



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

Office Of The Assistant Secretary

12 OCT 1999

CONTRACTING POLICY MEMO 99-C-05

MEMORANDUM FOR ALMAJCOM-FOA-DRU (CONTRACTING)

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Interim Revision of Air Force Federal Acquisition Regulation Supplement
(AFFARS) Appendix DD

After review of an ACC/LGC suggested change, I have approved a revision to AFFARS Appendix DD to eliminate the mandatory requirement for the preparation and submission of independent Government cost estimates for Simplified Acquisition of Base Engineer Requirements (SABER) delivery orders anticipated to exceed \$100,000. The change provides additional flexibility and streamlining to the SABER delivery negotiation and award process. A preliminary cost estimate is still required for planning and budgeting purposes. FAR 36.203, "Government Estimate of Construction Costs," remains applicable to all other construction methods. Appropriate interim changes will be made to AFFARS Appendix DD (Atch).

Currently, AFFARS Appendix DD-301(a) requires the Civil Engineer SABER Project Manager (PM) to provide the Contracting Officer with a statement of work, drawings and a preliminary independent cost estimate (for planning and budgetary purposes) as part of the SABER project order package. After the Contracting Officer, SABER PM and Contractor conduct a site visit, the SABER PM updates the project order package to include a detailed IGE. DD-301(c) requires this detailed estimate for all SABER delivery orders exceeding the simplified acquisition threshold. The contracting officer may use the IGE in comparison to the contractor's proposal as a means of determining the price fair and reasonable.

Feedback from the field has found limited use of the independent government estimate for determining price fair and reasonableness (price analysis). Given the flexibility of contractors to provide alternative methods (commercial best practices) for accomplishing the work, the estimate provided by the civil engineers doesn't always provide an accurate comparison to the contractors proposal and requires significant revision. Man-hours can be saved by eliminating the upfront development of a detailed government estimate--relying instead on a more detailed technical review.

The interim AFFARS changes are effective immediately and will be included in the next Air Force Acquisition Circular. Our point of contact is Maj Ed LaBenne, SAF/AQCO, DSN 425-7032, e-mail Edgar.LaBenne@pentagon.af.mil.

TIMOTHY A. BEYLAND
Acting Deputy Assistant
Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
AFFARS Appendix DD Changes

Air Force Contracting Policy Memo 99-C-05

AFFARS Appendix DD-Simplified Acquisition of Base Engineering Requirements Program

DD-301 Processing civil engineer project orders.

~~(e) *Independent Government cost estimate.* After the joint scope validation site visit, the SABER Project Manager updates the project order package to include any revised drawings and submits a detailed independent Government cost estimate as required in FAR 36.203. For DOs or DO modifications that exceed the simplified acquisition threshold, the Government cost estimate is required. For DOs or modifications that are less than the simplified acquisition threshold, this requirement is optional at the discretion of the contracting officer. The contracting officer may not begin negotiations without the independent cost estimate and must justify in the price negotiation memorandum (PNM) any differences from these estimates. Should the estimate change for any reason, the revised estimate and accompanying explanation/rationale must be provided in a timely manner to the contracting officer. The Government cost estimate must identify and provide cost estimates for any NPIs. The estimate shall be approved in writing by the appropriate BCE official, stamped "FOR OFFICIAL USE ONLY," and protected from unauthorized disclosure. If the project scope changes significantly or negotiations reveal errors in the Government estimate, the SABER program manager will provide a corrected estimate or explanation to the contracting officer.~~

(c) *Contractor's proposal.* After receiving the formal purchase request ~~and approved independent cost estimate~~, the contracting officer requests the contractor to provide a detailed price proposal. The contractor develops this proposal by identifying necessary tasks in the UPB, verifying as-built drawings, refining quantities, pricing NPIs, preparing working drawings, and developing performance times. The SABER program manager may need to answer questions from the contractor and clarify technical aspects of the project.

(d) *Delivery order negotiation.*

(1) The contract administrator and contracting officer review the contractor's proposal for scope, compliance, completeness, and reasonableness ~~by comparing it with the Government requirement and cost estimate~~. The contract administrator then forwards the technical proposal to the program manager for a [detailed] technical review. The contracting officer evaluates the proposed method of construction, tasks, quantities, performance schedules, and any contractor drawings.

(4) After completing negotiations, the contracting officer prepares a price negotiation memorandum (PNM) in accordance with FAR Subpart ~~15.8~~[15.406-3]. All SABER delivery orders must have a PNM that:

~~(i) Specifies the extent the contracting officer relied on the Government estimate and explains any significant differences between the estimate and the final negotiated price;~~

~~(ii)~~(i) Describes any changes to the Government negotiation position ~~and Government estimate~~. Additional technical support documentation required to support a change in the objective, will be prepared by the program manager and revisions to the estimate must be approved by the appropriate BCE;

DD-305 Funding.

(a) In order to expedite year end or emergency requirements, SABER projects may be processed up to the point of award in advance of funding.

(1) The [preliminary] independent Government cost estimate must be provided to the contracting officer prior to negotiations. [The preliminary cost estimate should be sufficiently detailed to provide for adequate planning and budgetary purposes only. The degree of detail will vary depending upon the complexity and scope of the proposed delivery order.]

(2) Prior to requesting the contractor's proposal (if the contract does not include a line item for project estimating, proposal fee paid to the contractor and later deducted from the delivery order amount if the project is awarded), the contracting officer must obtain from the contractor a no cost agreement if the order is not awarded with acknowledgment that funds are not available.

(b) The contracting officer establishes milestones for actions in support of end of year actions to ensure sufficient lead time for SABER review, approval requirements, receipt of [preliminary] independent SABER project cost estimates, technical analyses, and negotiations. Cut-off dates are established to ensure the Government negotiation team has adequate time to review the estimate and develop a negotiation objective prior to negotiations.

ATTACHMENT DD-8 DELIVERY ORDER FILE CHECKLIST

~~4. Does the independent Government cost estimate contain:~~

~~-(a) The effort as stated in the RFP?~~

~~-(b) Adequate pricing data for determining the reasonableness of the contractor's proposal?~~

~~-(c) Non-prepriced items?~~

5[4]. Does the file contain statement of work revisions for changes as a result of the site visit or negotiations?

6[5]. Does the file contain record of installation commander approval and supporting documentation, if DO or NPIs exceed limitations?

7[6]. Does the contractor's proposal contain:

- (a) Proposal for the scope as stated in the request for proposal?
- (b) Pricing by line item in accordance with the SABER UPB?
- (c) Non-prepriced items?
- (d) Method of construction?
- (e) Other items as stated in the request for proposal?

8[7]. Does the file contain an adequate technical evaluation?

9[8]. Does the Record of Negotiations provide sufficient detail of the negotiated variances in price, period of performance, quantities, statement of work changes, negotiated methodology, etc.?

10[9]. Is DD Form 1155 complete and does it contain:

- (a) Accounting and appropriation data?
- (b) Scope of work?
- (c) Period of performance?
- (d) Any mandatory methodologies?
- (e) Negotiated NPIs?