified as a requirement of the solicitation. This Proposal Checklist is an essential aid in assisting the Offeror in assuring that all adequacy requirements have been addressed during the proposal preparation phase and in assisting Lockheed Martin in its adequacy verification. The F330 is located at:

<https://www.lockheedmartin.com/en-us/suppliers/documentation.html>



## DFARS Requirement for a Proposal Adequacy Checklist at the Prime Contractor Level

On 3/28/2013 a final rule was issued to add **DFARS 215.408(6)** which prescribed that when certified cost or pricing data was required, the clause at **252.215-7009** must be included in the contract requiring the submittal of a Proposal Adequacy Checklist when contracting with the Government. ***It also recommends flowing this requirement down to the Prime Contractor's supply chain***, which Lockheed Martin has chosen to do.



## The Proposal Adequacy Checklist – Basic Rules and Utilization

The Proposal Compliance Checklist (F330) should be used throughout the proposal preparation task to ensure that all requirements have been met. It should be considered at the earliest stage of proposal planning, and consideration for completion of each item should be addressed. As discussed in the section below, the Offeror will be required to indicate where in the proposal compliancy can be verified. ***Capturing that information during the proposal preparation is much easier than trying to locate the information once the proposal is complete.***



## The Proposal Adequacy Checklist – Basic Rules and Utilization (cont'd)

The following are the steps to complete the proposal checklist:

- In the area directly below the proposal checklist title the Offeror must provide the following information:
  - Offeror Name
  - Proposal Number
  - Date checklist is completed
  - Applicable Program Name (F-35, F-16, etc.)
  - Effort (LRIP 8 Production, Delivery Order XX, etc.)
  - Name of Offeror's point of contact for the checklist contents
- For each checklist item, indicate whether or not the proposal complies with that requirement by marking either the “Yes”, “No” or “N/A” block. If the response is “Yes” it is an indication that all elements of the stated requirement have been met. **ALL “NO” AND “N/A” RESPONSES MUST BE EXPLAINED IN THE EXPLANATION COLUMN.**



## The Proposal Adequacy Checklist – Basic Rules and Utilization (cont'd)

- There may be occasions where even a “Yes” response will require further clarification which would be provided in the Explanation column as well.
- The far right column **must** reflect specifically where in the proposal the data supporting your compliancy claim can be verified. This significantly shortens the time it takes Lockheed Martin to complete its review of your proposal.
- At the bottom of the proposal checklist the Offeror must identify a contact responsible for the checklist contents



## Common Omissions and Findings

- Proposals not containing an index of certified cost or pricing data or other information included or referenced in the proposal, submitted actually or by specific identification, utilized in preparing the proposal. This index should identify each separate item, identify what it pertains to, whether or not it is actually in the proposal, and its location in the proposal or other location at the Offeror's facility where it can be found, as applicable. This is not the proposal Table of Contents
- Inadequate Bases of Estimate that do not tell the story
- Bills of Material that do not contain the appropriate required information and/or supporting documentation
- No consolidated summary of material costs, typically called a Consolidated Bill of Material (CBOM)
- First page (Pricing Proposal Cover Sheet) does not contain all the required information, in particular:
  - No signature
  - Values do not match the Summary Cost Elemental Breakdown or total potential obligation to Lockheed Martin
  - Utilized Pricing Proposal Cover Sheet (SF1411 or similar) with outdated or otherwise incorrect certification statement



## Common Omissions and Findings (cont'd)

- Pricing templates are either missing or do not add to the total proposed value
- Pricing summaries required by Section III of **FAR 15.408, Table 15-2** are missing
- Cost breakdowns that do not provide time-phasing of hours, rates and factors, etc. by category
- Termination Liability and Expenditure Forecasts that do not make sense based on the time-phasing and the overall period of performance and/or do not match the proposal total
- Proposal location references, needed to facilitate review and required by the proposal checklist, not provided
- “No” and “N/A” responses on proposal checklist without corresponding explanations
- **LACK OF TRACEABILITY BETWEEN OFFEROR’S PROPOSAL PRICING AND THE ATTENDANT SUPPORTING INFORMATION**



## How is the proposal checklist utilized by Lockheed Martin?

Lockheed Martin must verify that the Offeror's proposal is indeed compliant. Lockheed Martin cannot proceed with requesting any necessary audit(s), submit the proposal to the Government or proceed with negotiations until the proposal is compliant.

In making this determination, the Lockheed Martin evaluation and negotiation team thoroughly reviews the proposal and utilizes the two columns on the left side of the proposal checklist to designate whether or not the item being reviewed is deemed to be "C" compliant or "NC" not compliant. It is essential that the location of the data and other information be provided in the appropriate column to facilitate a quick turnaround should there be issues that need further investigation and subsequent rework on the part of the Offeror.

When issues with inadequacy arise, the Lockheed Martin Buyer will address them with the Offeror quickly and bring them to resolution in the shortest possible time so as not to impact the prime estimate commitments or the definitization schedule with the Offeror.



## **Conclusion**

Lockheed Martin expects its Global Supply Chain to provide compliant proposals at the time of initial submittal to Lockheed Martin. Rework of Offeror proposals should be the exception and not the rule.

Offeror's responsibilities for its sub-tier suppliers are the same as described here for their proposal to Lockheed Martin. Offerors are responsible for obtaining certified cost or pricing data, performing Price Analyses on all procurements, performing Cost Analyses when the sub-tier supplier's proposals exceed the certified cost or pricing data threshold, performing commercial item determinations, etc.