

# BAE Systems Electronic Systems Supplier COPD Overview

Operations Proposal Group



# 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 (COPD)
- The general requirements for an adequate COPD submission
- 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

# Purpose

This resource explains the basic requirements for proposals submitted to BAE Systems when Cost or Pricing data are required.

This guide should not be used for proposals valued at:

- Valued at less than the \$2M COPD Threshold
- Based on competitive pricing
- Based on commercial pricing

Any further questions regarding COPD requirements should be addressed to your BAE Systems contact.

# Background Information

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.
- There are certain exceptions whereby certified COPD is not required. Exceptions to certified COPD are specified later in this presentation.

# Background Information

## Certified Cost or Pricing Data (COPD)

- **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.*

COPD is more than historical accounting data, it includes all facts and methodology to reasonably estimate future costs and the validity of costs already incurred.

# Background Information

COPD includes factors such 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

# Background Information

## COPD Submission Criteria

- The threshold for obtaining certified cost or pricing data is currently \$2,000,000. FAR 15.403-4(a) requires certified COPD if a pricing action exceeds the threshold.

## Exceptions to COPD submission

- 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

# 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

# Requirements

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. in item 1 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 BAE Systems 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.*

# Requirements

## Cost Element Breakdowns

- **FAR 15.408, Table 15-2** requires Offeror's to segregate the proposal by line item with sufficient detail to permit cost analysis. Offeror's 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. It is recommended the breakdown of cost element is provided in excel format. The Offeror must provide summary total amounts for each cost element covering all line items when it proposes more than one contract line item.

# Requirements

For adequate COPD, the submission must also include:

- A copy of any agreement on use of Forward Pricing Rate Agreement (FRPA), reached with Government representatives and describe the nature.
- Identify on the cover sheet that certified COPD is included within the proposal.
- Include an index to identify the various references for all COPD and any other information identified in the proposal.
- Submit any information to support the estimating methodology used throughout this proposal. This includes any judgmental factors or other methods used in the estimate.
- Identify costs incurred for work performed before proposal submission, which are included in the proposal.

# General Requirements

## Adequate COPD Submission:

- Submission of COPD is not just making available books, records and other documentation. Rather, adequate COPD submission is met when all certified cost or pricing data reasonably available is submitted to BAE Systems. (*FAR 15.408, Table 15-2, Note 1*)
- Submitted data should be readily available and waiting for review. BAE Systems should not need to create this data or other information during field visits.
- As stated previously, all COPD and any other relevant information should be referenced in a separate index as required by *FAR 15.408, Table 15-2, Section I.B.*
- Any information after COPD has been submitted, and impacting the proposal is required to be submitted to BAE Systems. (*FAR 15.408, Table 15-2*)

# Elements of Cost Requirements: **Direct Materials**

## Direct Materials (*FAR 15.408, Table 15-2*)

- Consolidated Bill of Material (CBOM) (can also be referred to as a consolidated priced summary of individual material quantities).
- Bill of Material (BOMs) at the line item level
- Format can vary depending on supplier

Proposed material items **must** include:

- Source, quantity and cost
- Basis of estimate for proposed material costs (purchase history, supplier quote, etc.)
- Should be able to trace support back to the BOM

# Bill of Material Elements

- CBOM/BOM should include:
  - Part number
  - Material Type
  - Non-recurring costs
  - Proposed Quantity
  - Unit of Measure
  - Unit cost and extended cost
  - Any escalation applied
  - Basis of cost (i.e. purchase order, supplier quote, etc.)

| Item | Material      | Description                             | Qty | Yield | Qty Per Unit | Unit Price | Required Qty | Extended Amount | Extended Amount w/ Escalation | PO UNIT PRICE | PO No | PO QTY | PO DATE | VENDOR                          | Years of Escalation | Adjust for Qty | Adj. Unit Price | Element |
|------|---------------|---|-----|-------|--------------|------------|--------------|-----------------|-------------------------------|---------------|-------|--------|---------|---------------------------------|---------------------|----------------|-----------------|---------|
| 1    | RFO-8463247-1 | Housing,RF Ouput Matrix,Inner           | 44  | 85.0% | 1            | 2,748.00   | 52           | \$142,249       | \$142,249                     | \$2,732.05    | Quote | 56     | 2018    | Pacific Aerospace & Electronics | -                   | Y              | 2,748.00        | MTL     |
| 2    | RFO-8463051-1 | Printed Board,RF Output Matrix Hybrid A | 44  | 85.0% | 1            | \$310.50   | 52           | \$16,073        | \$16,073                      | \$308.70      | Quote | 56     | 2018    | TTM                             | -                   | Y              | 310.50          | MTL     |
| 3    | RFO-8463056-1 | Printed Board,RF Output Matrix,Hybrid   | 44  | 85.0% | 1            | \$369.63   | 52           | \$19,134        | \$19,134                      | \$367.49      | Quote | 56     | 2018    | TTM                             | -                   | Y              | 369.63          | MTL     |
| 4    | 8462844-7     | Substrate,RF                            | 44  | 95.0% | 7            | \$3.09     | 324          | \$1,002         | \$1,025                       | \$3.06        | Quote | 369    | 2017    | American Technical Ceramics     | 1                   | Y              | 3.09            | MTL     |
| 5    | 8462849-2     | Substrate,RF                            | 44  | 95.0% | 2            | \$14.39    | 93           | \$1,333         | \$1,364                       | \$14.25       | Quote | 106    | 2017    | IMI                             | 1                   | Y              | 14.39           | MTL     |
| 6    | 8469069-4     | Substrate,RF                            | 44  | 95.0% | 2            | \$15.15    | 93           | \$1,403         | \$1,436                       | \$15.00       | Quote | 106    | 2017    | IMI                             | 1                   | Y              | 15.15           | MTL     |
| 7    | 8462848-2     | Substrate,RF                            | 44  | 95.0% | 4            | \$14.39    | 185          | \$2,666         | \$2,728                       | \$14.25       | Quote | 211    | 2017    | IMI                             | 1                   | Y              | 14.39           | MTL     |

# Offers with Sub-Tier Suppliers Exceeding TINA Threshold

Offeror must perform cost analyses on sub-tier supplier(s) that exceeds the TINA Threshold

- For competitively priced items, the offeror must provide data showing the degree of competition and the methodology for establishing price reasonableness.
- For non-competitively priced items, offeror must include the basis for establishing the price reasonableness. The offeror must obtain Certified Cost or Pricing Data from any of their sub-tier suppliers exceeding the threshold, or perform a Commercial Item Determination if the sub-tier supplier qualifies for the commercial exemption.

# Offerors COPD Responsibility

- If any of your suppliers exceed the \$2M TINA Threshold, certified Cost or Pricing Data is required. The following is required for an adequate cost analysis and should be submitted to BAE Systems along with certified Cost or Pricing Data.
- Price analysis
- For price and cost analyses not available at the time of submittal, provide a matrix showing:
  - Planned date of proposal receipt
  - Planned date of fact find completion
  - Planned date for price and cost analyses completion and submittal to BAE Systems

# Elements of Cost Requirements

- Direct Labor (*FAR 15.408, Table 15-2*)
  - Time-phased breakdown of labor hours, rates and cost by appropriate labor category is required for the entire period of performance.
  - The estimating methodology for all labor categories is required, as well as budgetary and trend data.
  - Provide the work breakdown structure, including a period of performance showing start and stop dates.
  - Labor categories should be provided as well as task descriptions associated with each labor code.

## Elements of Cost Requirements: **Indirect Costs**

- Time-phased cost breakdowns should be included as well as the calculations for the indirect costs applied.
- The submission should indicate the rates utilized as well as the estimating methodology behind the rates.
- For each year during the period of performance, the rates utilized should be supported by a sales forecast and detailed firm/budgetary data. Please note, the use of flat-lined rates is prohibited.

## Elements of Cost Requirements: **Other Direct Costs**

- Other Direct Costs often include:
  - Special Tooling
  - Special Test Equipment
  - Outside Consulting
  - Outside Processing not receiving Material Overhead
  - Travel (most common)
- Details of the other direct cost isn't sufficient for adequate COPD. A basis of estimate is required, which is often satisfied by a narrative description of the costs.

# Elements of Cost Requirements: **Royalties**

- If royalties exceed \$1,500, the following information should be provided on a separate royalty or license fee:
  - Name and address of licensor.
  - Date of license agreement.
  - Patent numbers.
  - Patent application serial numbers, or other basis on which royalty is payable.
  - Brief description (including any part or model numbers of each contract item or component on which royalty is payable).
  - Percentage of dollar rate of royalty per unit
  - Unit price of contract item
  - Number of units
  - Total dollar amount of royalties
  - If specifically requested, a copy of the current license agreement and identification of applicable claims of specific patents.

# Proposal Adequacy Checklist

- It is expected that BAE Systems will submit proposals compliant with FAR and DFARS, in order to negotiate fair and reasonable prices. To ensure compliant analyses, BAE Systems requires the offeror to submit a DFARS Checklist for adequate contract pricing proposals as part of their proposal submittal.
- The DFARS checklist should be used throughout the proposal preparation to ensure 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.

# Proposal Adequacy Checklist

- Basic Rules
  - For each checklist item, indicate whether or not the proposal complies with the requirement by marking either “Yes”, “No”, or “N/A”.
  - A “Yes” response is an indication that all elements of the stated requirement have been met.
  - There are also scenarios where a “Yes” response will require further clarification, documented in the explanation column.
  - All “No” and “N/A” responses *must* be explained in the explanation column.

# Conclusion

- Provide compliant proposals at the time of initial submittal of COPD to BAE Systems.
- Offerors are responsible for obtaining certified COPD, performing price analyses, performing cost analysis when their sub-tier supplier proposals exceed the COPD \$2M threshold, performing commercial item determinations, etc.