



***SEAPOWER THROUGH ENGINEERING***

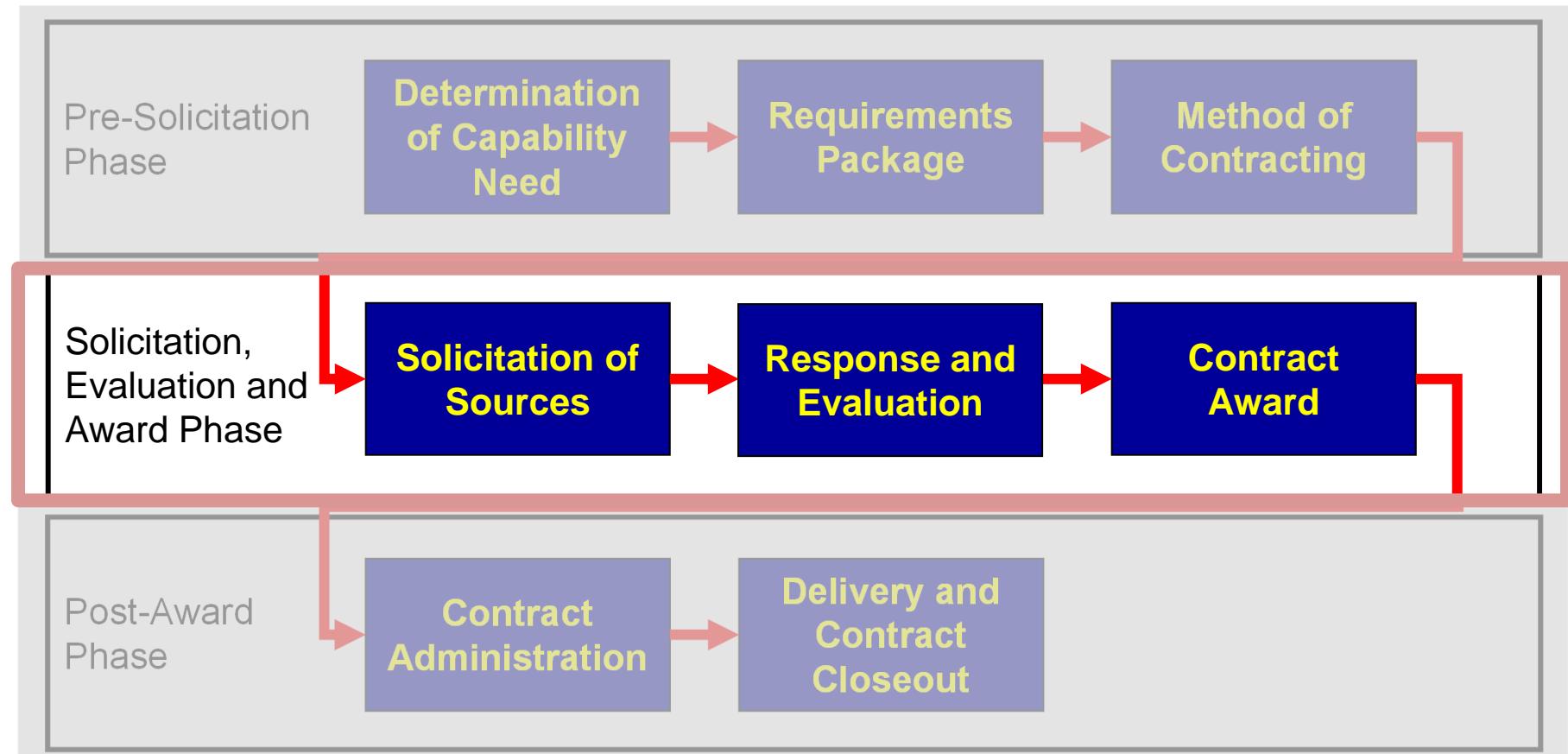


**3.2.3**

TOPIC LEARNING OBJECTIVES	STUDENT PREPARATION
<p>Upon successful completion of this topic, the student will be able to:</p> <ol style="list-style-type: none"><li>1. Recognize and identify the formal source selection procedure and the sequence of events from the receipt of the contractor's proposal.</li><li>2. Identify the guiding documents for source selection: Source Selection Plan (SSP), Request for Proposals (RFP), Invitation for Bid (IFB).</li><li>3. Identify a description of the contracting term Best Value.</li><li>4. Identify source selection best value policies: Tradeoff and Lowest Price Technically Acceptable (LPTA).</li><li>5. Identify the roles and responsibilities of the source selection participants: Source Selection Authority (SSA), Source Selection Evaluation Board (SSEB), Source Selection Advisory Council (SSAC), Procuring Contracting Officer (PCO).</li><li>6. Differentiate among the various types of interaction between the Government and contractors, e.g., discussions, clarifications, deficiencies, communications, and exchanges.</li><li>7. Identify how to prepare for and conduct a fact-finding activity.</li><li>8. Identify how to prepare for and support a negotiation.</li><li>9. Identify the roles and responsibilities of the participants in fact-finding and negotiations.</li></ol>	<p>Student Support Material</p> <ol style="list-style-type: none"><li>1. None</li></ol> <p>Primary References</p> <ol style="list-style-type: none"><li>1. Federal Acquisition Regulations (FAR)</li><li>2. NAVSEA Contracts Handbook (NCH) <a href="https://wiki.navsea.navy.mil/display/NAP/NAVSEA+ACQUISITION+POLICY+Home">https://wiki.navsea.navy.mil/display/NAP/NAVSEA+ACQUISITION+POLICY+Home</a></li><li>3. DoD Source Selection Procedures <a href="http://www.acq.osd.mil/dpap/policy/policyvault/USA004370-14-DPAP.pdf">http://www.acq.osd.mil/dpap/policy/policyvault/USA004370-14-DPAP.pdf</a></li><li>4. NAVSEA Source Selection Templates <a href="https://wiki.navsea.navy.mil/display/NAP/NAVSEA+Source+Selection+Templates">https://wiki.navsea.navy.mil/display/NAP/NAVSEA+Source+Selection+Templates</a></li></ol> <p>Additional References</p> <ol style="list-style-type: none"><li>1. None</li></ol>



# Source Selection Process





# Overview

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- Guiding documents
- Best value policies
- Source selection process
- Interactions with Contractors
- Negotiation and award



# Source Selection Process

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- A formal source selection process is normally used because of the high-dollar value of the acquisitions
- Goal is to satisfy customer in cost, quality, and timeliness (best value)
- Source selection participants may be sequestered and required to sign a Non-Disclosure Agreement (NDA)
- Guided by the **Source Selection Plan (SSP) and the Request for Proposal (RFP) or Invitation For Bid (IFB)**

*Guided by the SSP and the RFP or IFB*



# Source Selection Plan (SSP)

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- Details all aspects of source selection process
  - Originates from the Acquisition Strategy
  - Prepared by Contracting Officer/Integrated Product Team (IPT)
  - **Approved by the Source Selection Authority, designated by Agency Head**
- Government's approach for soliciting & evaluating proposals
- Contains:
  - Description of procurement
  - Source selection charter
  - Source selection team & organization
  - Best value approach
  - Evaluation factors and rating scheme
  - Milestone schedule



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# Basis for Award

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- In sealed bidding determine if Contractor is **responsive and responsible**
  
- In contracting by negotiation determine the **best value**
  - The expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement
  - 2 types of contracting by negotiation
    - Lowest Price Technically Acceptable (LPTA)
    - Tradeoff Process



# Lowest Price Technically Acceptable (LPTA)

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- Best value to the Government will result from technically acceptable proposal with the lowest evaluated cost or price
- Tradeoffs are not permitted
- After found technically acceptable, proposals are ranked using cost or price evaluation factors only

*LPTA considers the lowest price proposal that meets technical requirements as best value*



# Tradeoff Process

- Best value to the Government will result in a **balance of technical merit, performance risk, management capability, and price factors**
- Used when:
  - The requirement is less defined, or
  - A lot of development work is required, or
  - The performance risk is greatest
- Tradeoff:
  - Higher price for better quality
  - Lower price for lower level of supply or service that meets the minimum requirement
- Must document:
  - Evaluation factors and significant sub-factors, and their relative importance (clearly state in the solicitation)
  - Rationale for selection

*Tradeoff considers a balance of technical merit, performance risk, management capability, and price factors to determine the best value*



# Overview

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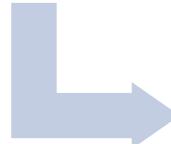
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# Source Selection Steps

## Tradeoff

Compare each proposal to the RFP



Perform comparative analysis

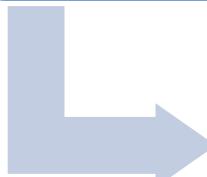


Determine if prices are fair and reasonable

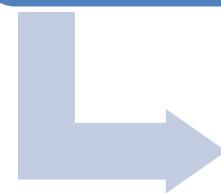
Steps 2 and 3 may be done in parallel

## LPTA

Compare each proposal to the RFP



Identify acceptable sources

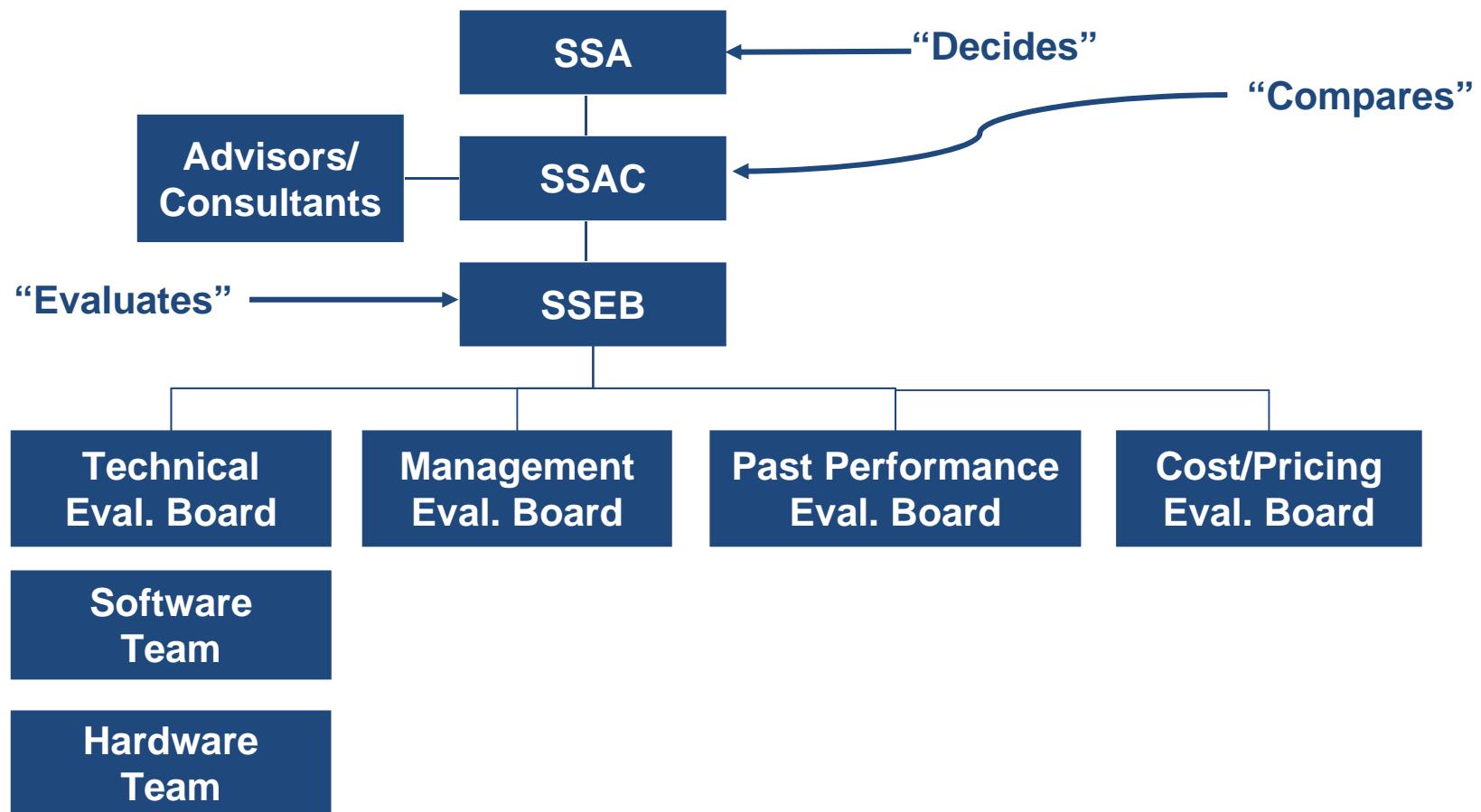


Select lowest-priced offer for contract award



# Source Selection Organization

## “Typical” Organizational Structure





# Roles and Responsibilities

- Procuring Contracting Officer (PCO, KO) is responsible for:
  - Ensuring that *the source selection process complies with procurement laws and regulations*
  - Reviewing the proposals to ensure offerors have complied with all requirements of the solicitation
  - *Communicating with offeror*
  - Awarding the contract
- Source Selection Authority (SSA) is responsible for:
  - Overseeing and *ensuring the integrity of the source selection process*
  - Ensuring that qualified personnel are appointed to the SSEB and the SSAC
  - *Selecting the source(s)* whose proposal is the best value to the Government

*PCO is responsible for the contracting process – SSA selects the source for contract award*



# Roles and Responsibilities

- Source Selection Advisory Council (SSAC):
  - When requested, performs an analysis of the proposals after evaluation by the SSEB and the CPEB
  - The SSAC then forwards a recommendation of the best value proposal to the SSA
  - The functions of the SSAC may be assigned to the SSEB, eliminating the need for a separate SSAC
- Source Selection Evaluation Board (SSEB):
  - Is comprised of various panels, based on requirements:
    - Technical Team
    - Cost/Pricing Evaluation Team
    - Past Performance Team
    - Small Business Team
    - Others as needed
  - Evaluates proposals against the requirements in the RFP
    - Against a rating standard (for each evaluation criteria)
    - Qualitative or quantitative
  - Identifies and documents:
    - Strengths
    - Weaknesses
    - Significant weaknesses
    - Deficiencies

*Evaluation criteria (Section M of the RFP) allows the SSEB to objectively rate each proposal*



# Roles and Responsibilities

SSEB completes evaluations on initial proposal submissions

SSEB drafts questions for fact-finding activities or discussions

SSEB provides recommendations to the PCO/SSAC/SSA



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# Terminology

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- Deficiencies
  - Material failure to meet minimum contract requirements
    - Deficiencies must be corrected to make contract award
    - Correcting deficiencies requires proposal revision
    - Allowing a Contractor to revise a proposal constitutes discussions or negotiations
- Competitive Range
  - Most highly rated offerors to be considered for further discussions



# Interactions with Contractors

## ■ Types of Interactions

- Clarifications
  - Done when awarding without discussions
  - Limited to correction of minor or clerical errors
  - Allows offeror to respond to adverse past performance issues
- Communications
  - Address adverse past performance issues
  - Exclusion/inclusion in range uncertain
  - Enhance Government understanding
  - Explore issues without proposal revision
- Discussions
  - Done with offerors after establishment of Competitive Range
  - Offeror has opportunity to revise proposal
  - Negotiations may include bargaining or discussions



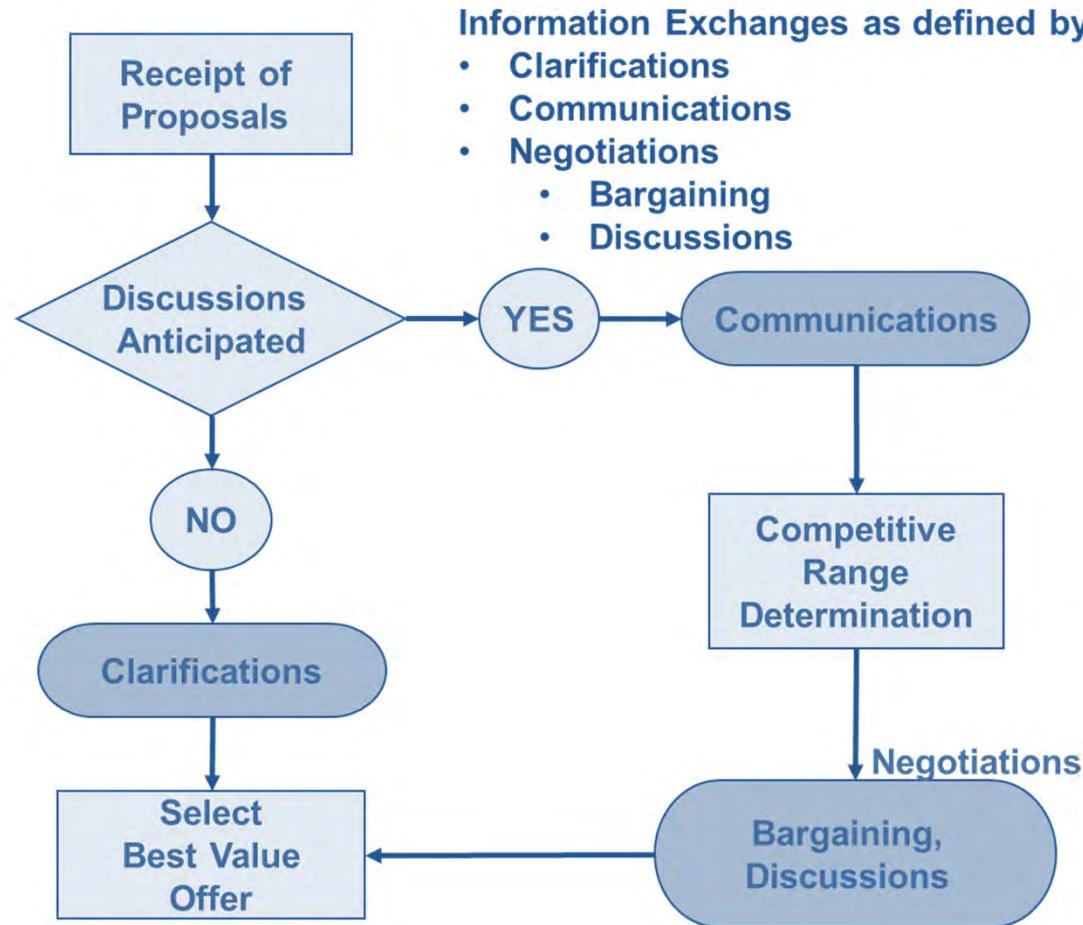
# Interactions with Contractors

## ■ Guidance on Interactions

- Limits on exchanges (do not):
  - Favor one offeror over another
  - Reveal an offeror's technical solution and/or unique technology
  - Reveal an offeror's price
- Conduct meaningful discussions with all in competitive range:
  - Identify and specify all deficiencies found in proposal
  - Also include all weaknesses & any other documented issues
  - Allow reasonable time for revision
  - Can be oral, written, or both
  - Document all discussions thoroughly



# Interactions During Source Selection





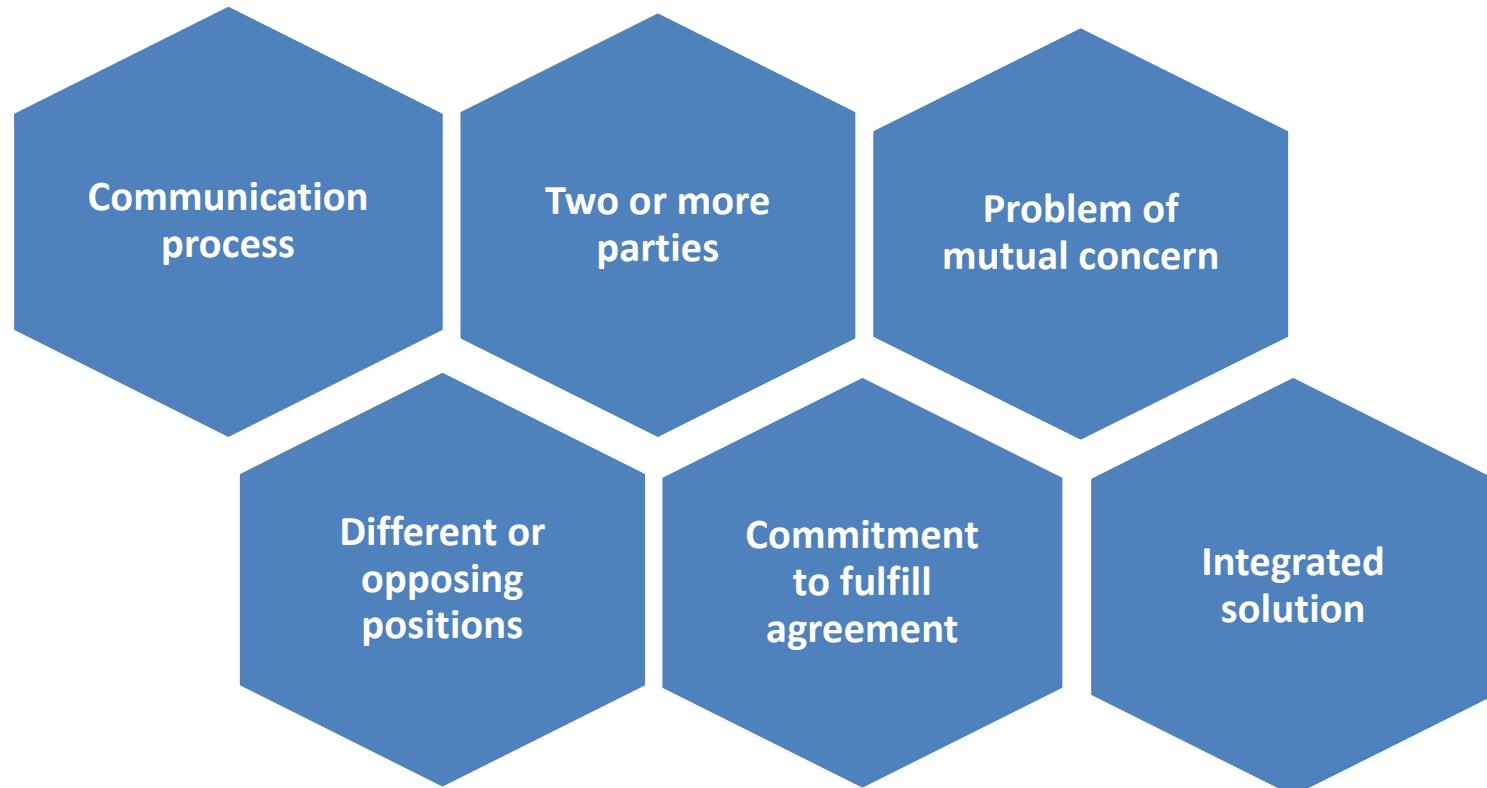
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# Elements of Negotiation





# Successful Negotiation Steps

- 1 • Prepare for the negotiation
- 2 • Conduct fact finding and analysis before negotiations
- 3 • Set pre-negotiation objectives
- 4 • Ensure all Government participants have sufficient negotiating skills
- 5 • Keep the end goal in mind



# Roles and Responsibilities

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- Procuring Contracting Officer (KO)
  - After the RFP is issued, becomes the focal point for the fact-finding period
  - **All communications with the offeror(s) go through the KO**
  - KO leads the negotiations after determination of the competitive range
- Program Management Office
  - Supports the KO during the negotiations
  - Provides members to the SSEB and evaluation teams
- SSEB and Evaluation Teams
  - Conduct fact-finding and provide questions for the offeror(s) to the KO
  - SSEB makes a recommendation to the SSA based on the evaluation teams' results



# Fact-Finding

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- Conducted to prepare pre-negotiation position
- Government research
- Interaction with offerors (i.e., clarifications, communications) without proposal revision
- Preparing for a fact-finding activity
  - Review your contracting situation
  - Familiarize yourself with legal aspects & contractual terms and conditions
  - Identify team members who may assist
  - List all open issues for which you need information
  - Conduct appropriate research
    - This is done by the evaluation boards (PEB, TEB, etc.)
  - Develop your pre-negotiation position
    - This is done using the cost and pricing techniques discussed in topic 3.2.4 Cost and Price Evaluation
  - Draft questions for the offerors and submit in writing to the KO
  - KO forwards the questions to the offeror for answers



# Fact-Finding and Analysis

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- Fact-finding and analysis typically includes:
  - Technical analysis: To determine the reasonableness of the proposed resources
  - Either cost or price analysis:
    - Cost analysis: Analysis of all elements of a proposal's cost factors
    - Price analysis: A comparative analysis with other prices for the same or similar efforts
  - Cost-realism analysis: Performed on all cost-reimbursement contracts; may be used on competitive fixed-price-incentive contracts
- External support:
  - Defense Contract Management Agency (DCMA)
  - Defense Contract Audit Agency (DCAA)
  - Field Activities



# Prepare for the Negotiation

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- Be familiar with both the solicitation and proposal(s)
- Document questions and submit them in advance so the Contractor has time to prepare answers
- Ensure all members of the negotiation team understand the cost and technical trade-offs that will be acceptable to the Government
- Handle all administrative details (i.e., planning and organizing the negotiation sessions) well in advance
  - e.g., prepare an agenda; make specific assignments to team members; make adequate, comfortable, and efficient facilities available



# Pre-negotiation Objectives

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- The KO shall establish pre-negotiation objectives before the commencement of any negotiation
- This is done by analyzing the offeror's proposal, taking into account:
  - The field pricing report and DCAA Audit Report
  - Technical analysis
  - Other pertinent data, such as Government Independent Cost Estimates (ICE) and price histories for the same or similar items
- Management Review - the pre-negotiation objectives will be documented, reviewed, and approved in accordance with agency policies and procedures



# Negotiating Skills

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- **Do**
    - Identify and prioritize discussion items and concerns
    - Verify that the Contractor representatives speak for the company on each item discussed
    - Listen attentively while others contribute to the discussion
    - Probe and question until you are satisfied with the response
    - Draw basis of the Contractor's estimate out into the open
    - Establish action items or issue inquiries if contractor doesn't answer
    - Keep notes, possibly minutes
    - Document all pertinent findings/concerns
  - **Do Not**
    - Reveal your specific findings or numbers to the Contractor
    - Negotiate or reach agreements on how or whether to perform a task
    - Answer questions other negotiators ask of the Contractor
    - Argue with the Contractor over what has been done in the past
    - Let Contractor gloss over questions - make them answer
    - Coach or put words in the Contractor's mouth



# Keep the End Goal in Mind

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- The goal of negotiations is to reach an agreement that enhances the quality of the product or service received by the Government
- You should always ensure that this goal is served by all negotiation activities



# Contract Award

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- SSA signs the source selection decision document
- The KO incorporates the negotiated changes into the contract, obtains legal review (by general counsel), then signs the contract
  - **Only the KO can award the contract**
  - The contract is not legally binding until the KO has signed and distributed the contract
  - The KO must determine that:
    - The price is fair and reasonable
    - The contract safeguards the interests of the U.S. in its contractual relationship
- After awarding the contract(s), the final task of the KO is to notify the unsuccessful offerors of the final decision
- The unsuccessful offerors may request and receive a debriefing from the KO on why the choice was made and the strengths and weaknesses of their proposals



# Protests Against Award

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- Offerors not receiving the contract award can submit a formal protest
- A protest is a written objection by an interested party regarding the award, cancellation, or termination of a contract
- Protests to the agency are covered under Executive Order 12979
  - Preferred adjudication route is Alternative Dispute Resolution
  - Protest escalation will require resolution in US Court of Federal Claims
- A protest will suspend contract performance until the protest has been resolved, unless an urgent need for contract performance exists



# Summary

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- What documents guide the source selection process?
- What are the formal steps in the source selection process?
- What are the responsibilities of the Source Selection Evaluation Board?



# Summary

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- During fact-finding, how are questions communicated to the offeror?
- What are the five steps of a successful negotiation?