
Source Selection Process

Introduction

This section provides procedures, methodology and techniques for use in the source selection process. It is intended to provide guidance for all personnel participating in the source selection process.

SPAWAR OOC has prepared a series of informational papers, which are provided as Attachments to Section 5 and address the following areas: (1) Meaningful Discussions; (2) Technical Leveling; (3) and Cost Realism. Attachment 5-1 will assist evaluators to engage in "meaningful discussions" with offerors in competitively negotiated procurements.

SPAWAR personnel are expected to exercise judgment in making appropriate variations and adaptations as necessary to the procedures in this section. In the event that the guidance provided in this section conflicts with the Federal Acquisition Regulations (FAR), the Defense Federal Acquisition Regulations Supplement (DFARS), the Navy Acquisition Procedures Supplement (NAPS) or other higher level regulation or instruction, the higher level guidance shall take precedence unless this guide is more restrictive.

GENERAL INFORMATION

OBJECTIVES OF THE PROCESS

5.1.1 The objectives of the source selection process are to:

- Select the offeror whose proposal will be the most advantageous to the government, cost/price and other factors considered.

- Ensure the impartial, equitable and comprehensive evaluation of offerors' proposals and capabilities.
- Maximize the efficiency and minimize the complexity of the solicitation, evaluation and selection decision.
- Document the basis for the selection decision.
- Approved Process Flow Diagrams for Source Selection Plans (see Attachment 5-2)

INFORMATION PROVIDED IN THIS SECTION

5.1.2 The purpose of this section is to provide guidance on the source selection process for competitive acquisitions conducted in accordance with FAR Part 15, "Contracting by Negotiation." The guidance provided includes:

- A description of the structure of the organization used to make source selections and the procedures for identifying or designating the participants in that structure.
- Internal SPAWAR procedures for the evaluation and selection of competitive offerors for both services and supplies.
- Procedures for the award of a competitive contract, notification of unsuccessful offerors, and public announcement of the award.
- Guidance on the proper documentation of the source selection decision.
- References to additional source material for information on competitive source selection.

SOURCE SELECTION PROCESS SUMMARY

5.1.3 The following steps are normally taken in the source selection process:

Step	Action
1	Identify the participants in the source selection organization. (see sections 5.2 and 5.3 below)
2	Develop and obtain approval of the Source Selection Plan (SSP). The SSP is a required

- part of the PR package for competitive procurements. (see section 5.3 below)
- 3 Develop, review and issue the Request for Proposals (RFP) including proposal preparation instructions and a description of the basis for proposal evaluation as Sections L & M, respectively. (see section 5.3 below)
 - 4 Receive and evaluate proposals in accordance with the SSP. (see section 5.4 below)
 - 5 If the decision is made to award based on original offers, do so; otherwise the competitive range is determined and negotiations are conducted with all offerors in that range. (see section 5.5 below)
 - 6 Issue request for Best and Final Offers (BAFOs). (see section 5.5 below)
 - 7 Select the most advantageous offer, provide required notifications and announcements and make award. (see section 5.6 below)
 - 8 Debrief unsuccessful offerors. (see section 5.7 below)
 - 9 Report lessons learned (major acquisitions). (see section 5.8 below)

For additional information see FAR Part 15, DFARS Part 215, and NAPS Part 5215.

SOURCE SELECTION ORGANIZATION

5.2 The source selection organizational structure consists of three levels of authority. The degree of formalization of the structure and members participating at each level depend on the type of acquisition.

The greatest degree of formality in structure and procedures apply to "Major Defense Acquisition Programs" (ACAT I) and to "Major System" acquisitions (ACAT II). Acquisition categories are defined in accordance with DOD criteria (See DODD 5000.1).

Programs which fall into other ACATs and non-ACAT programs are generally subject to a "less formal" source selection procedure. The organization used to make the source selection decision is generally similar to the more formal procedures used under ACAT I and II programs, but the senior decision makers in the process are usually more directly involved with the program on a day-to-day basis.

The major participants in formal source selection and their responsibilities are stated in DODI 5000.2, Part 10, Section B and associated implementation guidance provided in SECNAVINST 5000.2A.

SOURCE SELECTION AUTHORITY (SSA)

Formal Source Selections

5.2.1 SOURCE SELECTION AUTHORITY (SSA)

5.2.1.1 The duties and responsibilities of the SSA in formal source selections are set forth in DODI 5000.2, Part 10, Section B and associated implementation guidance provided in SECNAVINST 5000.2A. In general, the SSA is the individual responsible for the final source selection decision.

For ACAT I programs, unless otherwise specified by the Secretary of Defense (SECDEF), the Secretary of the Navy is the SSA. However, he may delegate such authority to the Commander, Space and Naval Warfare Systems Command. SECNAVINST 5000.2A, in fact, delegates this authority to SYSCOM Commanders.

For ACAT II programs, COMSPAWAR, in his role as the Head of Contracting Activity (HCA), shall be the SSA. However, this authority may be delegated to a flag officer or SES civilian.

Less Formal Source Selections

5.2.1.2 For acquisitions using less formal source selection procedures the SSA will normally be the Contracts Directorate (SPAWAR 02) purchase branch head. Under a less formal source selection the duties of the SSA should be tailored based on paragraph 5.2.1.1 above and the complexity of the procurement.

SSAC/CARP

5.2.2 SOURCE SELECTION ADVISORY COUNCIL (SSAC)/CONTRACT AWARD REVIEW PANEL (CARP)

Formal Source Selections

5.2.2.1 In addition to the duties and responsibilities set forth in Part 10 Section B of SECNAVINST 5000.2A, the SSAC is responsible for:

- Ensuring that the solicitation describes the relative order of importance of the evaluation criteria in a manner consistent with the SSP.
- Ensuring that the source selection procedures promote an integrated evaluation of the proposals including the technical, schedule, life cycle cost, and supportability risk associated with each of the proposed concepts.

The SSAC consists of a chair and other military and civilian personnel appointed by the SSA to act as his staff advisors throughout the source selection process. This group reviews the recommendations of the Source Selection Evaluation Board, cost/price analysts and any other experts it may deem necessary to develop thoroughly supported recommendations at each phase of the source selection process. For this reason, it is important that highly competent personnel, preferably with prior experience in source selection, be appointed to this council.

For ACAT I, IIS and IIC programs, the SSAC is usually comprised of senior military and civilian personnel.

Less Formal Source Selections

5.2.2.2 For acquisitions under which less formal source selection procedures are used, the SSAC may be called the CARP and is generally chaired by the PM or his technical director. Under less formal source selections the duties of the SSAC/CARP should

be tailored based on paragraph 5.2.2.1 above and the complexity of the procurement.

SSEB/TEB

5.2.3 SOURCE SELECTION EVALUATION BOARD (SSEB)/TECHNICAL EVALUATION BOARD (TEB)

Formal Source Selections

5.2.3.1 The duties and responsibilities of the SSEB are set forth in Part 10 Section B of SECNAVINST 5000.2A.

The SSEB consists of a chair and other qualified Government personnel who are appointed by the Chair of the SSAC (or CARP in less formal source selections) to direct, control, and conduct the evaluation of proposals and to produce the summary facts and findings required in the source selection process. The membership of the SSEB and the SSAC should be mutually exclusive. The composition of the SSEB should reflect the phase of the program as defined in DODD 5000.1. As the program matures the mixture of expertise needed to conduct the evaluation will change.

For example, to select contractors for the exploration of alternative systems concepts, the SSEB may need scientific and laboratory expertise. To select alternative concepts to be carried out in the demonstration and validation phase, test and evaluation expertise may be required. To select contractors for engineering and manufacturing development, the SSEB may require development engineering expertise. Finally, to select contractors for production and deployment, production engineering and planning expertise may be required.

The SSEB should be assisted by knowledgeable and professionally competent personnel in appropriate specialty areas. It is highly desirable that both the personnel on the SSEB and those who assist them have previous experience in similar or related programs in order to provide mature judgment and expertise in the evaluation process. However, see 5.2.4.6 below for discussion of the use of contractor support personnel.

In general, the more complex the procurement, the more detailed the evaluation plan will be; the more detailed the evaluation plan is, the greater the number of participants in the SSEB.

Less Formal Source Selections

5.2.3.2 Under acquisitions for other than ACAT I, IIC or IIS programs where less formal source selection procedures are used, the SSEB may be called the TEB. When a TEB is established in

lieu of an SSEB, the cost analysts are not usually part of the TEB and are responsible for submission of a separate report to the SSAC/CARP. Under less formal source selections the duties of the SSEB/TEB should be tailored based on paragraph 5.2.3.1 above and the complexity of the procurement.

OTHER PARTICIPANTS

5.2.4 OTHER PARTICIPANTS

Program Manager (PM)

5.2.4.1 Program Manager (PM)

The PM is responsible for:

- Developing a listing of recommended members for the SSAC/CARP and the SSEB/TEB.
- Preparing appointment letters for the Chair and membership of the SSAC/CARP and the SSEB/TEB.
- Directing preparation of the SSP.

In most instances, the PM will be a member of the SSAC/CARP or SSEB/TEB.

Procuring Contracting Officer (PCO)

5.2.4.2 In addition to the duties and responsibilities set forth in Part 10 Section B of DODI 5000.2, the PCO is responsible for:

- Ensuring that all portions of the RFP are clearly and properly addressed, and that it adequately informs offerors of the relative order of importance of the evaluation criteria.
- Executing the contract.

In most instances, the PCO will be a member of the SSAC or SSEB for those acquisitions using "formal" procedures. In "less than formal" procedures, the PCO may be a member of the CARP, unless the PCO has been designated the SSA, in which case a separate contracts specialist(s) must be named to the CARP. A PCO should be assigned as soon as possible after the requirement has been identified in order to provide consistent guidance in the development of the requirements package and source selection package.

Legal Advisor

5.2.4.3 The legal advisor is responsible for:

- Serving as legal advisor to the SSA, SSAC/CARP, SSEB/TEB and the PCO.
- Participating in the review of the SSP and the RFP, including a review of the weights (if assigned) to ensure that the RFP adequately addresses the relative order of importance of the evaluation criteria.
- Reviewing items for clarification/discussion with offerors prior to commencement of discussions.
- Reviewing the proposed contract(s) for legality prior to award.

Each SSAC/CARP should include a legal advisor. A legal advisor should be appointed by SPAWAR OOC as soon as practical after the requirement is identified and should be kept well informed of the progress of the procurement. This will enhance the advisor's ability to provide sound advice to the SSAC/CARP and SSA.

Cost Analysts

5.2.4.4 When a PCO determines that cost analysis assistance is required for a procurement, he/she may assign any or all of the following responsibilities to the cost analyst:

- Participating in the review of the SSP and RFP.
- Evaluating cost proposals for cost realism and reasonableness. For ACAT I and II programs, the cost analyst(s) is generally a member of the SSEB.
- Where cost realism is a criterion, determining the most probable cost for each offeror (generally referred to as the "government realistic cost") and providing the documented analysis.
- Participating in discussions with offerors.
- Reviewing BAFOs for changes to proposed costs and their effect on previous cost evaluations.

of higher authority, in order to avoid excessive demands upon the evaluation personnel.

The individuals selected for the SSAC/CARP and SSEB/TEB should be senior military and civilian personnel who have backgrounds in one or more of the following areas: legal, contracting, finance, production or construction, design, and technical (as appropriate to the acquisition). It is desirable that members have experience on an SSAC/CARP, SSEB/TEB, or evaluation team. **The source selection duties of SSAC/CARP and SSEB/TEB members shall take precedence over their normal duties.** This should be made known to both the individuals and their supervisors prior to appointment.

The most critical actions required for a successful source selection are:

- Staffing the organization with the best personnel available who possess the skills appropriate to the acquisition.
- Developing, structuring, and defining the evaluation factors for award to suit the acquisition and the proposal instructions to enable offerors to address those factors. Usual categories of factors are technical, management, past performance, and cost/price. The use of too many categories and factors can place excessive demands on evaluation personnel and dilute the significance of any individual factor.

The PM should initiate communications to identify Navy and other Government personnel who are considered qualified to act as members of the SSAC/CARP or SSEB/TEB. The PM is not limited strictly to Government sources; if the qualified expert in a given field is not a Government employee, his services may still be utilized. However, contractor personnel may be used in an advisory capacity only. See the discussion of contractor support personnel under paragraph 5.2.4.6 above.

SSAC/CARP and SSEB/TEB members will not necessarily be fully occupied in performing council/board duties from their first meeting through the final day of the source selection process. Yet it should also be recognized that intermittent council/board duties will inevitably conflict with regularly assigned duties and vice versa. To obtain better membership cooperation, it will thus be useful for

In most instances the cost analysts will be representatives from SPAWAR 02-42.

**Administrative
Contracting Officer
(ACO)**

5.2.4.5 On many large procurements, the ACOs for the offerors should be consulted to provide advice on individual offeror's technical and financial capabilities and capacity. The ACO can also provide support in the evaluation of cost and price proposals. Whenever the decision is made to consult the ACO, the PCO must obtain the appropriate non-disclosure statement and must include the ACO and any applicable ACO staff members in the list of individuals with access to source selection sensitive information.

**Contractor Support
Personnel**

5.2.4.6 Use of contractor personnel to support the source selection process shall be minimized. Contractor personnel may be used only where a specific area of expertise is required to conduct the evaluation but is unavailable within the Government to support the source selection. Contractor personnel may be used only in an advisory capacity.

Whenever contractor personnel are to be used to support source selection, the rationale for the use of such personnel should be set forth in the SSP. Written agreements from contractor(s) on organizational conflict of interest and non-disclosure of information shall be obtained. If a support contractor will be given access to proposal information in any way, this must be disclosed to all offerors in the RFP identifying those companies who may have access to proposal information and providing names, addresses and telephone numbers of points of contact for offerors to contact, if they so desire.

**STAFFING THE
SOURCE SELECTION
ORGANIZATION**

**5.2.5 STAFFING THE SOURCE SELECTION ORGANIZATION
FOR MAJOR AND OTHER ACQUISITIONS USING FORMAL
SOURCE SELECTION PROCEDURES**

The complexities and demands associated with the selection of contractual sources require drawing upon SPAWAR's scarcest personnel resources: those with considerable experience who are highly knowledgeable and competent in the various professional and technical areas involved. For most personnel, participation in source selection is an additional duty separate from their primary responsibilities. DODs objective is to maximize the efficiency and minimize the complexity of the process, both for the Government and for contractors. Similarly, SPAWAR's objective is to keep SSPs and procedures streamlined, consistent with the requirements

the PM to develop a detailed schedule, blocking out sufficient time for all council/board activities in the evaluation process. Efforts should then be made to adhere to this schedule and to obtain membership commitment to it.

The PM should develop a listing of those personnel being recommended for SSAC/CARP and SSEB/TEB membership. This listing should include, for each nominee, his/her current assignment, along with his/her supervisor's name and telephone number. A discussion should then take place to ensure the availability of the nominees. Any conflict as to the availability of personnel should be resolved by the Vice/Deputy Commander. The list of nominees should be presented to the SSA, who will select the Chair and members of the SSAC/CARP. The PM should then prepare letters of appointment for the signature of the SSA. Attachment 5-3 provides a sample of the letter of appointments. The Chair of the SSAC/CARP signs the letter(s) appointing the Chair and members of the SSEB/TEB, following the format also provided in Attachment 5-3.

The Chair of the SSEB/TEB will be responsible for the organization of the SSEB/TEB. If the complexity of the procurement warrants it, the SSEB/TEB may be further broken down into evaluation teams. In this case, the SSEB/TEB evaluation teams should be held responsible for the examination of the lowest level of proposal details. Thus, the individuals selected for these teams must be totally familiar with the category and factor areas of the evaluation to which they are assigned.

INDOCTRINATING THE SSAC/CARP AND THE SSEB/TEB

5.2.6 The source selection process is time-consuming and expensive. Therefore, the SSAC/CARP and the SSEB/TEB should be organized quickly into productive operating groups. There will be significant differences involved in each acquisition, and the PM will be required to provide indoctrination to all SSAC/CARP and SSEB/TEB members as to the peculiarities of the program. At the time the SSAC/CARP and SSEB/TEB are established, the following documents should be available:

- The Acquisition Plan.
- The Decision Coordinating Paper or Navy Decision Coordinating Paper (major programs only).

- The Program Manager's Charter (major programs only).
- The statement of work and/or specifications.

PRE-EVALUATION ACTIONS

SOURCE SELECTION PLAN PREPARATION

5.3.1 SOURCE SELECTION PLAN PREPARATION

5.3.1.1 General

5.3.1.1.1 Responsibility for SSP preparation

The PM has the overall responsibility for the preparation of the SSP. In most cases, the SSAC/CARP Chair participates in its preparation, especially those sections involving selection criteria and standards. In all cases the PCO and legal advisor should be involved in the preparation and review of the SSP. Review and approval procedures for source selection plans are described in paragraph 5.3.1.7 below; in those acquisitions where cost analysis assistance is requested by the PCO, SPAWAR 02-42 shall also participate in this process.

Source Selection Plan Contents

5.3.1.1.2 Summary of SSP Contents

At a minimum, the SSP should contain the following items:

- A statement of the general and specific objectives of the plan.
- The background of the program, the acquisition approach selected and why that acquisition approach was selected.
- The duties, responsibilities, and functions of the source selection organization, with specific discussion of the responsibilities and functions of the SSA, SSAC/CARP, SSEB/TEB, PCO, the PM, and legal advisor. (see Section 5.2 above for discussion of the source selection organization.)
- The basis for contractor selection and the criteria (factors and subfactors) to be used in the selection, listed in descending order of importance, or noting that

certain categories or factors are equal, or substantially equal in importance. Methods for rating and/or scoring proposals should be included, but numerical weights of factors and subfactors should not. The weights should appear in a separate document held only by the PCO and/or the Chair of the SSAC/CARP. (see 5.3.1.2, 5.3.1.3 and 5.3.1.4 below.)

- When applicable, guidelines for making trade-offs among and within the various factors (particularly among the performance characteristics of the system) in relationship to the development, production, operating and support costs, the delivery schedule and quantity, and the qualitative requirements applicable to the procurement. (see 5.3.1.4 below.)
- The projected source selection events, showing the event/action, schedule date, and office cognizance. The SSAC/CARP and SSEB/TEB schedule of meetings should be included.
- A statement of whether or not contractor support will be used in the evaluation process. If contractor support will be used, a clear definition of the type of support that will be provided, full justification for the use of the contractor support and the plan for obtaining non-disclosure and organizational conflict of interest statements from the contractor(s). (see 5.2.4.6 above.)
- The procedures for obtaining non-disclosure statements and "Confidential Statements of Employment and Financial Interests" from members of the SSAC/CARP and SSEB/TEB and submitting such statements for review.
- A plan for obtaining adequate security facilities for all evaluation material and ensuring that adequate security provisions will be in effect in all areas where proposals will be reviewed, discussed, and evaluated. (see 5.4.3 below.)

Changes to the SSP

5.3.1.1.3 Care should be taken in developing the SSP because once the plan has been approved any change in the SSP must be formally incorporated into the plan. Once the evaluation criteria (factors, subfactors and their relative importance) as set forth in the

plan have been incorporated into an RFP, any change in those criteria will require amendment of the RFP. Changing the criteria in mid-stream or evaluating the proposal in any way different from that set forth in the RFP can be perceived to be unfair to offerors and may expose the Government to protest. This type of protest will result in additional work for the acquisition team and may delay the eventual award of a contract. For this reason, it is well worth the effort to carefully construct and review the original SSP.

Evaluation Criteria

5.3.1.1.4 The most difficult task assigned to the PM and SSAC/CARP members is the development and definition of the selection criteria. Criteria include evaluation areas and factors and their relative importance. These criteria must be set forth in the SSP, identified in the RFP, responded to in the proposals, and measured in the evaluation.

The evaluation criteria should consist of those aspects that the SSAC/CARP and SSEB/TEB must examine in each proposal in order to determine an offeror's:

- Understanding of the work to be performed.
- Technical, business, and management approach.
- Potential for successful performance of the effort specified in the RFP.
- Relevant qualifications and experience (for both the offeror and any key individuals proposed).
- Facilities availability.
- Cost Realism where appropriate.
- Price or Cost.

There are no restrictions on the kinds of evaluation criteria that may be used, as long as they are disclosed in the RFP and are related to the purposes of the acquisition program. The specific criteria used will depend on the particular circumstances. They will generally fall into the following functional disciplines or areas: technical (design and production capability); management and business; past performance; and cost or price. The relative order of importance of the criteria will vary with each acquisition. The areas selected as essential to the selection process can be broad in scope,

however, they should be selected so that the evaluation may be limited to aspects necessary to the success of the program.

If the system being procured is substantially software dependent, the PM should seriously consider evaluating software engineering as a separate area.

This is a good place to discuss source selections based on "best value." (See NAPS 5215.601.) "Best value means evaluating proposals and selecting a source based on considering evaluation factors such as technical competence, proven past performance and management capability in determining the overall benefit associated with the offered price. It permits paying a premium for measured increments of quality; in other words, possibly selecting a more costly but technically superior offer. It should be used in acquisitions for systems/FIP resources/professional and technical services. This approach is in contrast to awarding to the lowest priced, technically acceptable offeror, which is used when requirements are non-complex, routine, and clearly defined.

Technical/Management Evaluation Criteria

5.3.1.2 Technical/Management Evaluation Criteria

5.3.1.2.1 Establishing Evaluation Criteria

The technical/management evaluation process should be aimed at determining the offerors' approach to the work scope. Technical evaluation factors should be limited to those that will allow a determination of the offerors' understanding of the work to be performed, its technical approach, its potential for successful technical performance, and the relevant qualifications and experience of the company and/or individuals proposed. Management evaluation factors should be limited to those that will allow a determination of the offerors' business and management approach, facilities availability and ability to attract and retain the expertise needed to perform the contract.

Evaluation may require a further breakdown of factors into subfactors. The use of too many factors and subfactors should be avoided as it leads to dilution of the ability to differentiate between factors/subfactors. Each evaluation factor should be clearly defined. Once the "evaluation factors for award" are disclosed in the RFP, they must be used in the evaluation and cannot be changed without modifying the RFP. In accordance with FAR 15.605(e), all "significant" subfactors must be disclosed in the RFP.

Evaluation criteria may differ substantially among different kinds of acquisitions and, in the case of weapon system acquisitions, the criteria may also differ among the phases of the acquisition process.

It is important to make a distinction between evaluation criteria for hardware versus evaluation criteria for service acquisitions. In service type and/or research acquisitions, it could be appropriate to use criteria more closely akin to responsibility such as corporate experience. Serious thought should be given, and rationale developed, to be sure that the criteria will adequately discriminate between offerors.

Quantitative Evaluation Criteria

5.3.1.2.2 In technical areas such as system performance, standards can be defined in a readily measurable form or in the degree or percentage of attainment of a required threshold or stated goal. Examples of technical characteristics which can be quantitatively evaluated include:

- Speed.
- Range.
- Endurance.
- Accuracy.

For example:

The requirement for "speed" may be addressed in the RFP as follows:

"Within 3.5 seconds after launch, the weapon must reach a sustained speed of 980 knots. Speeds in excess of 980 knots are believed to be attainable and will be given additional preference."

The standards against which proposals would then be evaluated could be written:

"Standard - sustained speed must meet or exceed 980 knots"

The guidance to the evaluator for subfactor "speed" might indicate that an acceptable rating should be given those proposals

offering a sustained speed of 980 knots. Additional rating points could be assigned to those proposals offering a sustained speed in excess of 980 knots, either on a percentage basis or in a series of speed ranges above the minimum acceptable level.

Standards and evaluator guidance for range, endurance, accuracy and other performance factors could be similarly addressed.

Qualitative Evaluation Criteria

5.3.1.2.3 In some technical and most management areas, quantifiable standards are much more difficult to define. In such cases, standards may take the form of attributes framed as requests for information or questions for consideration by the evaluator. For example, to provide the basis for the evaluation of contractor personnel, the requirement stated in the RFP might read:

- "Provide an organization chart of the offeror's engineering organization supporting Demonstration and Validation (D&V)."
- "Describe the scope and effort of each major element of the engineering organization in support of D&V."
- "Provide resumes of key individuals who will have major responsibilities for engineering support for D&V."

In this case, the standard against which the proposals would be evaluated, could be stated as a series of questions to be answered by the evaluator, such as:

- Is the proposed engineering organization adequate?
- Is the work to be done described adequately in terms of specific tasks and areas of effort?
- Is the D&V effort on this program the only project for which the key personnel will be responsible?
- Are experienced personnel to be assigned to manage and perform the tasks?
- Is the experience relevant to responsibilities assigned?

The rating instructions for subfactor "engineering support" could require the evaluators to provide nominal ratings for those offerors' proposals that are adequately responsive to the RFP and that had no major deficiencies. Lower ratings should then be assigned those proposals considered less than adequate and higher ratings to those proposals that are more than adequate. Standards and rating instructions for similar, imprecisely measurable factors could be similarly addressed.

5.3.1.3 Cost/Price Evaluation Criteria

Evaluation of Proposed Cost or Price

5.3.1.3.1 FAR 15.605(b) requires that cost or price be included as an evaluation factor in all source selections. For some firm-fixed-price solicitations, evaluation of proposed prices may provide sufficient information on which to base a determination of "fair and reasonable" price. In some fixed price solicitations and in all cost solicitations, an analysis of the proposed cost is necessary to determine that the price is fair and reasonable and that the offeror understands the resources needed to complete the required work.

Evaluation of Cost Realism

5.3.1.3.2 When a fixed-price contract is involved, the offeror's proposed price and other factors are used in evaluating his proposal. On the other hand, it is improper to evaluate the offeror's proposal using his estimated cost when a cost-reimbursement contract is anticipated. Instead, the realistic expected cost of performance should be used in evaluating the proposal. FAR 15.605(c) states the following:

"In awarding a cost-reimbursement contract, the cost proposal should not be controlling, since advance estimates of cost may not be valid indicators of final actual costs. There is no requirement that cost-reimbursement contracts be awarded on the basis of lowest proposed cost, lowest proposed fee, or the lowest total proposed cost plus fee. The award of cost-reimbursement contracts primarily on the basis of estimated costs may encourage the submission of unrealistically low estimates and increase the likelihood of cost overruns. The primary considerations should be which offeror can perform the contract in a manner most advantageous to the Government, as determined by evaluation of proposals according to the established evaluation criteria."

It should be noted that a cost realism determination cannot stand if the Navy has not conducted a meaningful cost analysis and

independent estimates. This is particularly true should contractor selection ultimately depend on the cost realism determination.

Although the Comptroller General has approved many different methods of determining cost realism, a proper evaluation of estimated cost should determine the extent to which the offeror's estimate represents what the contract should cost, assuming reasonable economy and efficiency. This determination in essence involves an informed judgment of what costs actually would be incurred by acceptance of a particular proposal. For additional information concerning specific methodology, contact your PCO or SPAWAR 02-42.

Attachment 5-4 has been prepared by SPAWAR OOC to address the concept of cost realism by discussing the reasons cost realism analyses are conducted, identifying the applicable regulations and describing several methods of evaluating cost realism that have been approved by the General Accounting Office (GAO) in its past protest decisions.

Rating Methods

5.3.1.4 Development and Use of Rating Methods

5.3.1.4.1 General

There are many rating and scoring methods. These include quantitative (numerical); semi-quantitative (check-plus-minus criteria, green-yellow-red criteria; pass-fail criteria); qualitative (narrative); or a combination of any of the preceding. Caution should be used in the selection of the appropriate rating methods. As already noted, all categories and factors are not adaptable to direct numerical rating. For example, in the acquisition of a weapon system, the speed and maneuverability of the desired product are common factors within the technical category. It may be easy to rate these factors against a standard using a numerical approach. Other categories such as facilities, personnel management systems, and control systems are not so adaptable to the numerical method and it may be more appropriate to use a qualitative rating method for such categories. Methods of rating/scoring technical and cost/price areas are set forth herein.

Semi-Quantitative Methods

5.3.1.4.2 Several semi-quantitative methods have been used to evaluate proposals. Most of these methods create a few broad categories into which proposals are placed based on technical and cost/price evaluation. Examples of semi-quantitative rating methods include:

- **Pass-Fail** - Evaluation criteria are established for specific technical requirements which have absolute points at which the proposal will be unacceptable (or fails). All proposals which are better than the minimum are equal. This approach is most applicable in low price, technically acceptable competitions. The usefulness of this approach for most of this Command's requirements is limited.
- **Color rating** - Evaluation criteria are established for categories designated by color. For example:

Blue	Exceptional ; exceeds specified performance or capacity in a manner beneficial to the Government; high probability of success; no significant weaknesses.
Green	Acceptable ; meets standards; good probability of success; weaknesses readily correctable.
Yellow	Marginal ; fails to meet standards; low probability of success; significant but correctable deficiencies.
Red	Unacceptable ; fails to meet a minimum requirement; needs a major revision to the proposal to make it acceptable.
- **Check-Plus-Minus** - Evaluation criteria are established for three categories: minus to indicate that the minimum requirement has not been met for the factor; check to indicate that the offeror has met the minimum requirement; and plus to indicate that the offeror exceeded the minimum requirement.

**Qualitative (Narrative)
Method**

5.3.1.4.3 A narrative rating method involves the use of rating adjectives such as "outstanding," "good," etc. for each factor to provide a means of comparing a proposal to the established standard. However, it is not sufficient that the narrative states that something is good or inferior. The evaluator must first indicate in narrative statements what is being offered; how it meets the

standard; what its strengths, weaknesses, and deficiencies are; what, in the evaluator's opinion, must be done to remedy the deficiencies; what impact the deficiencies have on the offeror's proposal; and what impact their correction may have on the proposal.

The following hierarchy of adjective ratings is typical of those recently used in acquisition programs for the technical and management factors and categories:

- **Outstanding.** The proposal is fully and completely responsive. In addition, the offeror has convincingly demonstrated that the RFP's requirements have been analyzed, evaluated, and synthesized into approaches, plans, and techniques that, when implemented, should result in an outstanding, effective, efficient, and economical performance under the contract. An assigned rating within "outstanding" indicates that, in terms of the specific factor (or areas), the proposal contains essentially no weakness or deficiencies and meets or exceeds the fullest expectations of the Navy.
- **Excellent.** The proposal is responsive in a superior fashion with no significant weaknesses (and few minor weaknesses) noted. Fulfilling the definition of "excellent" indicates that, in terms of the specific factor (or areas), the proposal demonstrates a level of effort that meets the RFP's requirements and that this effort has, or could produce, results that should prove to be substantially beneficial to the project.
- **Good.** The proposal is adequately responsive with no major weaknesses noted. An assigned rating within "good" indicates that, in terms of the specific factor (or areas), any weaknesses noted are of a minor nature that should not seriously affect the offeror's performance. A rating within Good is used when there are no indications of exceptional features or innovations that could prove to be beneficial, or contrarily, weaknesses that diminish the quality.
- **Acceptable.** The proposal presents plans, approaches, studies, etc., to the extent requested, and the key or pivotal points raised by the applicable evaluation factors have been acceptably covered in the proposal. The offeror has presented an orderly plan to meet the

stated requirements, but the proposal does not demonstrate any exceptional features, innovations, analyses or originality. The technical analyses satisfactorily meet requirements and are technically correct.

- **Marginal.** The proposal contains weaknesses in several areas that are not offset by strengths in other areas. A rating of "marginal" indicates that, in terms of the specific factor (or areas), the offeror may satisfactorily complete the assigned tasks, but there is a risk that he will not be successful.
- **Unsatisfactory.** The proposal is not adequately responsive or does not address the specific factor. The offeror's interpretation of the Navy's requirements is so superficial, incomplete, vague, incompatible, incomprehensible, or incorrect as to be unsatisfactory. The assignment of a rating within the bounds of "unsatisfactory" indicates that the evaluator feels the offeror would need to substantially revise major parts of his proposal in terms of this factor or area to prevent significant deficiencies from affecting the overall project.

**Combination
Narrative/Numerical
Method**

5.3.1.4.4 This method combines the numerical approach with the narrative approach. The combination method requires the evaluator to first provide a narrative description of each proposal, factor by factor. This may be accomplished by the use of worksheets. (Sample worksheets are shown in Attachment 5-5. The worksheets allow the evaluator to describe the attributes and deficiencies of the proposal. Evaluators should complete the narrative description prior to assigning (by himself or others) any rating to the factors. This is done so that the rating will reflect the evaluator's findings, rather than making narrative findings justify the rating assigned. The rating methodology may make use of the intermediate step of assigning rating adjectives. The final scoring step is to then assign a numerical score, based on the rating adjective and the predetermined scoring band allocated to it. The intermediate step can be bypassed, if judged appropriate.

It should be recognized that the narrative description of each offeror's proposal is the most important tool in reporting evaluation findings to the SSEB/TEB. Ultimately, it is the documentation used to substantiate the evaluation findings to the

SSAC/CARP and the SSA and will be used to provide the required debrief to unsuccessful offerors.

Weighting Award Factors

5.3.1.4.5 Some of the award factors will have more impact on the selection decision than others. It may be necessary, therefore, to weight these award factors so that their relative importance is indicated in the final scoring. When weights are appropriate, they will be developed and assigned by the SSAC/CARP, in conjunction with their participation in the preparation and review of the SSP. However, weights will be included in a separate document from the SSP and will not be divulged to the SSEB/TEB evaluators or the potential offerors. Weighting by the SSAC/CARP permits mathematical summation of proposal items so that the relative merit of each is readily apparent. The weighted total possible score must be consistent with the relative order of importance defined in the RFP. They must be established and approved by the SSA prior to the receipt of proposals, and should be established and approved prior to issuance of the RFP. Weighting is an SSAC/SSA or CARP/SSA duty.

5.3.1.5 Other Evaluation Issues

Options

5.3.1.5.1 The SSP and RFP must clearly state whether or not option items will be evaluated for award. FAR 17.2 discusses the establishment, use, pricing and evaluation of option items. The decision to include, price, evaluate and/or exercise option items should be closely coordinated between the program manager, the PCO and legal counsel.

Security - Exclusion of Foreign Competition

5.3.1.5.2 It is Navy policy not to exclude foreign companies from competition on Navy requirements. However in rare instances the security considerations are so significant that exclusion of foreign competition is advisable. The program manager **does not** have authority to make this determination. The SPAWAR Security Manual addresses the process for making a determination to exclude foreign competition. The program manager should contact SPAWAR 08-3 as soon as possible in the acquisition process if he believes the exclusion of foreign competition is necessary.

Once a determination to exclude foreign competition has been made, the source selection plan and RFP must clearly state that restriction on competition.

Source Selection Handbook

5.3.1.6 For major acquisitions and other relatively complex acquisitions, the PM may find it desirable to develop a Source

Selection Handbook. The purpose of this handbook is to provide the SSEB/TEB and evaluation team members with more detailed evaluation guidance and procedures than are set forth in the SSP. Thus, the Source Selection Handbook amplifies the SSP and is used in conjunction with it. Typically, it describes all the standards and key questions to be used in the evaluation of each factor. In some acquisition programs, the handbook has been identified as an appendix to the SSP.

Source Selection Plan Approval Procedures

5.3.1.7 Once the draft SSP has been prepared it will be reviewed and approved as follows:

1. Plan is forwarded to the SSAC/CARP for review, comment, and SSAC/CARP Chair signature. Prior to submitting the SSP to the SSA for review, the SSAC/CARP should conduct a review of the plan to ensure that the:

- Written definitions for categories and factors are clear, concise, unambiguous, and understandable.
- Definitions are mutually exclusive and that any overlaps, conflict, redundancy, and gaps are eliminated.
- Criteria, categories, and factors as defined are valid and are susceptible to being rated and/or scored.
- Standards and rating adjectives are clearly set forth.
- Important categories and their factors are properly located in the evaluation hierarchical structure in order to avoid the possibility that important factors are located so low in the structure that they become insignificant when ratings/scores are applied.

2. Plan is reviewed and signed by the PCO.

3. Plan is reviewed and signed by legal counsel.

4. If the SSA is not a SPAWAR employee, a memo will be prepared forwarding the SSP to the SSA for review and approval.

5. Plan is reviewed and approved by the SSA. **The SSP must be approved by the SSA before the formal RFP is issued.**

THE REQUEST FOR PROPOSALS (RFP)

5.3.2 The RFP should be limited to those aspects that pertain to the specific acquisition and should minimize the volume and complexity of the response. Page limitations for proposals responding to the RFP are encouraged, provided that the completeness of the document is not sacrificed. The PM's staff should develop those portions of the RFP that lie within their assigned responsibility; likewise, the PCO and his staff should develop those portions for which they are responsible. At a minimum, the final RFP should be reviewed by the PM, PCO, counsel and the SSA.

Section L Preparation

5.3.2.1 Section L of the RFP is entitled "Instructions, Conditions, and Notices to Offeror." It is the section that contains solicitation provisions and other information and instructions not required elsewhere to guide offerors in preparing proposals or quotations. This section will also contain those FAR, DFARS or NAPS provisions which are required by regulation. This section will instruct prospective offerors on the required contents of proposals, the format for proposals and the number of copies to be submitted.

Section M Preparation

5.3.2.2 Section M of the RFP is entitled "Evaluation Factors for Award." It is the section that notifies offerors of the evaluation criteria against which all proposals will be evaluated. These criteria should be carefully structured to ensure the emphasis is placed on critical factors. They should thus set forth the relative importance of technical, cost or price, schedule, management, and other factors as set forth in the SSP.

However, the mere listing of evaluation criteria in relative order of importance may not suffice to inform prospective offerors of the basis on which their proposals will be evaluated. For example, there are situations where the importance of a single factor far outweighs all other evaluation factors. When such a situation exists, the predominance accorded this factor should be disclosed, along with the relative order of importance of the remaining factors provided. However, care must also be taken that the DOD policy against the disclosure of any numerical weights is not violated.

In programs with high risk potential, the RFP may include a discussion of known or potential risks, if there is reason to believe that the potential offerors are not aware of such risks. Even though the Navy may not know of specific risk areas, the RFP should be structured so that offerors are required to identify the risk

associated with their proposals in technical, cost, manpower, facilities, schedule, or performance areas, together with realistic approaches for resolving or avoiding the identified risks. Technical risk, as it pertains to each proposal, should be a factor of the evaluation criteria and should be rated on the basis of the offeror's risk assessment and the credibility of his proposed approach for eliminating or avoiding such risk. Subsection 5.4.9 and Attachment 5-6 address risk assessment in more detail.

For major systems and other programs with complex evaluation criteria, it may be beneficial if the RFP contains a matrix that correlates the evaluation criteria with the data to be submitted as part of the proposal. The offerors would then be required to prepare a proposal that is aligned with, and cross-indexed to, the criteria to facilitate review and evaluation.

If requirements or conditions change enough to negate or modify the evaluation criteria established in the RFP, the SSA must ensure (1) the solicitation is amended appropriately and (2) that sufficient time is provided for modification of the offerors' proposals.

DEVELOPMENT OF THE BIDDERS LIST

5.3.3 FAR Part 5 requires that a synopsis of each procurement, with certain exceptions specified therein, be published in the Commerce Business Daily (CBD) far enough in advance to permit interested firms to respond affirmatively prior to release of the RFP. (See FAR Part 35 for research and development sources.) The PM and PCO should work together in the development of the source list. The source list is derived by means of two available types of synopses. The first is the sources sought synopsis, a non-mandatory advance notice of the procurement, which provides potential offerors the opportunity to submit information which will permit evaluation of their capabilities. Such information should include potential offerors' past and present experience in terms of performance capability, logistic support, financial status, production capacity, and other significant factors needed to ensure program performance. In addition to potential sources identified in this manner, all potential sources responding to a second synopsis (the one required by FAR Part 5), which identifies the formal solicitation requirements and proposal response time, will be furnished a copy of the RFP.

PRE-SOLICITATION OR PRE-PROPOSAL CONFERENCES

5.3.4 A pre-solicitation or pre-proposal conference may be held for complex acquisitions. This conference allows prospective offerors to gain a better understanding of the objectives of the

acquisition. It also offers the Government an opportunity to stress the importance of significant elements of the RFP so that interested organizations can judge whether to incur the cost of proposal preparation. The PCO will make the necessary arrangements and conduct the conference. Prospective offerors normally expect a general presentation by the Government followed by a question-and-answer period. All questions should be submitted in writing (in advance, if practicable). Questions may be answered orally, but should be followed up by written, official answers to all companies on the bidders list. A summary of the conference should also be provided in writing to all companies on the bidders list. Note however that all companies should be informed both at the conference and in the written follow-up to the conference that provisions of the RFP are not changed by the conference and that the terms of the RFP can only be changed by a formal written amendment issued by the PCO.

CONDUCTING THE EVALUATION

5.4.1 GENERAL

The procedures governing the conduct of evaluations may differ according to the nature and scope of the acquisition. Each evaluator must be made familiar with the RFP and the SSP. These materials should be provided by each team leader in advance of the receipt of proposals.

The evaluation of proposals is conducted by starting at the lowest level of the criteria hierarchy, and aggregating evaluation results upward. Thus, individual factors are evaluated first, and the aggregated results become the basis for evaluating the respective areas. Each proposal is compared and measured, as objectively as possible, against the RFP and its stated factors for award. With the exception of proposals to be selected on the basis of price only, proposals shall not be measured against each other.

RULES OF CONDUCT

5.4.2 The following are the rules of conduct established for evaluators:

- Direct all attempted communication by offeror's representatives to the Contracting Officer.

- Advise members of your permanent office not to divulge your participation in the source selection action to casual callers.
- Do not discuss proposals, findings, etc., among source selection participants outside of the evaluation site.
- Do not socialize with any offeror or proposed subcontractor or vendor who may have a potential interest in the award (SECNAVINST 5370.2J, Standards of Conduct, applies).
- Do not discuss any part of the source selection with anyone other than the source selection participants, even after announcement of a winning contractor. This rule applies regardless of the rank or position of the inquirer. Any inquiries directed to you pertaining to the source selection action from sources other than the SSAC/CARP or SSEB/TEB, members or advisors should be redirected to the Contracting Officer.

SAFEGUARDING OF DATA

5.4.3.1 Purpose

The sensitivity of competitive source selection dictates absolute security throughout the entire proceedings, including the actions of all personnel associated with the evaluation and administration of proposals, the deliberations of the various boards, and presentations to higher authority. Unauthorized disclosure of any source selection information can be damaging to the Navy's interests, both in terms of (1) criticism resulting from failure to conduct business affairs properly and (2) the loss of the competitive environment so essential to the source selection process. Unauthorized disclosure of source selection information is also against the law.

Security Plan

5.4.3.2 The security plan for source selection activity can be divided into the following six areas of consideration and should be so reflected in SSPs:

Indoctrination of Personnel

5.4.3.2.1 It is essential that all persons involved in the evaluation have a complete awareness of the consequences of security leaks and a complete appreciation of the need for constant adherence to good security practices. In briefings of the SSEB/TEB and evaluation teams prior to receipt of proposals, the Chair of the

SSEB/TEB should inform the attendees of the importance of security safeguards. After this briefing, each SSEB/TEB member will be responsible for periodically ensuring the maintenance of a security-conscious attitude on the part of all individuals involved in the evaluation. Clerical personnel will be in attendance at security briefings. The Chair of the SSAC/CARP will brief members and advisors of the SSAC/CARP.

Location and Security of Work Area

5.4.3.2.2 The central work area used for the evaluation should be secured in terms of privacy and controlled access. Personnel should be strategically stationed to control ingress and egress. A roster of personnel who are authorized admittance to the evaluation area should be established, and the justification for additions to the roster must be personally approved by the Chair of the SSAC/CARP, or the SSA as appropriate. If a situation arises that requires an individual not on the roster to be admitted to the work area, all discussions will be discontinued and all paperwork either properly stored or otherwise safeguarded until such personnel have departed the work area.

Communication

5.4.3.2.3 It is recognized that the exchange of information among members of the various teams is essential to ensure proper coordination in the evaluation process. Thus, no specific restriction should be placed on this exchange of ideas within the evaluation teams. However, personnel should exercise this privilege only to the extent required in the conduct of their business. In the event it becomes necessary for members of the teams to contact persons outside the working group for additional data or for advice on a particular segment of the evaluation task, care must be taken to avoid divulging sensitive information. Once proposals have been received and the teams have convened, contact with the competing contractors for additional information and/or clarification of the proposal will be made by the PCO only. No one other than officially designated members of the evaluation teams should be permitted to attend team meetings.

Documentation Control

5.4.3.2.4 The following guidelines should be followed in the control of source selection sensitive documents.

- All documentation developed by evaluation teams should be classified in accordance with established security classification requirements.

- All unclassified documents developed by the evaluation teams should be marked and handled as "FOR OFFICIAL USE ONLY."
- All working papers, rough drafts, computation sheets, carbon copies, stenographic notes, etc., relating to documents that are not required for retention in the official source selection files of the SSEB/TEB should be placed in burn bag for immediate destruction.
- All documentation within the work area will be secured at the end of the working day and/or at all other times that it is not under the direct control of authorized personnel. No document should be removed from the work area for any purpose without specific permission of the Chair of the SSEB/TEB. At the conclusion of the evaluation process, members of the teams should not be permitted to retain any work papers, or any part of the proposals received without first obtaining authorization for the PCO.

Unauthorized Disclosure

5.4.3.2.5 If at any time during the evaluation proceedings it should be found out that there has been an unauthorized disclosure or release of either classified information or information marked "FOR OFFICIAL USE ONLY," the matter should be brought to the attention of the next higher official. All source selection personnel, including clerical help, should read, understand, and sign a Non-Disclosure Statement (see Attachment 5-7). Non-Disclosure Statements shall be retained by the PCO as part of the Source Selection Record.

Financial Interest

5.4.3.2.6 All members and advisors (except clerical) of the source selection organization must execute the "Confidential Financial Disclosure Report" (SF 450) prior to commencement of proposal evaluation. This requirement applies to major (or formal) weapon systems acquisitions. A substitute document, affirming that no conflict of interest exists, may be sufficient for less than formal source selection procedures. These statements shall be forwarded to SPAWAR OOC for review prior to receipt of proposals and subsequent proposal evaluation. All statements will be forwarded from SPAWAR OOC to the PCO and retained by the PCO as part of the Source Selection Record. Flag Officers and members of the Senior Executive Service may fill out copies of Standard Form 278, Financial Disclosure Report, in lieu of SF 450.

PERSONAL SERVICES

5.4.4 Care must be exercised in the source selection process to avoid circumstances which contribute to the establishment of an illegal personal service relationship, especially in procurements calling for engineering, technical or support services. Since the resulting contract must avoid creating in the Government specific or even implied power to hire or fire the contractor's employees, the evaluation process must give primary emphasis to the merits of the technical dissertation or approach rather than the qualifications of the individuals whom the contractor may assign to complete the effort or products in question. The evaluation of resumes and other personnel qualifications should be solely for the purpose of establishing the offeror's understanding of the complexity and scope of the work required and the nature of the personnel resources proposed for its accomplishment. These factors then influence the degree of acceptability of the offeror's proposal.

OFFERORS' ORAL PRESENTATIONS

5.4.5 If the SSA and SSAC/CARP believe that the proposals will be significantly complex, they may decide to require an oral presentation of each proposal at proposal submission. If such oral presentations are required, the following actions apply:

- The presentations should be conducted prior to commencement of the evaluation to provide the SSAC/CARP and SSEB/TEB or technical evaluation team with an overview of the entire proposal.
- Each competitor will be provided an opportunity to make a presentation so that no offeror will have a competitive advantage. To eliminate bias and ensure objectivity during the evaluation process, all participants in the evaluation must make themselves available for all oral presentations or alternatively for none of the presentations.
- The SSAC/CARP must document the file regarding any oral presentations made.

COORDINATION AMONG EVALUATION TEAM MEMBERS

5.4.6 Upon completion of the evaluation of a factor of the proposal, an evaluator must coordinate his findings for the factor with the team leader to ensure a common evaluation baseline among the various factors evaluated. There may be instances where a deficiency found in one factor may not be discerned in another, but may have a drastic impact upon it. These facts must be made known to all evaluation team members by the team leader. Having accomplished intra-team coordination, the team leaders

should coordinate their findings for their areas with other team leaders within the area so that inter-team interfaces and relationships may be fully explored.

Occasionally, unless deficiencies found in the technical evaluation are made known to the cost/price team, the validity of the cost/price evaluation will be adversely affected. Conversely, the cost figures quoted for specific tasks and evaluated by the cost/price team may also be examined for realism, completeness, and relevance by personnel with the requisite technical experience. This can be accomplished by appointing to the cost/price team at least one member with technical expertise in the areas being evaluated. This result could also be accomplished by releasing to the technical and management teams only those elements of cost information that are required for them to perform their function, while withholding the entire cost breakdown and end costs/prices, which should be revealed only to the SSEB Chair, if a specific need is served by such disclosure and the information will not impact future evaluation efforts on the part of the SSEB/TEB or technical teams. It is preferable that technical and cost/price information be exchanged only at the SSAC/CARP level.

For complex source selection organizations, another useful coordination effort is the frequent scheduling of status and progress report sessions between individual evaluators and their team leaders and between team leaders and the SSEB/TEB. These sessions provide a valuable two-way exchange. They enable team leaders to assess progress and provide feedback to the individual evaluator. In this manner, each evaluator will be progressively reassured that his part of the evaluation is responsive to the requirements of the SSP and that his narratives are clearly understood. Consideration should also be given to the way in which the team findings are presented to the SSAC/CARP. If the findings are to be presented orally, it is recommended that the evaluation of specific sections of all proposals be given at one time. In this way, the questions and intensive review provided by the SSAC/CARP will not influence the review of similar sections of competitive proposals.

NARRATIVE EVALUATION, RATING AND SCORING

5.4.7 NARRATIVE EVALUATION, RATING AND SCORING

5.4.7.1 General

Actual procedures to be used in a given source selection should be tailored to both the circumstances and the source selection organizational structure that is used. The evaluation

procedures discussed herein are based on those used in recent acquisition programs that strive to minimize the overall execution time. In brief, the scheme for these procedures is as follows:

<u>Evaluation Actions</u>	<u>Responsibility</u>
1. Analyze proposals, prepare narrative report, identify strengths and weaknesses; identify deficiencies, risks, and scope refinements. Prepare questions or items for clarification or discussion for all offerors.	Evaluation Teams, Team Leaders
2. Review all the foregoing; assign ratings by whatever method specified in the SSP; assign numerical scores, if applicable, prepare evaluation report.	SSEB/TEB
3. Review all the foregoing; apply weighing, if applicable, recommend competitive range, source for award.	SSAC/CARP

Narrative Evaluation

5.4.7.2 Each evaluation team member should be assigned to those sections of the proposals that should address his assigned factors. In order for an acceptable evaluation to be conducted, the evaluator must know what he is to evaluate, what the RFP requires, and what is considered the minimal acceptable response. These data must be available in the factor descriptions and standards that are provided to each evaluator. The evaluator should familiarize himself with the descriptions and standards of other related and/or interfacing factors and sub-factors; he must thoroughly review the RFP and the SSP. The evaluator then must review and analyze each offeror's proposal and compare the offer to the standards. He is expected to use his expert knowledge and experience to determine the feasibility, logic, and the reasonableness of the offeror's response. In some instances, he may want to verify certain aspects of the data that are outside his technical skill or experience. He may do this through discussions with advisors, consultants, or other SSEB/TEB members. However, contact with those "outside" the evaluation teams shall be done only after approval and authorization from the SSEB/TEB Chair who shall coordinate this with the SSAC/CARP Chair and the SSA. Evaluators should be

cautioned that the evaluations are to be based on the proposals at hand and their own "expert" knowledge of what is required to successfully perform the contract. An evaluator's possible intimate knowledge of particular contractors, personnel, facilities, etc., shall not be considered.

Following the detailed procedures set forth in the SSP or the Source Selection Handbook, the evaluator must develop a complete, concisely written narrative description of his evaluation with respect to each factor, identifying strengths and weaknesses. He also must identify deficiencies and possible scope refinements, as well as prepare questions or items for clarification/discussion from each offeror. In all cases, he needs to associate his findings with specific references to the proposal text. It is a common practice to provide evaluation work sheets that outline the foregoing. Attachment 5-5 provides a set of sample work sheets used to guide an evaluation all the way through final scoring by an SSAC/CARP.

Rating And Numerical Scoring (where applicable)

5.4.7.3 Rating adjectives were discussed in paragraph 5.3.1.4.3. Based on its review of the presentations, discussions, and narrative evaluations provided by the evaluation teams, and its own review of the proposals, the SSEB/TEB assigns an adjective rating to the evaluation factors and categories from the predetermined hierarchy of adjective ratings. Rating and scoring worksheets are useful for organizing, guiding, and documenting the results of this rating effort and for passing these results on to the SSAC/CARP to aid in its scoring effort. Sample work sheets for this task are shown in Attachment 5-5. For the purpose of numerical scoring, a range of numerical values are assigned to each rating adjective in the SSP.

These values might be similar to those shown in the following example:

<u>Adjective</u>	<u>Numerical Value</u>
Outstanding	10, 9
Excellent	8, 7
Good	6, 5
Acceptable	4, 3

Marginal	2, 1
Unsatisfactory	0

Program Managers are strongly encouraged to include scoring criteria in their SSP that demonstrate differences between proposals. For example, in evaluation of a proposal if an offeror is given a score of 3 for an "acceptable" proposal on a certain key factor (using the guide above), discrimination is evident when another offeror is given a score of 10 for an "outstanding" proposal. Further discrimination and separation of offerors is later obtained when a high weighing factor is applied to the raw score. **If the technical scores are not spread throughout the range of available scores, cost could become the sole discriminator in source selection.**

The SSAC/CARP then either: 1) applies the predetermined relative weighing multipliers to derive an overall numerical score (where numerical weights have been predetermined); or 2) applies its subjective judgement based on the relative order of importance of the factors.

The evaluation process should not attempt to classify all proposals as either fully acceptable or as fully unacceptable. Rather, the evaluation should strive for a realistic score along the numerical scale, which represents the offeror's ability to satisfy the requirement. It should also be recognized that adjective and numerical ratings are communication techniques and that they must be fully supported with narrative rationale.

DEFICIENCY REPORTING

5.4.8 While the evaluation is being performed, the evaluator must record the deficiencies found in each proposal. This is a separate task from the narrative analysis. For the purpose of source selection, a "deficiency" is defined as any part of an offeror's proposal that fails to meet the Government's requirements, as established in the RFP. That is, when compared to the standard, the proposal:

- Fails to meet the requirement represented by the standard.
- Omits data, making it impossible to assess compliance with the standard.

- Is so ambiguous it must be clarified before an assessment of compliance can be made.

Because an individual evaluator cannot determine which of the offerors will be selected in the final competition, it is important that he present an unbiased report of the deficiencies in each proposal and cite the effect the uncorrected proposal will have on the program. For this purpose he should use Deficiency Reports that are provided to the PCO via the team leader, the SSEB/TEB and the SSAC/CARP. Deficiencies should be identified by measuring each offeror's proposal against the evaluation criteria/standards; they should not derive from a comparative evaluation of the relative strengths and weaknesses of competing proposals. Deficiency Reports are best prepared at the time the evaluator discovers the deficiency. Experience has shown that when evaluators attempt to return to deficiency reporting after other evaluation tasks are completed, omissions occur and poorly substantiated reports result. The Deficiency Report may be used by the PCO in oral and written discussions. It also may serve as a tool for the debriefing of unsuccessful offerors after contract award. Figure 5-1 illustrates a sample Deficiency Report form.

RISK ASSESSMENT

5.4.9 The identification and assessment of risk are essential elements of the evaluation process whether a quantitative or qualitative approach is used. Certain risks may be inherent in a program by virtue of the program objectives relative to the state-of-the-art. Risks may occur as a result of a particular technical approach; a manufacturing plan; the selection of certain materials, process, equipment, etc.; or as a result of the costs, schedules, and economic impacts associated with the approach. **See Attachment 5-6 for additional guidance on risk analysis.** Certain risks may be known to exist in major programs at the time the RFP is issued. In this case, offerors must not be penalized merely because of the existence of such risks in their proposals. The standards prepared for factors in which known risks exist should measure the acceptability of the proposed solution rather than placing undue emphasis on the existence of the risk. The measurement of acceptability must consider both the approach proposed and the alternatives available to overcome the risks. Further, he must determine when success or failure will become apparent and the impact the correction of the problem will have at that time. The evaluator must analyze and report the alternatives available and the ability of these alternatives to meet the requirement. Figure 5-2 provides a sample Risk Analysis Report Form. It is the responsibility of all evaluation teams to ensure that the cost/price

team is informed of the risk area and to assist the cost/price team in arriving at a judgement of any cost/price impact that may result. In its analysis report and presentations to the SSA, the SSAC/CARP should include an assessment of the cost/price, technical, management, production, schedule, and economic risks associated with each proposal.

COST EVALUATION

5.4.10 The elements used in analysis of the cost vary with each acquisition program. Although the primary responsibility for cost evaluation rests with the cost analyst team, close coordination and a selected information exchange may be necessary between the cost analyst team, certain members of other teams and the PCO. Cost evaluations of proposals will require at least the following: (detailed beginning on page 5-40)

**FOR OFFICIAL USE ONLY - SOURCE SELECTION SENSITIVE
DEFICIENCY REPORT**

OFFEROR _____

CATEGORY TITLE: _____ NUMBER _____

FACTOR TITLE: _____ NUMBER _____

NATURE OF DEFICIENCY:

Concise statement of the nature of the deficiency including reference to the document, page and paragraph of the offeror's proposal)

SUMMARY OF EFFECT OF DEFICIENCY:

State how the uncorrected deficiency would affect the program if it were accepted as is)

REFERENCES:

(Indicate what substantiates that the data evaluated are deficient. These may be statements in the RFP, specifications, Government or Industry standards, etc.)

RECOMMENDED ACTION:

(Evaluator can recommend that PCO obtain clarification, request offeror submit omitted data, etc. In that case the evaluator shall prepare questions or items requiring clarification and the nature of clarification desired shall be described.)

TEAM LEADER SIGNATURE (DATE)

EVALUATOR SIGNATURE (DATE)

**Figure 5-1.
Deficiency Report**

Figure 5-1 Deficiency Report

**FOR OFFICIAL USE ONLY - SOURCE SELECTION SENSITIVE
RISK ANALYSIS REPORT**

OFFEROR _____

CATEGORY TITLE: _____ NUMBER _____

FACTOR TITLE: _____ NUMBER _____

RISK:

(Concise statement of the risk)

IDENTIFIED BY OFFEROR: Yes ___ No ___ Ref ___

IMPACT OF RISK:

(Concise understandable statement of impact on system, performance, cost/price and schedule)

ALTERNATIVES:

(Concise statement of alternatives and fallbacks)

IMPACT OF ALTERNATIVES:

(Concise statement of various alternatives/fallbacks and their impact on system, performance, cost/price and schedule)

OFFEROR'S RISK ASSESSMENT:

(If risk identified by offeror, evaluator state degree of agreement/disagreement with offeror's analysis)

TEAM LEADER SIGNATURE (DATE) EVALUATOR SIGNATURE (DATE)

**Figure 5-2. Risk
Analysis Report**

Figure 5-2. Risk Analysis Report

- **Assurance of Comparability.** Consideration must be given to variations in the amount of required Government Furnished Property (GFP) (including the use of Government-owned facilities and special tooling and special test equipment) and other differences before the offerors' proposals can be evaluated completely.
- **Cost Affordability.** Cost affordability will be assessed based on the government realistic cost for each offeror within the competitive range. The government realistic cost for each offeror in the competitive range will be compared with the lowest government realistic cost among all offerors in the competitive range. The offeror in the competitive range with the lowest government realistic cost is considered the most affordable among those offerors; all other offerors in the competitive range are considered less affordable based on the relative differences from the offer with the lowest government realistic cost.
- **Verification of Rates.** When a cost analysis is conducted, a determination is required that labor and overhead rates, as well as any special pricing factors, are reasonable, allocable, and consistent with acceptable accounting and estimating systems. Personnel from the Defense Contract Audit Agency (DCAA) and/or the Defense Contract Management Area Operations (DCMAO) should be called upon to assist in making this determination.
- **Determination of Cost/Price Impact as a Result of Deficiency Disposition.** After offerors' best and final offers have been analyzed, all cost/price impacts resulting from them should again be considered by the cost team in determination of cost/price realism.
- **Determination of Cost/Price Risk.** Based on the data developed in technical risk assessments, the cost/price risk inherent in each proposal must be evaluated.
- **Development of Cost/Price Track.** The cost team should maintain a cost track to facilitate an understanding of various changes leading to the final cost/price review by the SSA.

- **Special Assessment for Any Cost/Price That Appears Unrealistic.** This assessment should address the reasons why cost estimates are considered to be unrealistic.

INQUIRIES TO OFFERORS TO OBTAIN CLARIFICATION

5.4.11 Before completing the evaluation, it may be desirable to make inquiries to an offeror in order to obtain clarification regarding its proposal. Clarification is defined in FAR 15.601 as a "communication with an offeror for the sole purpose of eliminating minor irregularities, informalities, or apparent clerical mistakes in the proposal." Deficiencies, which FAR 15.601 defines as any part of a proposal that "fails to satisfy the government's requirements," must ordinarily be resolved (if at all) during "discussions", (see FAR 15.601 for the definition of "discussion"). To save time and avoid confusion, all inquiries to a particular offeror should be made at one time to the extent possible. All inquiries developed by the evaluation teams should be submitted to the SSEB/TEB or PCO in non-formal procedures, whose review may add to or modify them. Following the SSEB/TEB review and approval where applicable, the finalized list of inquiries will be given to the PCO who shall consult with the SSAC/CARP Chair and the Legal Advisor to determine whether in fact the inquiries are proper "clarifications" as opposed to "discussions" regarding the proposal. Thereafter, all inquiries deemed appropriate should be made through, or in the presence of, the PCO or his designated representative. The evaluation of the offeror's proposal will then be completed, following receipt of the offeror's response. Note that these inquiries have a different purpose than the discussions addressed in paragraph 5.7, and extreme care should be exercised in making clarification inquiries so as not to inadvertently enter into "discussions" with an offeror.

RERATING/ RESCORING

5.4.12 Proposals will be rated and scored as originally submitted. If written or oral discussions are held with offerors and best and final offers are received, reinterpretation and reanalysis of the proposals are required. This may take the form of the SSAC/CARP directing that rerating be performed by the SSEB/TEB and its evaluators. Other methods of analyzing the best and final offers are possible. For example, only selected members of the SSEB/TEB may need to evaluate them. In all cases, fair and equal treatment shall obviously be accorded to all offerors.

THE SSEB/TEB REPORT

5.4.13 When the evaluation teams have completed their assessment, the SSEB/TEB Chair compiles and presents the SSEB/TEB's overall evaluation to the SSAC/CARP in a written

report and an oral presentation, if desired. This report and presentation must convey the results and significant points of the evaluation. The Source Selection Evaluation Board Report should be signed by all members of the SSEB/TEB. If approval is not unanimous, a minority report should also be submitted to the SSAC/CARP by each dissenting SSEB/TEB member via the SSEB/TEB Chair. The written report should include a detailed description of each of the evaluation criteria. Separate sections should be written to cover cost/price matters and Deficiency Reports. Narrative assessments must be included for all criteria, factors, and sub-factors. Each assessment should be precise and should highlight the strengths, weaknesses, and risks of each proposal. If scoring is used, the scores shall clearly reflect the narrative assessment. A separate section should be written to cover the risk analysis. Attachment 5-8 provides a sample SSEB/TEB Report.

The SSEB/TEB should also prepare a summary of the written report, which outlines the significant findings of the evaluation. The summary report will be provided to the SSA through the SSAC/CARP. The SSAC/CARP will be expected to review and analyze the report and provide any additional inputs to the SSA. The oral presentation will also summarize and highlight significant findings. Presentation charts may be developed to clarify complex areas and graphically display the results of the evaluation. In less than formal source selections, the technical team reports to the CARP in a more simplified written form.

POST EVALUATION ACTIONS

SSAC/CARP REVIEW OF TECHNICAL AND COST/PRICE EVALUATION

5.5.1 SSAC/CARP REVIEW OF TECHNICAL AND COST/PRICE EVALUATION

5.5.1.1 General

After completion of the initial evaluation of the proposals as submitted, the SSEB/TEB and, if applicable, the cost/price analyst submit their findings to the SSAC/CARP. The SSAC/CARP is then responsible for reviewing that information and making recommendations as to whether to award without discussions (see paragraph 5.5.1.2) or to establish a competitive range (see paragraph 5.5.1.3). The SSAC/CARP recommendations are documented in the SSAC/CARP report (see paragraph 5.5.1.4).

Award Without Discussions

5.5.1.2 After the initial proposals have been evaluated, if the PCO determines that discussions are not necessary and the RFP includes FAR 52.215-16 ALT III, award may be made without discussions. (see FAR 15.610)

Establishing the Competitive Range

5.5.1.3 After the initial proposals have been evaluated and it has been determined to hold discussions, a decision must be made as to which offerors will be selected for discussions. This is accomplished by determining which offerors are within the "competitive range." This determination will be made by the PCO. The PCO should work closely with the SSEB/TEB Chair, technical team, and the SSAC/CARP to establish the competitive range and to decide how much review and documentation are required of the various evaluation teams to support this determination.

Determining the Competitive Range

5.5.1.3.1 (see FAR 15.609) The competitive range should be determined on the basis of price or cost, technical, and other salient factors; it should include all proposals that have a reasonable chance of being selected for award. This means that a proposal may not be found outside the competitive range merely because it does not score the highest or even because it falls below the "acceptable" range. However, if at any point during discussions it becomes obvious that an offeror no longer has a reasonable chance of award, that contractor should be eliminated from the competitive range and so notified.

Proposals Not Within the Competitive Range

5.5.1.3.2 There are no absolute rules but, generally, an offeror's proposal is not within the competitive range if it modifies or fails to conform to the essential requirements of the solicitation including the specification to such an extent that it does not stand a reasonable chance of being revised sufficiently to become a winner. Examples of this might include a proposal where:

- It does not represent a reasonable effort to address the essential requirements of the solicitation or clearly demonstrates that the offeror does not understand the requirements of the solicitation.
- It contains design deficiencies of such magnitude that the necessary corrections or improvements would require a major revision or virtually an entirely new technical proposal.

- It contains such major technical or business deficiencies or omissions, including unrealistic or unreasonable pricing, that discussions with the offeror could not reasonably be expected to make it a winner.

If there is any doubt as to whether a proposal is in the competitive range, the matter should be resolved by including it.

***Notice to Offerors Not
in the Competitive
Range***

5.5.1.3.3 The PCO is required to issue a notice to offerors not in the competitive range, in accordance with FAR 15.1001(b). Offerors should be advised that their offers are "outside the competitive range," rather than being "unacceptable" with a general statement of the reasons for that determination and a statement that revisions of the proposal will not be considered. Offerors so notified are entitled to a debriefing after award of the contract.

SSAC/CARP Reports

5.5.1.4 Based on the SSEB/TEB Report and the SSAC/CARP's own review, the SSAC/CARP will prepare Proposal Analysis Reports for submission to the SSA. These narrative reports will document the deliberations and recommendations of the SSAC/CARP.

***SSAC/CARP Initial
Proposal Analysis
Report***

5.5.1.4.1 The initial report prepared and submitted by the SSAC/CARP to the SSA normally provides a summary of SSEB/TEB findings, as modified by the findings and judgement of the SSAC/CARP, and a recommendation as to whether to award without discussions or establish a competitive range. All members of the Council who concur will sign the report. SSEB/TEB and or SSAC/CARP irreconcilable differences should be the subject of minority reports to the SSA. The SSAC/CARP should also be prepared to present additional information as may be requested by the SSA. Attachment 5-8 provides a sample SSAC/CARP report. The report should discuss, in detail, any modification made to either the narrative or scoring portions of the SSEB/TEB report. Weighted scores (if used) are presented to the SSA in the report. The rationale supporting the weighted scores must also be reflected. When the report is delivered to the SSA, the Chair of the SSAC/CARP should be prepared to review both the evaluation methodology and the strong and weak points of the proposals and to support the resulting ranking of the competitors.

***SSAC/CARP Reports
During Negotiations***

5.5.1.4.2 Should it become obvious during the course of negotiations that one or more offerors no longer stand a reasonable chance of award, FAR 15.609 requires those offerors to be

removed from the competitive range. This protects offerors from incurring unnecessary bid and proposal expenses. Should the PCO believe that an offeror should be eliminated from the competitive range, the SSAC/CARP should review the information and make a recommendation as to whether to eliminate the offeror from the competitive range. This recommendation and the support for it should be submitted to the SSA in a formal report.

Best and Final Offers

5.5.1.4.3 SSAC/CARP Recommendation to Issue a Request for Best and Final Offers

When all substantive issues have been discussed, the SSAC/CARP will meet to discuss the results of negotiations, discuss the disposition of any deficiency reports and to recommend the issuance of a request for best and final offers. This meeting will be documented by a SSAC/CARP report submitted to the SSA.

SSAC/CARP Recommendation for Award

5.5.1.4.4 After receipt and review of the best and final offers, the SSAC/CARP will prepare a report to the SSA recommending award of the contract and clearly documenting the reasons for their recommendation.

PRE-NEGOTIATION BUSINESS CLEARANCE

5.5.2 After receipt of the SSA or SSAC/CARP recommendations discussed in section 5.5.1.1, the Contracting Officer is responsible for the preparation of the pre-negotiation business clearance.

The pre-negotiation clearance documents conformance of the acquisition with good business practice and Navy policy. It serves as the historical record of business and pricing issues of the acquisition including, but not limited to the source selection process and results for that acquisition. The approval of the pre-negotiation business clearance is required prior to entering negotiations with offerors.

The specific content, format and required review procedures for the business clearance are set forth in NAPS 5201.690 and in internal SPAWAR Contracts Directorate Instructions.

NEGOTIATIONS

5.5.3 NEGOTIATIONS

5.5.3.1 General

FAR 15.610 requires that written or oral discussions shall be conducted with all responsible offerors who submit proposals

within a competitive range, except that this requirement need not be applied to procurements:

- a. In which prices are fixed by law or regulation;
- b. Of the set-aside portion of a partial set-aside; or
- c. If the PCO determines that discussions are not necessary, provided that the RFP contains FAR 52.215-16 ALT III.

Discussions will be conducted by the PCO, assisted, as necessary, by a team of contract, legal, and technical personnel. The assignment of personnel to other duties associated with the source selection process will not preclude such personnel from providing assistance to the negotiation team. However, all negotiation team members must recognize that the PCO is the official point of contact with all offerors.

Oral Discussions

5.5.3.2 Oral discussions, if held, are conducted under the direction of the PCO in two parts: a discussion of the technical/management/logistic aspects of the proposal and a discussion of price/cost aspects. The following points are pertinent to oral discussions:

- Technical and management discussions should be concerned with the content of the initial proposals, including exceptions taken and deficiencies. These discussions usually result in the support, and improvement of all proposals in the competitive range. This exchange of information and updating of offers is not to be confused with technical leveling, which is discussed in section 5.5.3.4 below. The PCO must ensure that technical team members understand who is eligible for discussions, the purpose of these discussions, that private discussions are not permissible, and that discussions are under the control of the PCO.
- Care should be taken when discussing cost elements with an offeror; "auction" techniques must be avoided. The questioning must cover only deficiencies, clarifications, or exceptions. An offeror may, however, be informed that the Government considers his cost/price to be too high or too low (but not in relation to other offers). If insufficient justification has been

provided for certain cost elements, the offeror should be apprised of this and of the extent of justification deemed necessary.

- It is wise to confirm oral discussions in writing.

Combined Oral and Written Discussions

5.5.3.3 In most procurements, the deficiencies and uncertainties may be numerous and complicated. In such cases, it is advisable first to prepare written questions to ensure that the specifics are clearly communicated to the offerors. These questions are prepared by each evaluation team and provided by the PCO to the offerors prior to discussions. They should form the basis for the actual oral discussions. These questions and any others that arise during the discussions should be incorporated in the request for best and final offers.

Avoiding Technical Transfusion and Leveling

5.5.3.4 All offerors selected for discussions must be afforded adequate opportunity to meet the requirements of the solicitation. However, during discussions, the strengths, weaknesses, or overall evaluation of an offeror's proposals with respect to other proposals must not be divulged either directly or indirectly. For example, asking the offeror to further explain how it intends to meet a specific functional requirement is not usually considered technical transfusion or leveling. Discussing the merits or shortfalls of that offeror's approach to meeting the requirement is not usually considered technical transfusion or leveling. However, if those discussions include a direct or indirect mention of an approach which another offeror has used to meet the requirement, you are participating in technical transfusion or leveling. The discussions must be conducted in a way that avoids transfusions or leveling proposals to the point where the technical discrimination necessary for source selection is destroyed and cost/price, however weighted, assumes disproportionate importance. This requires the exercise of sound judgment, based upon such factors as the degree of effective competition, and the selection criteria given in the solicitation. Attachment 5-8 has been prepared by SPAWAR OOC to address the concept of "technical leveling" in order to assist evaluators to frame questions that will result in meaningful discussions with offerors.

Visits to the Offerors' Sites

5.5.3.5 Visits to the offeror's site by the SSAC/CARP and/or SSEB/TEB may be beneficial during the source selection process. Visits must be scheduled for a specific, clearly understood purpose and must be approved by the SSA and PCO. The SSAC/CARP

Chair should ensure that all visits are made on an impartial basis, See FAR 42.4. In order to avoid the appearance of preferential treatment, if one offeror is visited, visits should be made to all other offerors who are within the competitive range.

Best and Final Offers

5.5.3.6 When the PCO and program manager agree that all substantive issues have been discussed, the SSAC/CARP shall convene to determine whether or not to recommend issuance of a request for best and final offers. See 5.5.1.4.3 above.

The purpose of "Best and Final" Offers (BAFOs) is to establish a common cutoff date and time for the completion of discussions. The request for BAFOs concludes the opportunity for discussions with the offerors. All deficiencies, clarifications, and scope refinements identified in the discussions should be included in the transmittal letter to the offerors. The BAFO request should advise the offerors that any substantial changes to the proposal must be justified or explained. The goal is to structure the BAFO request in such a way that, after receipt and evaluation of the BAFOs, the selecting official will be in a position to make an award to the successful offeror without further discussions.

Evaluation of Best and Final Offers

5.5.3.7 The same rules that applied to the original evaluation are followed. To avoid confusion and the possibility that deficiencies corrected in the BAFO may be overlooked, the evaluation teams should be instructed that this written evaluation is separate from the basic evaluation made on the original proposals. It should thus cover the differences, if any, between the BAFO and the original proposal and should result in a revised evaluation and score, if appropriate.

SSAC/CARP EVALUATION OF OFFERS

5.5.4 Upon receipt of best and final offers, the SSAC/CARP shall meet to determine whether or not a detailed technical review of the offers is required.

If a detailed technical review is required, the SSAC/CARP shall refer the technical proposals to the SSEB/TEB for review. After receipt of the SSEB/TEB report, the SSAC/CARP shall prepare its recommendation for award in accordance with paragraph 5.5.1.4.4 above.

If a detailed technical review is not needed, the SSAC/CARP shall conduct the review of best and final offers and shall prepare their recommendation for award in accordance with paragraph 5.5.1.4.4 above.

**POST NEGOTIATION
BUSINESS
CLEARANCE**

5.5.5 Pending the selection decision by the SSA, the PCO will proceed to prepare the Post-Negotiation Business Clearance, in accordance with NAPS 5201.690 and any special instructions from the SSA. The post-negotiation business clearance is the historical record of the events leading up to the request for best and final offers, the results of the evaluation of those offers, the rationale for selection of one or more of those offerors, and the determination that the award price/s is/are fair and reasonable. Approval of the post-negotiation business clearance is required prior to award of the contract.

CONTRACT AWARD PROCEDURES**NOTICE TO
UNSUCCESSFUL
OFFERORS****5.6.1 NOTICE TO UNSUCCESSFUL OFFERORS****5.6.1.1 Awards Under Small Business Set-Asides**

FAR 15.1001(b)(2) requires that Contracting Officers provide a pre-award notice to unsuccessful offerors informing them of the name and location of the apparent successful offeror. This notification allows unsuccessful offerors to challenge the small business status of the apparent successful offeror within five days. This notification procedure generally adds five to seven business days to the projected award date.

5.6.1.2 Other Awards

FAR 15.1001(c) requires that all unsuccessful offerors be promptly informed of the contract award. Specific information to be included in the notice is set forth in the regulation.

**ANNOUNCEMENT OF
THE AWARD****5.6.2 ANNOUNCEMENT OF THE AWARD****5.6.2.1 Congressional Notification and Public Award Announcements*****Congressional
Notification***

All contractual actions or modifications that have a face value of \$5M or more, excluding unexercised options, must be publicly announced by the Office of the Assistant Secretary of Defense (Public Affairs) and the Navy Office of Legislative Affairs at 1700 on the day the contract is signed or on the next working day. With SPAWAR, all announcements are coordinated through the Congressional and Public Affairs Office (SPAWAR 00L), where

they are handled by specifically designated personnel. A Contract Award Announcement form is available from SPAWAR 00L. The PCO will work with the program office to complete and submit this initial information to SPAWAR 00L no later than four working days prior to the planned award date. Fact sheets and questions and answers will be prepared on all new contracts and for contracts/programs for which 00L does not have fact sheets. Sample fact sheets and questions and answers are available from SPAWAR 00L. SPAWAR 00L will prepare the award announcement for final approval and return it to the PCO for coordination with the technical code and sponsor. The approved information should be returned to SPAWAR 00L for release prior to close of business the day before the proposed award or no later than 0900 on the day of award. Announcements received by SPAWAR 00L later than 0900 will be announced on the following working day. Contract award announcements will not be released to the Office of Legislative Affairs or the Navy Chief of Information Office until the PCO notifies SPAWAR 00L that the contract has been (vice will be) signed.

Synopsis of Award

5.6.2.2 Contract Awards are synopsised in the Commerce Business Daily in accordance with FAR 5.3 and supplemental guidance in DFARS/NAPS.

DEBRIEFING OF UNSUCCESSFUL OFFERORS

5.7 Those offerors who are not selected for contract award have a vested interest in learning why they were not successful. A debriefing can provide unsuccessful offerors with the Government's evaluation of the significant factors contained in their proposals, citing determinative deficiencies and weaknesses. It can also assist offerors in improving future proposals and assure them that the selection has been handled fairly, in accordance with applicable regulations and the provisions of the RFP. Unsuccessful offerors will therefore be debriefed upon their written request. The debriefings will be conducted for one offeror at a time, at the earliest feasible time after contract award. They should be conducted by the PCO with the assistance of key members of the SSAC/CARP and/or SSEB/TEB/TEB teams, including the legal advisor, unless another official is specifically designated by the SSA.

REFERENCE FILE OF SSPs AND LESSONS LEARNED

5.8 Subsequent to contract award, the SSAC/CARP will provide a copy of the SSP and the lessons learned report to SPAWAR 10-211. SPAWAR 10-211 will maintain a central file of lessons learned reports for ready reference by SPAWAR personnel with source selection responsibilities.

TRANSFER/DISPOSAL OF FILES

5.9 During the course of the selection process, the SSEB/TEB and the SSAC/CARP will accumulate data and documentation. Such documentation may include summaries of meetings, the RFP, proposals, working papers, rating or scoring sheets and check lists, and committee reports. These papers constitute the basis for the selection decision and must be preserved. At the conclusion of the selection process, the official files will be purged of excess copies of material and transferred to the PCO for retention as a part of the official contract file.

Attachments

Meaningful Discussions

Attachment 5-1: SPAWAR OOC Paper - Meaningful Discussion

30 June 1993

MEANINGFUL DISCUSSIONS

This memorandum is meant to assist evaluators to engage in "meaningful discussions" with offerors in competitively negotiated procurements.

BACKGROUND.

The requirement to enter into meaningful discussions with competitors in a negotiated procurement comes from a statute (10 U.S.C. sec 2305) that permits the award of a contract after negotiations, "provided that oral or written discussions are conducted with all responsible offerors who submit proposals

within the competitive range." Thus, to satisfy the statutory requirement, discussions must be held with every responsible offeror whose proposal is determined to be within the competitive range. The subject of discussions is covered in Federal Acquisition Regulation (FAR) 15.610.

DISCUSSIONS VS. CLARIFICATIONS.

According to FAR 15.601, the purpose of discussions is for the Government to receive information essential to determining acceptability of a proposal, or to allow an offeror to revise or modify its proposal. Discussions may be written or oral.

The purpose of clarifications is for the Government to receive information from an offeror that will eliminate minor irregularities, informalities or apparent clerical mistakes in a proposal. Other than to correct such discrepancies, clarifications do not give the offeror the opportunity to change or modify its proposal. FAR 15.601. The issue of whether the Government is merely engaging in clarifications, or is conducting discussions, most frequently arises after best and final offers are received. Examples of where the Comptroller General has found contacts with offerors to constitute clarifications are:

- . contacting the successful offeror to confirm that it understood the Government's requirements. General Kinetics, Inc., B-190359, March 24, 1978, 78-1 CPD 231;
- . permitting an offeror to submit a certification that its sample met specifications, where the proposal already committed to comply with the specifications. Fechheimer Brothers, Inc., B-184751, June 24, 1976, 76-1 CPD 404;
- . requesting an offeror to identify which personnel listed in its proposal would be assigned to each of two lots of work to be awarded under an RFP, where the offeror was not afforded the opportunity to modify the proposal. 64 Comp. Gen. 24 (1985).

Occasionally, an agency will attempt to resolve questions about a proposal without engaging in discussions, intending to

make award without discussions, or to avoid the need for a second request for best and final offer (BAFO) where questions remain regarding an offeror's BAFO. The agency will characterize such contacts as clarifications. However, to the extent clarification questions go beyond minor uncertainties, the Comptroller General may find them to have constituted discussions. Examples of such instances are when the agency requested a revised performance schedule and changes in technical approach (The Human Resources Company, B-187153, November 30, 1976, 76-2 CPD 459); requested detailed data, without which the proposal would have been unacceptable (New Hampshire - Vermont Health Service, B-189603, March 15, 1978, 78-1 CPD 202); and requested substantiating information regarding proposed personnel, facilities and equipment (MAR, Inc., B-194631, August 13, 1979, 79-2 CPD 116). Where the Comptroller General has found that claimed clarifications in actuality constituted discussions, he has required the agency to hold discussions with all offerors in the competitive range. Microlog Corporation, B-237486, February 26, 1990, 90-1 CPD 227.

DISCUSSIONS AND COMPETITIVE RANGE.

By including a proposal in the competitive range, the agency in effect determines that the proposal has a reasonable chance of being selected for award. The competitive range is determined on the basis of cost or price as well as technical and other factors stated in the solicitation. The subject of competitive range is covered in FAR 15.609. Discussions, if conducted, must be held with all offerors in the competitive range. FAR 15.610.

However, the competitive range need not include all acceptable offerors, or offerors whose proposals cannot be made acceptable with a reasonable amount of effort following discussions. With regard to acceptable proposals, the Comptroller General has held that the agency may exclude a proposal from the competitive range if, based upon the array of scores for all offerors, the proposal does not stand a real chance of being selected for award. Metric Systems Corporation, B-218275, June 13, 1985, 85-1 CPD 682. The Comptroller General has recognized that there is no requirement to conduct discussions based upon a proposal that failed to address the salient technical aspects of the requirements, thus indicating a complete lack of understanding of the requirements, or that would require a complete rewrite in order

to make the proposal technically acceptable. Centro Corporation; System Research Laboratories, Inc., B-186842, June 1, 1977, 77-1 CPD 375.

When only one offer comprises the competitive range, the Comptroller General will closely scrutinize agency rejection of the other proposals, because of his concern for full and open competition. StaffAll, B-233205, February 23, 1989, 89-1 CPD 195. In such cases, where offers are eliminated for deficiencies based on lack of provided information, the Comptroller General will consider whether:

- (1) there is a close question of acceptability;
- (2) there is significant opportunity for cost savings;
- (3) the proposal deficiency is attributable to inadequacies of the solicitation; and whether
- (4) limited discussions would correct the informational deficiency.

Comten-Comress, B-183379, June 30, 1975, 75-1 CPD 400.

REQUIREMENT FOR DISCUSSIONS TO BE MEANINGFUL.

The Comptroller General has defined meaningful discussions as the advising of offerors in the competitive range of deficiencies in their proposals, and providing offerors with the opportunity to correct their deficiencies. Signal Corporation, B-241849, et al., February 26, 1991, 91-1 CPD 218. The burden to conduct meaningful discussions is on the contracting officer and not on individual offerors. Teledyne Lewisburg et al., B-183704, October 10, 1975, 75-2 CPD 228.

What is a deficiency?

A deficiency is defined by FAR 15.601 as any part of a proposal that fails to satisfy the Government's requirements. In providing guidance to the contracting officer regarding discussions, FAR 15.610(c) alludes to the following types of deficiencies to be addressed:

... (2) Advise the offeror of deficiencies in its proposal so that the offeror is given an opportunity to satisfy the Government's requirements;

(3) Attempt to resolve any uncertainties concerning the technical proposal and other terms and conditions of the proposal;

(4) Resolve any suspected mistakes by calling them to the offeror's attention as specifically as possible without disclosing information concerning other offerors' proposals or the evaluation process

Within SPAWAR, SPAWARINST 4200.26, "Procedures for Effective Acquisition of SPAWAR Systems, Equipment and Support Services" provides, in the section titled Deficiency Reporting, that a deficiency may exist when an offeror's proposal is compared to the Government's standard, as established in the RFP, and the proposal:

a. Fails to meet the requirement represented by the standard.

b. Omits data, making it impossible to assess compliance with the standard.

c. Is so ambiguous it must be clarified before an assessment of compliance can be made.

The SPAWAR instruction requires evaluators to use Deficiency Report Forms, similar to the example shown in the instruction, to note the nature of each deficiency, a summary of its effect on the program if uncorrected and accepted as is, pertinent references to the RFP, specifications and industry standards, and recommended

actions, to include preparation of questions for discussion or items for clarification.

Examples of properly identified deficiencies.

From the above, it is clear that deficiencies can relate to all types of problems found in proposals, such as failure to meet specifications, questionable/unacceptable technical, management and cost or pricing approaches or lack of information.

Examples of deficiencies are:

- . the failure to meet a mandatory technical requirement. Thomas Engineering Company, B-220393, January 14, 1986, 86-1 CPD 36;
- . an offer of multiple (though qualified) candidates for key positions, and a lack of information with respect to experience with a particular database. Son's Quality Food, Co., B-244528.2, November 4, 1991, 91-2 CPD 424;
- . inadequate qualifications of personnel, and conflicts in the staffing schedule offered. Complere, Inc., B-227832, September 15, 1987, 87-2 CPD 254;
- . understated labor rates and inadequacies in manpower resources to be devoted to the work described in the solicitation. Jonathan Corp., B-230971, August 11, 1988, 88-2 CPD 133;
- . lack of recent experience in key personnel proposed. Advanced Technology Systems, B-221068, March 17, 1986, 86-1 CPD 260;
- . an offer that clearly indicates an intent not to comply with a material term of the RFP, such as unlimited rights in data. Contraves Goerz Corp., B-218585, July 22, 1989, 85-2 CPD 66;

. a "blanket offer" to comply with solicitation requirements requiring detailed information. Center for Employment Training, B-203555, March 17, 1982, 82-1 CPD 252; and,

. an unnecessarily complex design (for night vision devices) with too many parts of low or moderate reliability. Kollsman Instrument Company, B-231613, September 20, 1988, 88 2 CPD 267.

Guidelines for discussions of deficiencies.

Some general guidelines with regard to the scope of discussions and procedures of informing offerors of their deficiencies include:

. the requirement to bring patent or obvious ambiguities to an offeror's attention. 52 Comp. Gen. 409 (1973);

. the need to provide an offeror with the opportunity to correct all deficiencies, even if it means allowing the submission of information not previously provided. Teledyne Lewisburg, et. al., supra;

. advise an offeror of areas of the evaluation where evaluators expressed concerns, or where it would be reasonable to assume that an impact on scoring occurred. Jaycor, B-240029.2, .3 and .4, October 31, 1990, 90-2 CPD 354;

. the need to be specific enough to provide the offeror with notice as to where in the proposal the deficiencies are found. 47 Comp. Gen 336 (1967); 52 Comp. Gen. 466 (1973); and,

. where deficiencies in a proposal do exist, not to give the impression that there are no problem areas. Cecchi and Company, B-187982, 77-1 CPD 232.

. On the other hand, once the agency clearly leads an offeror to a deficient area sufficiently to permit the offeror to

respond, the agency need not continue to bring the area to the offeror's attention in further discussions until the offer equals other offers. Magnavox Advanced Products and Systems Company, B-236168, November 14, 1989, 89-2 CPD 458. See also, E-Systems, Inc., B-191346, March 20, 1979, 79-1 CPD 192.

Examples of inadequate discussions of deficiencies.

Whether or not the discussions held are "meaningful" will be related to many factors, and will depend upon the particular circumstances, including the size of the procurement, the relative differences between offerors, and the number of offerors involved in the procurement.

However, the Comptroller General has held that the following resulted in inadequate discussions during the negotiation phase:

- . not disclosing the agency's concerns over wage rates proposed. DOT System Inc., B-186192, July 1, 1976, 76-2 CPD 3;

- . not exploring apparent deficiencies in phase-in costs. Nationwide Building Maintenance, Inc., B-184186 February 3, 1976, 76-1 CPD 71;

- . not providing the opportunity to improve perceived unrealistic costs. Group Operations, Inc., B-185871, July 26, 1976, 76-2 CPD 79;

- . failure to give an offeror the opportunity to explain the difference between the number of manhours proposed and the Government's estimate of manhours necessary for performance of a contract. Teledyne Lewisburg, *supra*;

- . attempts to advise an offeror that a section of its proposal was inadequate by merely quoting from the solicitation requirements. Son's Quality Food Co., *supra*;

failure to advise an offeror of evaluator concerns that the proposal lacked detail, where to do so would have provided the offeror the opportunity to correct the deficiency and receive a higher score. Eldyne, Inc.,

B-250158, .2, .3, January 14, 1993; Department of the Navy - Reconsideration, B-250158.4, May 28, 1993;

not requesting an offeror to amplify on an area evaluators designated "of major concern" during the evaluation. DBA Systems, Inc., B-224306, December 31, 1986, 86-2 CPD 722;

merely stating in discussion questions, with regard to a deficient area, "not adequately addressed." Techniarts Engineering, B-234434, June 7, 1989, 89-1 CPD 531; and,

setting forth reasons in a letter informing the offeror that its proposal was found unacceptable, which reasons differed from and did not relate to previous discussion questions. Id.

When discussion questions are not required.

Certain types of deficiencies do not require discussions.

The first are deficiencies that would require a major revision of the proposal to resolve. Such deficiencies do not need to be discussed, as they render the proposal unacceptable for the purpose of holding discussions. Miller Building Corporation, B-245488, 3 January 1992, 92-1 CPD 21.

Similarly, where many deficiencies exist, the agency may determine a proposal unacceptable and therefore not hold discussions, even though some of the deficiencies could possibly be corrected with only minor revisions. In such a case, the proposal as a whole may demonstrate an overall lack of understanding of the stated requirements. Sechan Electronics, Inc., B-234308, 2 June 1989, 89-1 CPD 522.

Other deficiencies that need not be addressed are those that relate to an offeror's lack of diligence, competence or inventiveness. For instance, an agency properly did not discuss with an offeror a proposal that merely "parroted" how functional specifications would be met. Comten-Comress, supra. In another case, a blanket offer to comply with teleprocessing requirements was found to constitute an inadequately written proposal, especially in light of solicitation requirements for specificity in providing detailed information. Rejection of that proposal was therefore proper. Informatics, Inc., B-194926, July 2, 1980, 80-2 CPD 8.

However, great care should be taken when relying upon "lack of diligence, competence or inventiveness" as a basis for not raising a deficiency with an offeror, as the Comptroller General has pointed out that offerors with acceptable proposals should be allowed to correct all deficiencies, so long as the agency does not engage in successive rounds of discussions. Columbia Research Corporation, B-247631, June 22, 1992, 92-1 CPD 539. The FAR, in 15.610(d), makes clear that agencies should not raise such deficiencies several times during discussions with an offeror, because to do so could result in technical leveling, by:

helping an offeror to bring its proposal up to the level of other proposals through successive rounds of discussion, such as by pointing out weaknesses resulting from the offeror's lack of diligence, competence or inventiveness in preparing the proposal.

In a case where the agency contended that, to inform an offeror that its level of effort was too low (which, if the offeror was to correct, would require other changes in its proposal as well), would be "tantamount to giving...[the offeror]...a 'second bite at the apple' and/or leveling a proposal that was not very inventive in the first place," the Comptroller General explicitly rejected such a rationale. Presentations South, Inc., B-229842, April 18, 1988, 88-1 CPD 374. The Comptroller General noted that the record showed the proposal was considered technically acceptable, that no successive rounds of discussions were needed or conducted, and that thus the lack of inventiveness argument was not supportable.

However, there have been other cases where the Comptroller General has indicated an agency had no obligation to advise an offeror of a deficiency. In one case, an agency properly

did not discuss a price that was too high, because the price appeared reasonable for the approach proposed and was not out of line with prices the company had proposed on other procurements with the same agency. Power Conversion, Inc., B-239301, August 20, 1990, 90-2 CPD 145. See also Motorola, Inc., B-236294, November 21, 1989, 89-2 CPD 484. In another case, where offerors were required to furnish references on prior experience (to be evaluated as part of the technical evaluation) and were aware that the references could be contacted, the agency was not required to seek the offeror's comments concerning negative information provided. Saturn Construction Co., Inc., B-236209, November 16, 1989, 89-2 CPD 467. As is evident from these cases, the particular facts will greatly influence the outcome of a protest alleging that discussions were not adequate.

In a related vein, it is not appropriate, during discussions, to compare a proposal with any other proposal, and the Comptroller General has held that there is no requirement to advise an offeror of how it could bring its proposal up to the level of a proposal that had a higher score. Structural Analysis Technologies, Inc., B-228020, November 9, 1987, 87-2 CPD 466. The scope of discussions must focus on the deficiencies of an offeror's own proposal relative to the solicitation requirements (Martin Advertising Agency, Inc., B-225347, March 13, 1987, 87-1 CPD 285), and it would be unfair to disclose a proposer's innovative or ingenious solution to a problem to other offerors. FAR 15.610(e)(1). See also 51 Comp. Gen. 621 (1972). Disclosure of proprietary information contained in offerors' proposals could also violate 18 U.S.C. Sec. 1905, as well as the procurement integrity provisions of the OFPP Act, 41 U.S.C. Sec. 423. Also, where the Government requirements may be met by way of various technical approaches, the agency should avoid "coaching" an offeror toward a different approach to the solicitation from that proposed by the offeror. Development Alternatives, Inc., B-235663, September 29, 1989, 89-2 CPD 296.

Finally, it is possible to correct a mistake in a proposal without conducting discussions (as the FAR, in 15.607(a) permits for minor informalities or irregularities and apparent clerical mistakes, and in 15.610(b)(4) generally requires), but only if the existence of the mistake and the proposal actually intended can be clearly and convincingly established from the RFP and the proposal itself. Data Products New England, et al., B-246149.3 et al., February 26, 1992, 92-1 CPD 231.

DEFICIENCIES AND WEAKNESSES.

One question that is sometimes raised is the extent to which a distinction should be drawn between "weaknesses" and "deficiencies." From time to time, arguments have been presented by agencies that an offeror did not need to be informed where its proposal did not fall to the level of a deficiency, *i.e.*, the offer failed to meet the government's requirements. Logistic Systems, Inc., B-196254, June 24, 1980, 80-1 CPD 442. However, the Comptroller General has held that, while there is no general requirement to discuss all inferior aspects of an otherwise technically acceptable proposal, the Government cannot limit its duty to conduct meaningful discussions by labelling certain areas weaknesses rather than deficiencies. Dynalectron Corp., B-184203, March 10, 1976, 76-1 CPD 167. See also Department of the Navy - Reconsideration, supra.

The Comptroller General thus does not appear to differentiate between the terms "weakness" and "deficiency," using them interchangeably when addressing issues of whether meaningful discussions were held. General Services Engineering, Inc., B-245458, January 9, 1992, 92-1 CPD 44. The ultimate goal of discussions is to provide fair notice to offerors when their proposals deviate from the requirements of the solicitation. The Comptroller General has provided the following useful summary of the involved principles:

We think certain weaknesses, inadequacies, or deficiencies in proposals can be discussed without being unfair to other proposers. There well may be instances where it becomes apparent during the course of negotiations that one or more proposers have reasonably placed emphasis on some aspect of the procurement different from that intended by the solicitation. Unless this difference in the meaning given the solicitation is removed, the proposers are not competing on the same basis. Similarly, if a proposal is deemed weak because it fails to include substantiation for a proposed approach or solution, in the circumstance where the inadequacy appears to have arisen because of a reasonable misunderstanding of the amount of data called for, we believe the proposer should be given the opportunity, time permitting, to furnish such substantiation. 51 Comp. Gen. 621 (1972).

AWARD WITHOUT DISCUSSIONS.

According to that part of FAR 15.610 that applies to the Department of Defense, the contracting officer must conduct written or oral discussions with all offerors except:

- * For acquisitions where prices are fixed by law or regulation;

- * For set-aside portions of partial set-asides; or

- * If the contracting officer determines that discussions are not necessary, provided the solicitation contains the CONTRACT AWARD clause, 52.215-16, with its Alternate III.

Alternate III provides that the Government intends to evaluate proposals and award a contract without discussions; that offers should therefore contain the offerors' best terms; and that the Government reserves the right to hold discussions if the Contracting Officer later determines necessary.

Under the above third (and most commonly used) exception, award without discussions may be made to other than the lowest priced offeror. Warren Pumps Inc., B-2248145, B-248145.2, 92-2 CPD ¶ 187. In such a case, the record should reflect that the award is consistent with the factors for evaluation and award stated in the solicitation. Id. This exception, which became effective 22 August 1991, marked a change for the Department of Defense from the previous version of FAR 15.610 that permitted award without discussions only to the offeror proposing the lowest overall cost to the Government at a fair and reasonable price.

Consistent with the FAR 15.610 exception that permits DoD Contracting Officers to provide for awarding without discussions, the Navy Acquisition Procedures Supplement (NAPS) 5215.610 encourages acceptance of the most favorable initial proposal without discussions. It should be noted that FAR

15.610(a)(4) requires that once the agency states its intention to award without discussions, a later decision to conduct discussions, and the rationale therefor, must be documented in the contract file.

SUMMARY.

In order to maximize the Command's chances of successfully defending our award decisions when challenged on the basis that meaningful discussions were not conducted, it is best to err on the side of providing an offeror in the competitive range with an opportunity to correct or improve its proposal in all areas of perceived deficiencies or weaknesses. GAO has been far more concerned with the issue of whether meaningful discussions have been conducted than with the issue of whether technical leveling has occurred. In the event a given offeror does not receive award, the record of our discussions with the offeror will become a useful basis for the debriefing to be later provided, which should rely on the record created during discussions. Certainly, the numerical scores received in evaluated technical or cost areas should be consistent with the degree or number of deficiencies identified in each area. The legal advisor and contracting officer should be included in determining whether, or to what extent, the discussions undertaken would be found to be "meaningful" under the circumstances.

SSP Process Flow Diagrams

Attachment 5-2: Approved Process flow diagrams for Source Selection Plan

Source Selection

Attachment 5-3: Appointment of XYZ Program Source Selection Evaluation Board

Cost Realism

Attachment 5-4: SPAWAR OOC Paper - Cost Realism

COST REALISM

Purpose

The purpose of this memorandum is to address the concept of cost realism by discussing the reasons cost realism analyses are conducted, identifying the applicable regulations, and describing several methods of evaluating cost realism that have been approved by the General Accounting Office (GAO) in its past protest decisions.

Background

When an agency conducts a competition for the award of a cost reimbursement contract, it cannot take the estimated cost in an offeror's cost proposal at face value. This is because the offeror's cost estimate may not be accurate, and thus may bear little relationship to the amount the government will actually have to pay under a cost type contract to receive the desired supplies or services.

In such a situation, it makes little sense to base a contract award decision on the offeror's possibly inaccurate cost estimate without subjecting it to some type of independent review. Consequently, agencies perform cost realism analyses principally to determine the cost the government can expect to pay if it awards the contract to a particular offeror. Global Associates, B-244367; B-244367.3, February 26, 1992, 92-1 CPD 229.

A cost realism assessment necessarily involves the exercise of informed judgment by the government evaluators as to what costs would be incurred by the acceptance of a particular proposal. However, a proper cost realism analysis does not determine what an offeror's costs would be using the agency's technical approach; rather, it determines what, in the government's view, it would "realistically" cost the offeror to perform the contract given the offeror's own technical approach. SRS Technologies, 69 Comp. Gen. 459 (1990), 90-1 CPD 484.

At SPAWAR, conducting a cost realism analysis when the planned acquisition is for supplies is a complex, but well established process, and assistance can usually be obtained from the Acquisition, Policy and Planning Division, SPAWAR 02-4. When services are being acquired, however, selecting a proper method of determining cost realism has proven more difficult.

The Law and Regulations

The law, 10 U.S.C. 2305, and the Federal Acquisition Regulation (FAR) require cost or price to be an evaluation factor in every source selection:

[T]he head of the agency shall award a contract with reasonable promptness to the responsible source whose proposal is most advantageous to the United States, considering only cost or price and the other factors included in the solicitation.

10 U.S.C. 2305(b)(4)(B).

The evaluation factors that apply to an acquisition and the relative importance of those factors are within the broad discretion of agency acquisition officials. However, price or cost to the Government shall be included as an evaluation factor in every source selection.

FAR 15.605(b).

In addition, FAR 15.605 notes that any other relevant factors, "such as cost realism," may also be included, but the FAR does not define cost realism or provide methods for determining the cost realism of a particular proposal.

The Defense FAR Supplement (DFARS) contains the following definition of a cost realism analysis:

[A] review of the overall costs in an offeror's proposal to determine if they:

- (1) are realistic for the work to be performed;
- (2) reflect a clear understanding of the requirements; and
- (3) are consistent with the various elements of the offeror's technical proposal.

DFARS 215.801. DFARS 215.801-70 states that the contracting officer should perform a cost realism analysis in competitive acquisitions when a cost-reimbursement contract is anticipated, the solicitation contains new requirements that may not be fully understood by competing contractors, there are quality concerns, or past experience indicates that contractors' proposed costs have resulted in quality or service shortfalls. With respect to methods of conducting a cost realism analysis, however, the DFARS states only that the contracting officer should determine what data are necessary for the cost realism analysis during acquisition planning and development of the solicitation, and, unless available from government sources, should ask the offerors for the necessary data.

The Navy Acquisition Procedures Supplement (NAPS) restates the DFARS guidance on cost realism, but also provides, "When a cost realism analysis will be performed, the resulting realistic cost estimate shall be used in the evaluation of cost." NAPS 5215.608 (emphasis added). Since, as noted above, DFARS 215.801-70 states that a cost realism analysis should be performed whenever a competitive cost-reimbursement contract is planned, the application of NAPS 5215.608 means that the source selection decision for a cost-reimbursement contract will not be based on an offeror's proposed price, as with fixed price contracts, but on the government's determination of what it can expect to pay a particular offeror if it is awarded the contract, i.e., on the basis of the "realistic cost estimate" that results from the government's cost realism analysis. Accordingly, the NAPS also requires Section M of the solicitation "to include a notice that the proposed costs may be adjusted, for purposes of evaluation, based upon the results of the cost realism analysis." NAPS 5215.605.

The NAPS gives the following examples of data and information that may be obtained to perform cost realism evaluations: "manloading (quantity and mix of labor hours); engineering, labor, and overhead rates; and make or buy plans." NAPS 5215.805. In addition, the NAPS states that "[a] price analysis approach where there is adequate price history may also be a suitable and efficient means to evaluate cost realism." NAPS 5215.805-70(S-94).

General Accounting Office Decisions

Given the lack of specific guidance in the acquisition regulations on how to determine cost realism, it is essential to review the decisions of the Comptroller General of the United States on this subject. In the context of deciding protests, the Comptroller General has had frequent occasion to present its views on cost realism.

The Comptroller General's review of an agency's method of determining cost realism has focused on whether the agency's cost realism analysis was reasonably based and not arbitrary. Global Associates, B-244367; B-244367.3, February 26, 1992, 92-1 CPD 229. Many different methods of determining cost realism have been reviewed and approved.

For example, in one case where the Comptroller General upheld the agency's cost evaluation, Arthur D. Little, Inc., B-243450, 91-2 CPD 106 (Arthur I), the agency's technical evaluation team reviewed the components of the offeror's proposed approach to the solicitation's cost-plus-fixed-fee (CPFF) tasks, "integration and support activities for facilities design, equipment acquisition, equipment installation, quality assurance, and surety and mission support." The evaluators examined the proposed level of effort for each task; whether the offeror proposed qualified personnel to perform the tasks; the personnel mix proposed for a particular task; whether material and equipment costs were included for the tasks; and the proposed travel.

Where the technical team did not agree with what the offeror proposed, it recommended numbers that it believed the offeror would require, using the offeror's approach, to perform the tasks. In addition, the offeror's cost proposal was audited by DCAA, which reviewed the proposed labor rates as well as the indirect and direct costs.

The agency's cost evaluation team then did a cost evaluation taking into account the recommendations of the technical evaluation team and DCAA to compute a realistic--i.e., "probable"--cost for the offeror to perform the contract, on which the agency based its source selection decision. Given these facts, the

Comptroller General found the agency's cost realism analysis to be reasonable.

It should be noted that the method chosen by the government to evaluate cost realism in Arthur I required the cooperative efforts of both the technical and cost evaluators; neither group alone had all of the information necessary to conduct a proper cost realism analysis. This is the usual situation, and both groups of evaluators must be prepared to work together to arrive at a proper determination of a proposal's cost realism.

In an earlier case with the same name, but a less burdensome evaluation method, Arthur D. Little, Inc., B-229698, March 3, 1988, 88-1 CPD 225 (Arthur II), the Comptroller General held that the agency properly limited its evaluation of cost proposals to a single contract task. The solicitation at issue in Arthur II contemplated the award of a CPFF, indefinite quantity contract for the development of "improved technologies for the control, abatement, and recovery/reuse of wastes," under which task orders would be issued for specific efforts to be accomplished within the statement of work. The minimum quantity of effort was identified in the solicitation as "Task Order 1: Pilot Study of Paint Waste Treatment Technology." The solicitation also provided the maximum quantity of manhours against which tasks could be written, and divided these maximum hours into specified labor categories.

The agency in Arthur II determined that all task orders to be awarded under the contract would involve essentially the same mix of labor and hours as Task Order 1, and that each offeror's cost for Task Order 1 was commensurate to its probable cost for the contract as a whole. The cost realism analysis (essentially the same technique used in Arthur I, described above) of Task Order 1, therefore, was used for purposes of determining the probable cost of the contract as a whole; no evaluation of the offerors' maximum quantities was conducted.

The Comptroller General in Arthur II noted that the solicitation estimates of labor and hours were general estimates only. Consequently, it approved the use of Task Order 1 to determine the probable cost of the entire contract because it was the only task "which could be evaluated which reflected an offeror's

technical approach and efficiencies, and the maximum proposed quantity did not. . . ."

The Arthur II method of determining cost realism for an entire contract based on a single task order clearly reduces the evaluators' workload. However, this abridged method of cost evaluation would appear to be justifiable only under the same circumstances present in Arthur II, i.e., an indefinite quantity contract where the maximum number of manhours required is uncertain and the labor mix is an overall estimate that bears no direct relationship to the accomplishment of specific contract objectives.

In another case involving a "GAO approved," less complicated method of evaluating cost realism, OptiMetrics, Inc.; NU-TEK Precision Optical Corporation, B-235646; B-235646.2, September 22, 1989, 89-2 CPD 266, the agency was seeking to award a CPFF, level of effort contract for "directed energy and electro-optical atmospheric research support services." The solicitation specified the number of hours required and provided the anticipated labor skill mix, with offerors basically proposing only labor rates, indirect expenses, and fees.

In its cost evaluation, the agency in OptiMetrics verified all direct labor costs, including proposed escalation and indirect charges, off-site overhead, general and administrative expense, and subcontract/material handling. The agency also evaluated other direct charges, such as the normalized travel cost, the cost of money, proposed fee, tax burden, and phase-in costs. As a result of this evaluation, the offerors' proposed costs were adjusted where necessary to account for cost realism. Additionally, the proposed costs were compared to a government estimate based primarily on historical costs. A deviation from the government estimate did not automatically mean a proposal would be rejected, however, if the deviation was justified by the offeror's technical approach or actual costs. Indeed, the agency in OptiMetrics awarded the contract to the offeror with the lowest evaluated cost--in spite of the fact that its proposed cost was 25% less than the government estimate--after determining that the deviation was principally due to the offeror's lower indirect expenses. The Comptroller General concluded that this method of conducting a cost realism analysis was reasonable and therefore unobjectionable.

Note that, as in OptiMetrics, the government must consider an offeror's proposed costs in terms of probable cost to the government--not merely in relation to a government cost estimate--in order to meet the statutory and regulatory requirement that cost or price be an evaluation factor in every procurement. Additionally, if the government evaluators in OptiMetrics had been unable to determine the reasons for the deviation from the government's estimate, they would have been obliged to enter into meaningful discussions with the offeror concerning the deviation (see the Kinton case, discussed below).

Notwithstanding the Comptroller General's favorable decision, the cost evaluation method approved in OptiMetrics is perhaps best used only when the contemplated contract is the same type, *i.e.*, a level of effort, term form of a cost-reimbursement contract, particularly where the qualifications of the contractor's personnel are the most important consideration in awarding the contract. This is because, to some extent, the OptiMetrics approach normalizes cost proposals in that offerors no longer have to demonstrate their understanding of the contract's requirements by developing an appropriate labor mix for the contract. However, with the level of effort, term contract type, the estimated labor mix is often little more than an educated guess, based principally on past experience, rather than a true demonstration of the offeror's technical merits. Accordingly, providing the offerors the government's estimated labor mix in such a situation serves to highlight the importance of the technical proposals and to help prevent gamesmanship in the cost proposals.

Although agencies are granted a great deal of latitude, not all methods of determining cost realism are acceptable. For example, in Kinton, Inc., 67 Comp. Gen. 226 (1988), 88-1 CPD 112, the Comptroller General sustained the protest on the basis of an improper cost realism analysis where the method employed by the agency involved little more than multiplying the government's undisclosed labor mix by each offeror's proposed labor rates. Unlike in Arthur I and Arthur II, the evaluators in Kinton made no effort to analyze independently the realism of the offeror's proposed costs based on the proposed personnel, hours, or wage rates; instead, contracting officials simply applied each offeror's proposed wage rates to the agency's predetermined labor mix, without regard to the offeror's proposed labor mix. The Comptroller General

stated that such a mechanical approach did not satisfy the requirement for an independent analysis of each offeror's cost proposal, particularly where award was made without discussions. Consequently, in a situation involving an undisclosed government estimate and proposals that substantially deviated from the estimate, the Comptroller General held that the agency should have initiated discussions concerning the discrepancy or conducted a more detailed cost analysis before awarding the contract.

Based on the rationale expressed in the Kinton decision and similar protests, government evaluators conducting cost realism analyses must guard against evaluations that mechanically measure cost proposals against undisclosed government estimates. Evaluators must always consider whether an offeror's failure to conform to a government estimate can be explained by some other aspect of the offeror's proposal, e.g., an innovative or unexpected technical approach that may meet the government's requirements notwithstanding the discrepancy. In such situations, evaluators must consider the possibility that the proposal may nevertheless be advantageous to the government and conduct meaningful discussions concerning the discrepancy.

Conclusion

Contracting agencies have broad discretion when selecting a method to evaluate the cost realism of competing proposals. The only requirements are that the method chosen provide a reasonable basis for source selection and that the evaluation itself be conducted in good faith and in accordance with the criteria in the solicitation. In general, the realism analysis should be based on the offeror's proposed technical approach and must consider the evaluated costs (probable cost to the government) in its award decision. Selecting from one of the GAO approved methods discussed above can help ensure that the cost realism evaluation will, if necessary, withstand the close scrutiny of a GAO protest.

JUNE 93

Factor Narrative Report	Attachment 5-5: Factor Narrative Report
Risk Analysis	Attachment 5-6: Risk Analysis
Conflict of Interest	Attachment 5-7: Conflict of Interest
Sample SSEB Report	Attachment 5-8: Sample SSEB Report
SSAC Proposal Analysis Report	Attachment 5-9: SSAC Proposal Analysis Report

Technical Leveling

Attachment 5-10: SPAWAR OOC Paper - Technical Leveling

JUNE 1993

TECHNICAL LEVELING**Purpose**

The purpose of this memorandum is to address the concept of "technical leveling" in order to assist evaluators to frame questions that will result in meaningful discussions with offerors.

Background

Once it is determined to conduct discussions during a competitive procurement, meaningful written or oral discussions must be conducted with all responsible offerors whose proposals are in the competitive range. On occasion, however, the fear of engaging in technical leveling has caused agencies to omit certain questions during discussions, leading to a finding by the protest authority that the agency failed to conduct meaningful discussions. Accordingly, the prohibition against government personnel engaging in technical leveling cannot be adequately understood without also considering the requirement for meaningful discussions.

The Regulations

Federal Acquisition Regulation (FAR) 15.610(d) states:

(d) The contracting officer and other Government personnel involved shall not engage in technical leveling (i.e., helping an offeror to bring its proposal up to the level of other proposals through successive rounds of discussion, such as by pointing out weaknesses resulting from the offeror's lack of diligence, competence, or inventiveness in preparing the proposal).

General Accounting Office Decisions

As noted above, once it is determined to conduct discussions, meaningful written or oral discussions must be conducted with all responsible offerors whose proposals are in the competitive range. Columbia Research Corporation, B-247631, June 22, 1992, 92-1 CPD 539. For discussions to be meaningful, agencies must lead offerors into the areas of their proposals that require amplification, and must "point out weaknesses, excesses or deficiencies in proposals" unless doing so would result in technical transfusion (i.e., Government disclosure of one offeror's technical approach to another offeror) or technical leveling. *Id.*; Presentations South, Inc., B-229842, April 18, 1988, 88-1 CPD 374; Price Waterhouse, B-222562, August 18, 1986, 86-2 CPD 190. Although "agencies are not obligated to afford offerors all-encompassing discussions or to discuss every element of a technically acceptable competitive proposal that has received less than the maximum score, they still generally must lead offerors into the areas of their proposals which require amplification." *Id.* (citations omitted).

Agencies may hesitate to pose certain questions to offerors for fear of engaging in leveling, but an overly cautious approach in this area may result in a failure to conduct meaningful discussions. Columbia Research Corporation, *supra*; B. K. Dynamics, Inc., 67 Comp. Gen. 45 (1987), 87-2 CPD 429; Aviation Contractor Employees, Inc., B-225964, March 30, 1982, 87-1 CPD 363; Price Waterhouse, *supra*; Harbridge House, Inc., B-195320, B-195320(1), February 8, 1980, 80-1 CPD 112. Agencies have considerable discretion in determining the content and extent of discussions; GAO will review agency decisions in these matters only to determine if they are reasonable. Hughes Technical Services Company, B-245546, B-245546.3, October 28, 1988, 92-1 CPD 179.

The rule prohibiting technical leveling may appear in conflict with the requirement for meaningful discussions, but these competing concerns can be reconciled. By definition, technical leveling cannot occur without successive rounds of discussion. CBIS Federal Inc., 71 Comp. Gen. 319 (1992). Conversely, successive rounds of discussion are not objectionable per se and can occur without technical leveling. *M. W. Kellogg Co/Sicilana Appalti Costruzioni, S.p.A., Joint Venture v. United States*, 10 Cl.

Ct. 17, 25 (1986); Associated Tool Company, Inc., 71 Comp. Gen. 359 (1992). Thus, in the first round of discussions agencies have broad discretion concerning the content of discussions and are highly unlikely to violate the prohibition against technical leveling inadvertently. See Hughes Technical Services Company, *supra*; CBIS Federal Inc., *supra*.

In fact, questions concerning weaknesses, deficiencies, or excesses that result from an offeror's lack of diligence, competence, or inventiveness, although not permissible in successive rounds of discussion, are appropriate and perhaps even required in the first round. For example, in Price Waterhouse, *supra*, the protestor's technical proposal was considered deficient by the Department of Energy (DOE) because it failed to address adequately the agency's important operations and maintenance productivity review requirement. In discussions, DOE asked identical questions of all six offerors in the competitive range, including Price Waterhouse. However, because DOE ostensibly feared technical leveling or technical transfusion would occur, none of the questions concerned Price Waterhouse's perceived deficiency in the operations and maintenance productivity review area. When Price Waterhouse protested award of the contract to another offeror, the Comptroller General ruled that meaningful discussions had not been held:

DOE asserts that it was not required to discuss the specific deficient aspects of the proposal with Price Waterhouse because they reflected the firm's lack of diligence and inventiveness in preparing its proposal, and, therefore, discussions would only have led to prohibited technical transfusion or technical leveling. FAR, § 15.610(d)(1) and (2). . . . [W]e note that technical leveling arises only where, as the result of successive rounds of discussions, the agency has helped to bring one proposal up to the level of other proposals by pointing out inherent weaknesses that remain in the proposal because of the offeror's own lack of diligence, competence, or inventiveness after having been given an opportunity to correct them. E-Systems, Inc., B-191346, note 3, *supra*. Here, no successive rounds of discussions were conducted, and although DOE may have believed that Price Waterhouse's relatively low evaluation scores reflected a proposal inherently weak to the extent that it could not be improved without repeated discussions, we do not believe that this allowed the agency to conduct a form of negotiations which precluded Price Waterhouse from even a single reasonable opportunity to address the perceived deficiencies in its proposal. In our view, the agency's effective

limitation on discussions was not justified by its concerns about the risk of technical transfusion or technical leveling.

86-2 CPD para. 190 at pp 5-6 (underscoring in original).

To conduct meaningful discussions, agencies must ask questions that reasonably identify a proposal's deficiencies. The questions should be as specific as practical considerations permit, Presentations South, Inc., supra, but the agency cannot suggest approaches or make explicit suggestions for improvement. See CBIS Federal Inc., supra; Raytheon Ocean Systems Co., B-218620.2, February 6, 1986, 86-1 CPD 134; Hughes Advanced Systems Company, 89-1 BCA 21,276 (GSBCA 1988); Tidewater Consultants Inc., 85-3 BCA 18,387, (GSBCA 1985).

Avoiding explicit suggestions or approaches does not mean that the government can give no guidance at all during discussions. These guidelines are general and must be weighed against the facts and circumstances of each case. For example, questions indicating that an offeror's level of effort is too high (or too low) certainly suggest general answers, yet GAO has held these to be appropriate discussion questions/comments. Presentations South, Inc., supra. It is the explicit suggestion for improvement that is improper. See Hughes Advanced Systems Company, supra at 107,326 (government suggestion that offeror design a smaller keyboard panel constituted technical leveling.)

Open-ended questions using such words as "address," "discuss," and "explain" are generally proper because no specific answer or solution is suggested. CBIS Federal Inc., supra. The use of such questions, however, should be tailored to the requirement that they be as specific as possible; the degree of specificity depends on the nature of the proposal's problem. For example, "Discuss your labor mix," might be adequate if the solicitation required such a discussion and the offeror had failed to provide one, but this comment would be too general if the offeror's problem was insufficient engineering hours to accomplish a particular contract task. In such a situation, "Discuss how your engineering hours will be sufficient to accomplish contract task X," clearly directs the offeror to the area of its proposal that concerns the government, and does so without suggesting a specific solution.

Questions directed to a proposal's informational deficiencies (the failure by an offeror to provide sufficient information concerning one or more aspects of its proposal) and clarification questions also generally do not constitute technical leveling because the agency is simply attempting to ascertain what an offeror is proposing to furnish, rather than attempting to raise the level of one proposal to another. Id.; Harbridge House, Inc., supra; see Tidewater Consultants, supra.

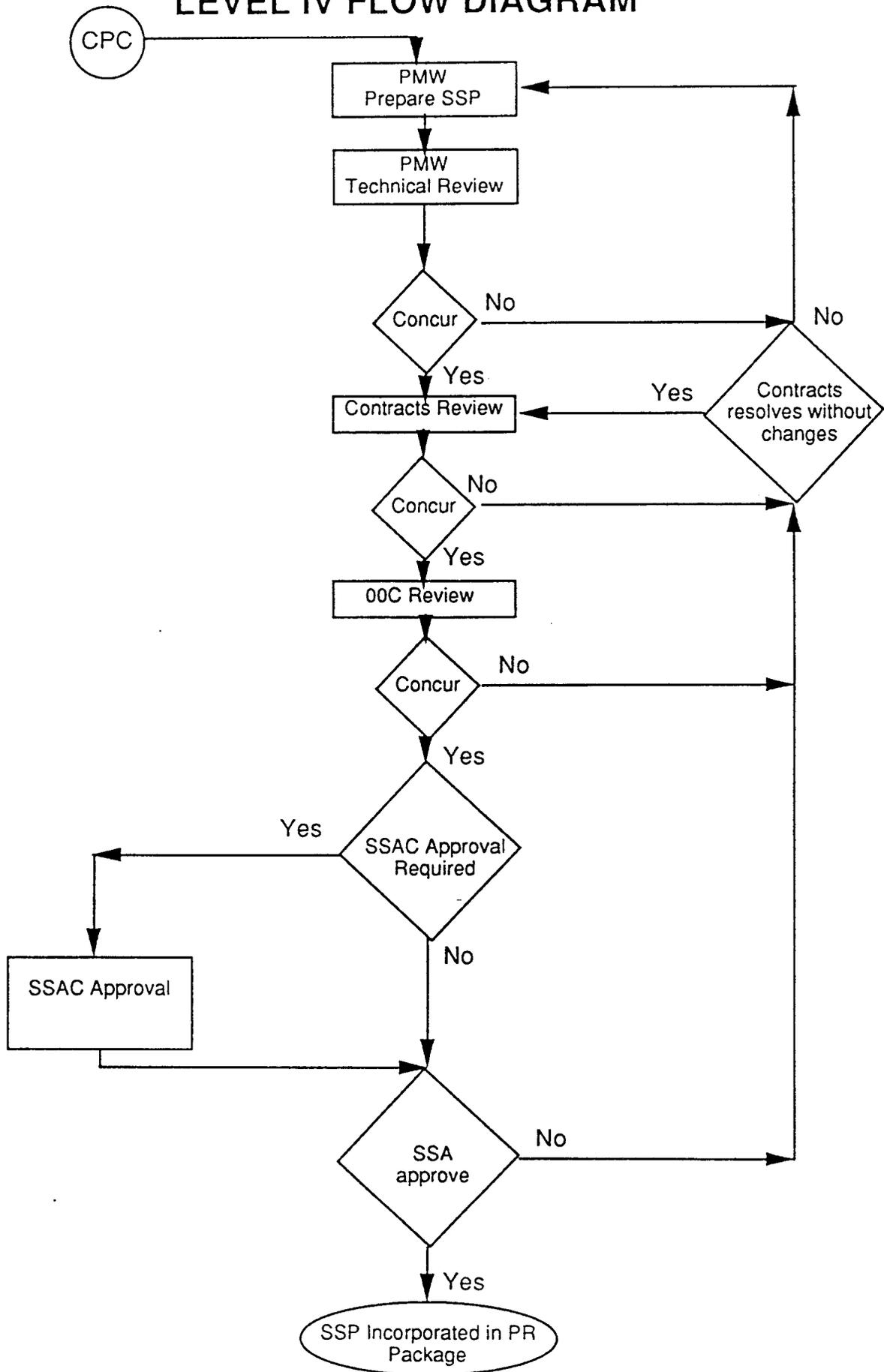
In conducting discussions, agencies can avoid technical leveling by using caution when asking the same type of questions in more than one round of discussions. Although it may be appropriate initially, the Government cannot repeatedly identify the same weaknesses in a proposal during successive discussions. Columbia Research Corporation, supra. See Price Waterhouse, supra. It would be appropriate, however, to ask repeated questions on informational deficiencies if the contractor failed to respond, because presumably these answers would not change as a result of repetition of the question, and because such questions would be designed to discover what the offeror is proposing to furnish rather than to level the proposals. See CBIS Federal Inc., supra. An agency may also properly ask questions about deficiencies that first become apparent on revisions from previous rounds of discussions. Id.

Additionally, agencies should focus their questions on a proposal's weaknesses or deficiencies with respect to the Government's requirements and not as compared to other proposals. See John Brown E&C, B-243247, July 5, 1991, 91-2 CPD 27. Successive discussions with all offerors on manning levels, for instance, does not constitute technical leveling if held with regard to each offeror's weaknesses relative to agency requirements and not as an attempt to bring a proposal up to the level of other proposals. Id.; See CBIS, supra; Aerostat Services Partnership, B-244939, B-244939.2, January 15, 1992, 92-1 CPD 71. Agencies should also ensure that all offerors are given the same opportunities to improve their proposals; an agency may not point out deficiencies and weaknesses to some, but not all, offerors in the competitive range, even if it does so because the remainder of the offerors have acceptable proposals. Tidewater Consultants, Inc., supra.

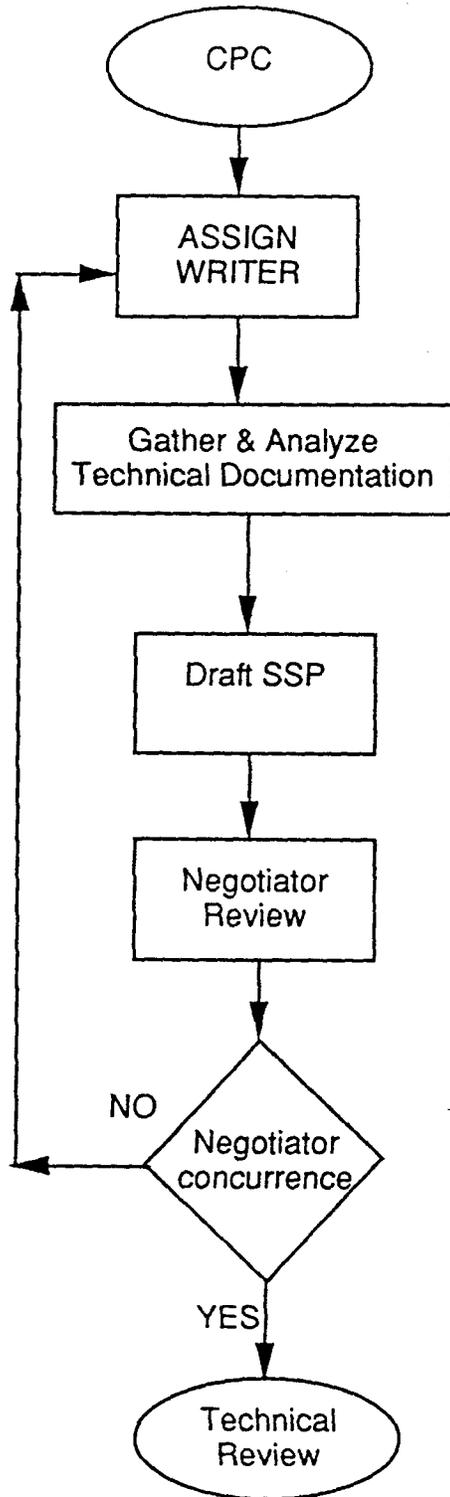
Conclusion

Agencies have considerable discretion in conducting competitive range discussions, and can usually do so without fear of engaging in technical leveling. This is particularly true during initial discussions. Further, if the agency avoids pointing out the need for improvement in the same areas, if it avoids coaching or explicitly suggesting specific answers to offerors, and if it asks open-ended questions with sufficient specificity, it can also avoid technical leveling during subsequent discussions and comply with the requirement that discussions be meaningful.

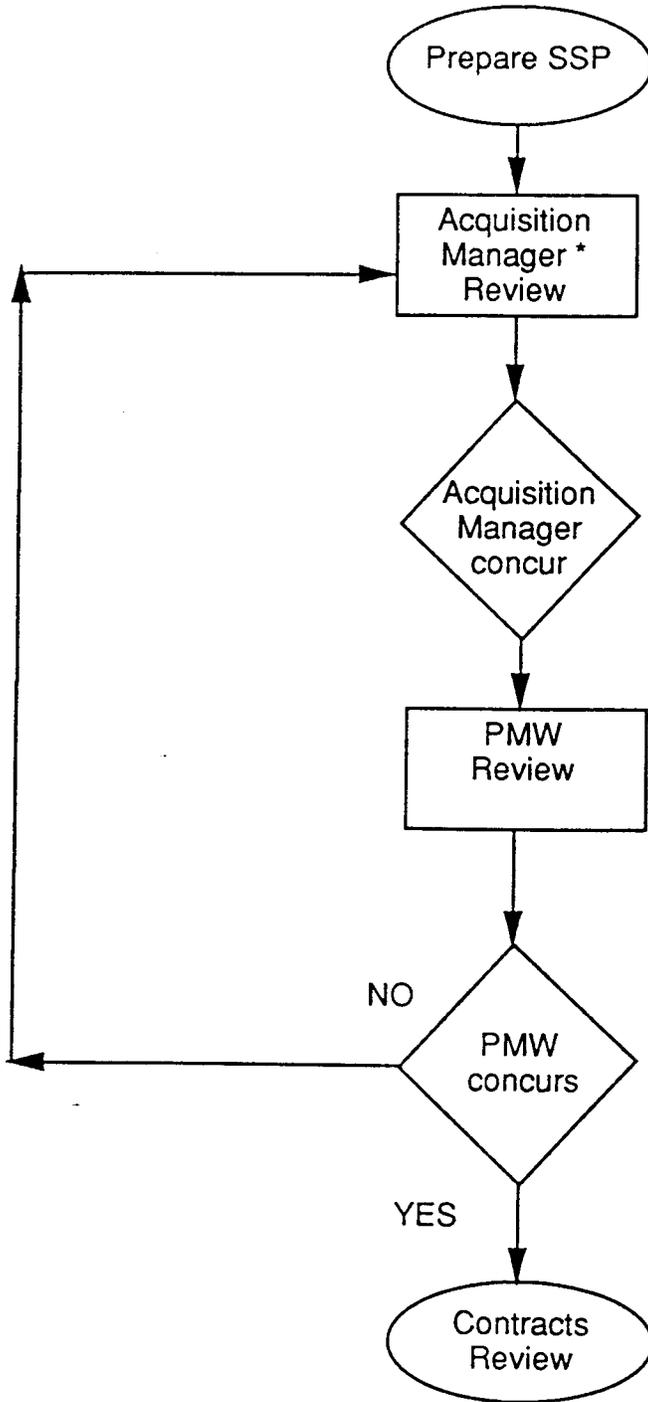
SOURCE SELECTION PLAN (SSP) PROCESS LEVEL IV FLOW DIAGRAM



LEVEL V - PMW PREPARE SSP

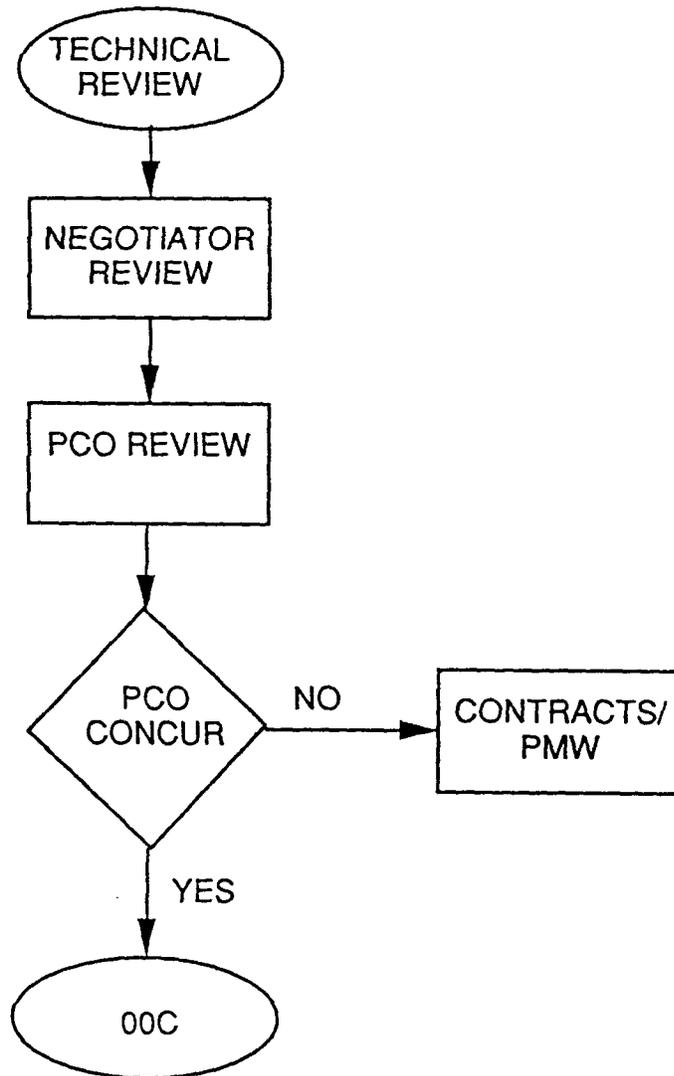


LEVEL V - PMW TECHNICAL REVIEW



** Acquisition Manager:
a senior acquisition official (typically a branch head or division head depending on the complexity of the acquisition) appointed by the Program Manager to ensure the integrity and realism of the programmatic, technical and acquisition aspects of the program including requirements and funding*

LEVEL V - CONTRACTS REVIEW





DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
WASHINGTON DC 20363-5200

4200 IN REPLY REFER TO
Ser 151/

MEMORANDUM

From: Chairman, Source Selection Advisory Council
To: CAPT U. R. Knott, USN

Subj: APPOINTMENT TO XYZ PROGRAM SOURCE SELECTION EVALUATION BOARD

Ref: (a) SECNAV Itr Ser 33x of 25 Jun 93
(b) SSA XYZ Program Itr Ser XXX of 28 Jun 93
(c) SECNAVINST 4200.33 of 14 Jul 86
(d) SPAWARINST 4200.26A

Encl: (1) Non-disclosure Statement

1. Reference (a) approved the XYZ Program and designated the Source Selection Authority. Reference (b) appointed the Chairman and members of the Source Selection Advisory Council for the XYZ Program.
2. You are hereby appointed as chairman of the Source Selection Evaluation Board for the XYZ Program.
3. The below named individuals are hereby appointed as members of the source Selection Evaluation Board:

CAPT J. Monroe
CAPT B. Harrison
CDR J. Polk
Mr. W. Wilson
Mr. T. Roosevelt
Mr. U. Grant
Mr. J. Adams
Mr. J. Kennedy
4. CDR I. Write will serve as recorder.
5. Mr. N. E. Gotiate, Contracting Officer, and Mr. B. Case, Office of Counsel, will serve as advisors.
6. All members and advisors will familiarize themselves with references (a) through (d), and will be guided in their deliberation and action by the requirements and provisions

Subj: APPOINTMENT TO XYZ PROGRAM SOURCE SELECTION EVALUATION BOARD

thereof. the Chairman, all members, and advisors will execute a copy of enclosure (1) and return same to the SSAC via the chairman SSEB.

6. Upon approval of your findings by the SSAC, this Board is terminated.

W. T. DOOR

Distribution:

All members and advisors



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
WASHINGTON DC 20363-5200

4200
Ser 151/

IN REPLY REFER TO

MEMORANDUM

From: Source Selection Authority for XYZ Program
To: RADM W. T. Door, USN

Subj: APPOINTMENT OF XYZ PROGRAM SOURCE SELECTION ADVISORY COUNCIL

Ref: (a) SECNAV Itr Ser 33X of 25 June 93
(b) SECNAVINST 4200.33 of 22 Jun 92
(c) SPAWARINST 4200.26A

Encl: (1) Non-Disclosure Statement

1. Reference (a) approved the XYZ Program and designated the Source Selection Authority.
2. You are hereby appointed as Chairman of the source Selection Advisory Council for the XYZ Program.
3. The below named individuals are hereby appointed as members of the source Selection Advisory council:

RADM G. Washington, USN, Program Director, Information Transfer Systems
Mr. T. Jefferson, Assistant Director, Contracts
Mr. R. Hayes, Program Manager, Special Projects
CAPT M. Fillmore, Technical Director, Satellite Communications
Mr. A. Lincoln, Technical Director, Warfare Systems Architecture and Engineering
4. You will familiarize yourself with references (a) through (c) and will be guided in your deliberations and actions by the requirements and provisions thereof. the chairman and all members will execute a copy of enclosure (1).
5. Upon completion of official source selection action, this council is terminated.
6. The Chairman is authorized to modify the membership of this council as necessary. Letters effecting such modifications to the council will include the reason for the change and copies will be provided to the Source Selection Authority as they occur.

A. B. SEA

Distribution:
All members

FOR OFFICIAL USE ONLY

FACTOR NARRATIVE REPORT

OFFEROR _____

CATEGORY TITLE _____

FACTOR TITLE _____

I. PROPOSAL OVERVIEW

II. ASSESSMENT SUMMARY

III. EVALUATION

A. RFP Requirements

1. Strengths
2. Weaknesses
3. Other Considerations

B. RFP Requirements

1. Strengths
2. Weaknesses
3. Other Considerations

IV. SCOPE REFINEMENT

V. DEFICIENCIES

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

SAMPLE

**SSEB FACTOR ADJECTIVE RATING SHEET
CATEGORY 1**

OFFEROR _____

CATEGORY TITLE TECHNICAL

FACTOR	ADJECTIVE RATING
CONTRIBUTION TO VALIDATION	
EXPERIMENTS AND SIMULATIONS	
VALIDATION PHASE SCHEDULE	

SSEB CHAIRMAN

DATE

MEMBERS:

FOR OFFICIAL USE ONLY

**SSEB FACTOR ADJECTIVE RATING SHEET
CATEGORY 2**

OFFEROR _____

CATEGORY TITLE MANAGEMENT

FACTOR	ADJECTIVE RATING
CONTROL OF VALIDATION EFFORT	
CONTRACTOR FACILITIES	
CONTRACTOR PERSONNEL	
DATA MANAGEMENT PLANS	

SSEB CHAIRMAN

DATE

MEMBERS:

FOR OFFICIAL USE ONLY

SSAC FACTOR NUMERIC SCORE SHEET
CATEGORY 1 - TECHNICAL

OFFEROR _____

CATEGORY TITLE _____

EVALUATION FACTOR	ADJECTIVE RATING	NUMERIC SCORE	WEIGHTING	WEIGHTED SCORE
CONTRIBUTION TO VALIDATION				
EXPERIMENTS AND SIMULATIONS				
VALIDATION PHASE SCHEDULE				

CATEGORY 1
SCORE

(CHAIRMAN, SSAC)

(DATE)

MEMBERS:

SSAC FACTOR NUMERIC SCORE SHEET
CATEGORY 2 - MANAGEMENT

OFFEROR _____

CATEGORY TITLE _____

EVALUATION FACTOR	ADJECTIVE RATING	NUMERIC SCORE	WEIGHTING	WEIGHTED SCORE
CONTROL OF VALIDATION EFFORT				
CONTRACTOR FACILITIES				
CONTRACTOR PERSONNEL				
DATA MANAGEMENT PLANS				

CATEGORY 2 SCORE

(CHAIRMAN, SSAC)

(DATE)

MEMBERS:

SSAC FACTOR NUMERIC SCORE SHEET

OFFEROR _____

CATEGORY
TECHNICAL
MANAGEMENT

CATEGORY SCORE

PROPOSAL
SCORE

(CHAIRMAN, SSAC)

(DATE)

MEMBERS:

Attachment (5)

RISK ANALYSIS

Risk is a major issue in any source selection process. The offeror should be required to identify:

- a. All major risks;
- b. Alternative and fallback positions for each risk;
- c. The impact on the system, system performance, cost and/or schedule.

The Project Manager should identify the general levels of technical, cost, and schedule risk to be addressed by the offeror. As a general rule, the following guidelines may be applied.

- a. Technical Risk - The failure to develop or procure any described element, component, end-item, or subsystem is considered to be a reportable risk when:
 1. The failure degrades the subsystem/system performance beyond an acceptable level.
 2. Significantly changes the size, weight, performance, installation, or integration characteristics of the subsystem/system.
 3. Significantly changes the procurement and/or support costs for the system/subsystem.
 4. Causes a major program milestone to be delayed beyond an acceptable minimum time.
- b. Schedule Risk - Failure to meet any program milestone and/or complete any major event within an acceptable time.
- c. Cost Risk - Any variation in predicted costs that exceeds an acceptable level.

Contractors should be encouraged to recognize that more than one alternative and/or fallback position may be applicable to an identified risk. Contractors and Navy evaluators should always be aware that a failure to meet a goal can impact on more than one area of the program, e.g., failure of a new "state-of-the-art" item can impact performance (alternative is a less capable system, alternative impacts on size, weight, installation considerations), schedule (extra time required to retest the item), and cost (loss of money to develop and test the item, additional money required to procure alternate items, modify system, etc.).

The Project Manager should generally define "acceptable" levels of variance and probabilities of failure applicable to his program.

Risk and risk analyses should be an identifiable volume or chapter in the offeror's proposal. Page A(5)-4 illustrates a risk-reporting matrix that is recommended for use. In this matrix the offeror identifies individual risk (Column A). Each risk identified should be cross referenced to the section of the proposal that discusses/describes the item/schedule/cost issue.

All proposed alternatives/fallbacks should be identified in Column B. The consequences of failing to overcome the risk should be discussed in terms of its impact on the system, system performance, cost, schedule, manpower and facilities (Column C). All potential impacts should be identified and discussed. When options can be recognized they should be discussed to a sufficient depth to ensure that the SSA can understand them.

Individual evaluators should conduct their own risk analysis and the compiled results of these analyses can be compared to the contractor's analysis. The results of this comparison should give a good identification of the realism and credibility of the contractor's proposal.

Another approach to risk management is contained in DoD 4245.7-M (Transition from Development to Production). It provides assistance in structuring technically sound programs, assessing their risk, and identifying areas needing corrective action.

DoD 4245.7-M identifies critical engineering processes and establishes control methods for those processes. Implementation of the control methods can lead to a more organized accomplishment of the engineering processes and can place more significance and accountability on them. In order to accomplish this, the manual includes identification of the most critical events in the funding, design, test, transition, production, facilities, logistics and management elements of the industrial process. For each critical event, an outline for reducing risk is provided.

During proposal evaluations, SPAWAR cost and technical evaluators shall utilize DoD 4245.7-M in determining the technical soundness, assessing the inherent risk, and identifying strengths and weaknesses in an offeror's proposal.

RISK REPORTING MATRIX

RISK (A)	ALTERNATIVE/ FALLBACK POSITION (B)	IMPACT (C)					
		SYSTEM/ SUBSYSTEM	PERFORMANCE	COST	SCHEDULE	MANPOWER	FACILITIES

From: _____ (Individual)

To: _____
(SSA/Chairperson, SSAC/SSEB/TEB/CARP/Contracting Officer)

Subj: CERTIFICATION-CONFLICT OF INTEREST/NON-DISCLOSURE OF
INFORMATION (SOLICITATION NUMBER _____)

Ref: SECNAVINST 5370.2J of 15 mar 89 (Subj: Standards of Conduct)

1. In accordance with the current laws, regulations, directives and instructions pertaining to conflicts of interest, I hereby certify:

a. I have executed DD forms 1357 (Statement of employment-Regular Retired Officers), 1555 (Confidential Statement of Employment and Financial Interests-Department of Defense Personnel), 1555-1 (confidential Statement of Employment and financial Interests-Special Department of Defense Employees) or 1787 (Report of Department of Defense and Defense Related Employment), if applicable to my present status.

b. I have notified my superior and the Contracting Officer of any possible, real, or apparent condition, situation or affiliation that may constitute a conflict of interest under referenced laws, regulations, directives, and instructions.

c. I, nor any member of my immediate household, do not have any interest in, affiliation or association with, any individual, firm or organization which may benefit from the outcome of these proceedings.

2. I further certify that I understand my obligations and responsibilities under the applicable laws, regulations, directives and instructions not to discuss, divulge or otherwise disclose any information, procedure, correspondence, documentation, evaluation or other data pertaining to this acquisition, except as approved by the contracting Officer, or as otherwise authorized by law.

3. I understand that this document will be made part of the source selection record and the official contract file.

Signature/Date (Individual)

Signature/Date
SSA or applicable
Chairperson, SSAC, SSEB

SAMPLE SSEB REPORT - ATTACHMENT (6)

FOR OFFICIAL USE ONLY - SOURCE SELECTION SENSITIVE

**SOURCE SELECTION
EVALUATION BOARD REPORT**

XYZ PROGRAM

**TO
CHAIRMAN
SOURCE SELECTION ADVISORY COUNCIL
XYZ PROGRAM**

DATE: _____

FOR OFFICIAL USE ONLY - SOURCE SELECTION SENSITIVE

FORWARD

**THIS REPORT COVERS THE EVALUATION BY THE
SOURCE SELECTION EVALUATION BOARD
FOR
XYZ POGRAM**

(Distribution is limited to those strictly on a need-to-know-basis and this material must be treated as "FOR OFFICIAL USE ONLY SOURCE SELECTION SENSITIVE." If transmitted by mail, the report must be sealed in an envelope addressed to the appropriate individual with the notation on the envelope as follows:

**"TO BE OPENED ONLY BY ADDRESSEE,
CONTAINS SSEB REPORT"**

This report will be collected after the presentation to the source selection authority. This report is submitted by:

(Name, Chairman)

(Name, Member)

(Name, Legal Counsel [Nonvoting])

(Name, Recorder)

SOURCE SELECTION EVALUATION REPORT
XYZ PROGRAM

Table of Contents

- 1. Purpose**
- 2. Authority**
- 3. Scope**
- 4. Program Background**
- 5. Requirements of the RFP**
- 6. Milestones**
- 7. Offeror Information**
- 8. Evaluation**
- 9. Findings**

Exhibit I - CHM, SSAC ltr., (date)
Subj: XYZ SSEB, appointment of

Exhibit II - SSA ltr. (date)
Subj: XYZ SSAC, appointment of

Table of Contents

Tab A	SSEB Proposal Score Sheet	ABC Co.
Tab B	SSEB Proposal Score Sheet	DEF Co.
Tab C	SSEB Proposal Score Sheet	GHI Co.

SAMPLE

**SOURCE SELECTION EVALUATION BOARD REPORT
TO
THE SSAC FOR THE XYZ PROGRAM**

1. Purpose. This report provides a detailed explanation of the evaluation and findings of the Source Selection Evaluation Board (SSEB) as a result of the evaluation of offerors' proposals for the XYZ Program.

2. Authority:

- a. The SSEB was established on (Date) by the Chairman, SSAC. The Board consists of representatives of the various functional and technical areas involved. (See Exhibit I)
- b. The SSAC was established on (Date) by the SSA. (See Exhibit II).

3. Scope. This report represents the evaluation of offerors' proposals on the basis of the RFP and the Source Selection Plan approved by the Source Selection Authority (SSA) on (Date)

4. Project Background:

- a. The objectives to be accomplished by this acquisition.
 - (1) (List major objectives of XYZ Program)
- b. The specifications and drawings were prepared by _____. The RFP was prepared by _____.
- c. etc., etc....

5. Requirements of the RFP. Provide summary information on significant aspects of the RFP which have a bearing on the selection process. It should include the following items, as appropriate:

- a. Major elements and peculiarities.
- b. Limitations imposed.
- c. Summary of the system concept.
- d. etc., etc...

6. Milestones:

a. Indicate the date the milestone schedule was prepared and list the major purposes it served in the total evaluation and selection process, such as:

- (1) Providing offeror's with adequate time to respond to the RFP requirements.
- (2) etc., etc...
- (2) Planning and controlling tools for the SSEB.
- (3) etc., etc...

b. List the significant milestones involved and the completion dates for each; selected milestones may include:

- (1) Receive Program approval.
- (2) Issue Letters of Interest.
- (3) Complete Source Selection Plan, including criteria and rating elements.
- (4) Receive responses to Letters of Interest.
- (5) Issue RFP.
- (6) Receive Offeror's Proposals.
- (7) Conduct Offeror Oral Briefings
- (8) Complete Proposal Evaluation.
- (9) Complete Evaluation Team Reports
- (10) etc., etc...

c. Provide a summary narrative on the selected milestone events. The summary should cover significant problems and questions which arose during the selection process, and the actions taken to satisfy the various items.

7. Offeror Information:

a. Provide pertinent information concerning offeror interest in the project, such as:

- (1) SolicitedXX
- (2) Affirmative responses to letters of interestXX
- (3) Furnished RFPXX

- (4) Declined to submit proposalsXX
- (5) Submitted proposalsXX
- (6) Non-responsive to requirementsXX
- (7) Deficient proposal, but was allowed to repair proposalXX
- (8) Remained in competitive range throughout the entire processXX

b. Receipt of Proposals. Identify the offeror's who submitted proposals, including information as follows:

- (1) Whether the proposals were generally configured according to the RFP.
- (2) Indicate whether all proposals were received prior to the established deadline (specify the time and date of the deadline); state disposition made of proposals received after the deadline.
- (3) etc., etc...

c. Non-Acceptable Proposals. Cover the offerors determined to be non-acceptable. State the reasons for their being ruled non-acceptable and make direct references to applicable portions of the RFP (including addenda and supplements) which pertain in each instance. In all instances, the reasons should include dates of occurrences, as well as dates and reference to pertinent correspondence involved in the matter, including the fact that the offeror was allowed to repair his proposal, but was unable to do so etc., etc...

NOTE: This paragraph addresses proposals found clearly nonacceptable on technical grounds. There is no requirement that any proposals be found not technically acceptable. Rather, cost as well as technical factors are to be considered in determining the competitive range, and proposals susceptible of being made acceptable are to be included in the range.

d. Summary of Acceptable Proposals. This portion of the report should contain an analysis of the acceptable proposals. The analysis should be expressed in several parts.

- (1) One part should list the characteristics which are common to all proposals. Conversely, major differences between the proposals should also be stated.
- (2) The next part should consist of separate paragraphs for each proposal indicating the major strengths, weaknesses and risks of each.

(3) Another part should consist of a comparison of the technical characteristics for all proposals. The technical characteristics will, of course, vary with each program.

(4) etc., etc...

8. Methodology.

a. State the guidance, criteria and rating elements of the evaluation provided by the SSAC.

b. Indicate the general approach taken by the SSEB in the review and study of the proposals (i.e., team assignment to each area, independent analysis of selected areas by two different groups, cost data not made available to others to assist in objective analysis in other areas, etc.).

c. Explanation of the methodology will include coverage of the following items:

(1) The SSEB

- (a) Composition
- (b) Team breakdown
- (c) etc., etc...

(2) Proposal Evaluation Actions.

- (a) Review of Proposals.
- (b) Offeror's Presentations: (During Discussions)
 - 1 Permitted questioning of portions of proposals requiring clarification.
 - 2 etc., etc..

9. Evaluation. This part of the report is intended to provide summary information of the categories evaluated.

10. Findings. Summarize the findings of the SSEB. Findings should be supported by the tabs showing unweighted scores for each offeror.

11. Signature. Each member of the SSEB will sign the report.

SSAC PROPOSAL ANALYSIS REPORT

Note: The outline of Analysis Report is as follows:

- I. INTRODUCTION
- II. DESCRIPTION OF PROPOSALS
- III. ANALYSIS
- IV. COST TO THE GOVERNMENT
- V. EVALUATION SUMMARY
- VI. OFFERORS' PAST PERFORMANCE
- VII. CONTRACTUAL CONSIDERATIONS
- VIII. RISK ANALYSIS
- IX. FINDINGS
- X. RECOMMENDATIONS
- XI. SIGNATURE PAGE

I. INTRODUCTION

Information included in this section consists of the following:

- a. The authority for the source selection action.
- b. Data pertaining to the Source Selection Plan, its date of approval, who prepared the plan, and so forth.
- c. Evaluation criteria (normally included complete, as attachments to the report.)
- d. The composition of the SSAC, with the lists of commands and organizations who participated as SSAC members. (The SSAC membership can be shown as an attachment to the report.)
- e. The basic composition of the SSEB, what representation composed the board (engineers, procurement and production specialists, logisticians etc...)
- f. Data pertaining to the RFP, including its salient points and listing the sources to whom the RFP was provided.
- g. The release of the RFP, citing when the release occurred, when the response were received, and listing offerors responding.

II. DESCRIPTION OF PROPOSALS

This section contains a description of proposals submitted by each offeror. This section is normally brief and contains a paragraph for each offeror submitting a proposal.

III. ANALYSIS OF PROPOSALS

This section is used to show strengths, weaknesses and risks inherent in each proposal by category and rating elements. It is written so that direct comparisons between proposals can be made. (Since cost to the government and risk analysis is evaluated on a different basis, these sections are separate.) In the technical area, a list of the items evaluated should be included. Following the list, each item evaluated should be discussed, first individually, then comparatively. The major strengths, weaknesses and/or risks should be included for each proposal. If a strength, weakness, or risk for an item appears in one proposal and is noteworthy, comments pertaining to similar strengths, weaknesses or risks should be included for every offeror. The same treatment is given to the remaining areas: operations, logistics, management, and so forth.

IV. COST TO THE GOVERNMENT

The reasonableness, realism, and completeness of each offeror's proposal should be fully explained. This section normally includes data pertaining to the cost/price analysis, independent cost estimates, total costs to the Government most probable cost, impact of technical uncertainty on cost/price, etc. This section will also include an explanation of the relative importance of costs in relation to other aspects of the program and any special assessments made in relation to unrealistic cost/price proposals. The content of this discussion will vary with the type of contract fixed-price, cost reimbursement, etc. SPAWAR Q2 is the cognizant authority in this area.

V. EVALUATION SUMMARY

A brief summary of the overall evaluation results is presented in this section. The significant strengths, weaknesses and risks which are identified in broad terms for each offeror's proposal are presented here. This summary should be prepared in brief, terse statements.

VI. CONTRACTUAL CONSIDERATIONS

Objectives of the contractual aspects are usually explained in the opening paragraph. Definitive contract arrangements negotiated with each offeror, in the competitive range, if applicable, are explained. The type of contract to be used and what the contract covers is explained. Significant special contract provisions are briefly described and the results of final cost/prices negotiated with all offerors are included.

VII. RISK ANALYSIS

Discuss the overall impact of all significant risk and/or "soft spots" associated with each proposal. These will included:

a. Technical risks inherent in the offeror's proposal including technical capability (whether demonstrated or not);

b. Confidence that can be placed in the cost/price estimate provided by each offeror considering technical risk;

c. Schedule risk as assessed against the technical approach and the prevailing economic environment (material shortages, manpower shortages, etc.)

d. The financial risk to each offeror in relation to the type of contract and task involved; and

e. Production risks relating to make-or-buy decisions, anticipated new manufacturing technologies, availability of production facilities and overall production competence. Any design trade-offs made by the offerors and their impact on costs should also be discussed.

VIII. SSAC FINDINGS

Present the SSAC findings in this section. This is normally in the nature of very brief statements aligned to cover each of the items discussed in previous paragraphs.

IX. RECOMMENDATION

If requested, provide recommendations to the SSA in this section.

X. SIGNATURE PAGE

A final page bearing the signature of the Chairman and members of the SSAC.