

**Naval  
Supply Systems  
Command**

**NAVSUP  
Publication 715  
Revised July 2003**

**COG I Stock No.  
0530-LP-011-0460**

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**BEST VALUE**

**SOURCE SELECTION GUIDEBOOK**

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**BEST VALUE SOURCE SELECTION GUIDEBOOK**

**NAVSUP Publication 715**

NAVY DEPARTMENT  
NAVAL SUPPLY SYSTEMS COMMAND  
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P.O. Box 2050  
Mechanicsburg, PA 17055-0791, July 2003

This Best Value Source Selection Guidebook replaces NAVSUP Instruction 4200.79D, "Competitive Source Selection Using Best Value Procedures". Since adequate source selection direction is contained in the Federal Acquisition Regulations and Defense Federal Acquisition Regulation Supplement, this guide is non-directive in nature and its use is optional. Contracting personnel are encouraged to consider the ideas contained herein for acquisitions involving best value source selection using a tradeoff process.

Any substantive additions, deletions, or changes to this guidebook may be proposed on the sample form found at the end of this guide.



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## **BEST VALUE SOURCE SELECTION GUIDEBOOK**

### **GENERAL**

The purpose of this guide is to provide a general discussion on the best value source selection process using a tradeoff process. Best value is the, expected outcome of any acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement. Tradeoffs are used when it is in the Government's best interest to consider award to other than the lowest-priced offeror or other than the highest technically rated offeror. The source selection process for an acquisition should reflect the requirement's complexity, the risks inherent in that requirement and the resources available to the Government to conduct the acquisition. In acquisitions where the requirement is clearly definable and risk of unsuccessful contract performance is minimal, cost or price may play a dominant role in source selection. In this scenario, the lowest price technically acceptable source selection is appropriate and not the tradeoff process.

### **INFORMATION SOURCES**

This guide is written based on policies and procedures established in the Federal Acquisition Regulation (FAR) Part 15 rewrite issued under FAC 97-02, effective 10 October 1997, Under Secretary of Defense (USD) memorandum of 20 November 1997 and Department of Defense guide to collection and use of Past Performance information of May 1999. Refer to the following websites for the latest source selection guidance including best practices and list to other sites:

[www.abm.rda.hq.navy.mil/policy.html](http://www.abm.rda.hq.navy.mil/policy.html)

[www.navsup.navy.mil](http://www.navsup.navy.mil)

[www.nslcptsmh.navsea.navy.mil](http://www.nslcptsmh.navsea.navy.mil) or [www.cpars.navy.mil](http://www.cpars.navy.mil)

[www.ppirs.gov](http://www.ppirs.gov)

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[www.acq-ref.navy.mil](http://www.acq-ref.navy.mil) (This site offers several sources of information including programs like Turbo Streamline that assist in solicitation preparation and source selection practices.)

### **TRADEOFF PROCESS**

A tradeoff process is appropriate when it may be in the best interest of the Government to consider award to other than the lowest priced offeror or other than the highest technically rated offeror.

When using a tradeoff process the following apply:

- (1) All evaluation factors and significant subfactors that will affect contract award and their relative importance shall be clearly stated in the solicitation; and
- (2) The solicitation shall state how all evaluation factors other than cost or price, when combined, compare to cost or price. (i.e. significantly more important, approximately equal, significantly less important, etc.)

This process permits tradeoffs among cost or price and non-cost factors and allows the Government to accept other than the lowest priced proposal. The perceived benefits of the higher priced proposal shall merit the additional cost, and rationale for tradeoffs must be documented in the file in accordance with FAR 15.406.

### **CONTRACT TYPES**

The tradeoff selection process may be utilized for all contract types. The use of a performance specification which allows for alternate technical approaches to meet stated performance requirements, or cost reimbursement services or supplies where there is the potential for both alternate technical and cost approaches are generally considered the most appropriate instances where tradeoff process is used.

**Multiple Awards of Indefinite Quantity Contracts.** Multiple Award Contracting (MAC) is a procurement method in which identical contracts are awarded to two or more offerors who provide the best value to the Government. MACs are the

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preferred method of contracting for Indefinite Quantity contracts. The advantage of multiple awards is, by their nature, they create best value by affording the Government an opportunity to obtain the innovation and best expertise of each awardee relative to the actual firm requirements, which are often not clearly delineated until the ordering process. The disadvantage is that contract administration increases.

If a multiple award indefinite quantity solicitation is planned, the solicitation should state that the Government may elect to award a single delivery order contract or task order contract or to award multiple delivery order contracts or task order contracts for the same or similar supplies or services to two or more sources, under this solicitation (FAR 52.216-27). The solicitation must not specify how many awards are anticipated. The Procurement Contracting Officer (PCO) is responsible for clearly stating all evaluation factors and significant sub-factors that will affect contract award and their relative importance in the solicitation. Also the solicitation must state whether all evaluation factors other than cost or price, when combined are significantly more important than, approximately equal to, or significantly less important than cost or price. The solicitation will normally state that technical is the most heavily weighted factor in this type of best value procurement. Solicitations should also state that the stated maximum quantities in each awardee's contract shall not be exceeded under any subsequent orders. Each resulting contract and optional performance periods must include a guaranteed minimum and identify the not-to-exceed maximum quantity. Once the contracts are awarded, the PCO has the discretion to place orders provided each awardee is given a fair opportunity to be considered for each order in excess of \$2,500. This does not require contacting the awardee, if the PCO has information that will ensure the awardee is given this opportunity. The award of individual task/delivery orders may be issued without giving each awardee a fair opportunity to be considered if one of the determinations required by FAR 16.505(b)(2) is made by the PCO. The procedures and selection criteria that will be used to provide multiple awardees a fair opportunity to be considered for each order must be set forth in the solicitation.

- (i) Multiple awards shall, to the maximum extent practicable, be considered for all Indefinite

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Quantity Contracts, unless any of the following five exceptions apply:

- only one contractor is capable of providing performance at the level of quality required because the supplies or services are unique or highly specialized;
- based on the contracting officer's knowledge of the market, more favorable terms and conditions including price including pricing, will be provided if a single award is made;
- the expected cost of administration of multiple contracts outweighs any expected benefits of making multiple awards;
- the projected orders are so integrally related that only a single contractor can reasonably perform the work;
- the total estimated value of the contract is less than the simplified acquisition threshold (\$100,000); or
- multiple awards are not in the best interest of the Government.

(ii) A PCO determination citing one or more of the above-described exceptions is required for any Indefinite Delivery contract that is not accomplished utilizing multiple awards. This determination may be accomplished as part of the acquisition plan.

(iii) Sample multiple award contract language follows:

### **Example 1**

*Note: The following language may be used in conjunction with existing ordering Clauses, including those in the NAVSUP Clause Book, Publication 592.*

### **Method of Selection for Issuance of Task Orders Under Multiple Award Contracts**

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(a) Providing a Fair Opportunity: Individual orders will be placed using one of the following selection procedures.

(1) The PCO may request technical/cost proposals from each awardee and place an order with that awardee whose proposal, in the judgement of the ordering officer, is determined to be the most advantageous to the Government considering such factors as:

Past Performance  
Experience  
Personal Expertise  
Quality Assurance Process  
Task Management  
Price  
Any other relevant factors

**The PCO must exercise discretion in the selection of factors to be used for a particular Task Order.**

The relative value of the above factors will be identified in the Request for Proposal for the Task Order.

- (1) The PCO may request a pricing proposal and past performance summary and issue an order based on the most advantageous combination of priced/non-priced factors and past performance.
- (2) The PCO may make an award decision based on the lowest priced Task Order.
- (3) The PCO may issue an order based upon information that will ensure each awardee has been given a fair opportunity to be considered.

(b) Non-competitive placement of Task Orders.  
As permitted by FAR 16.505(b)(2), certain follow-on orders may not be available for competition. In these instances, follow-on task orders will be issued to the contractor performing the initial task.

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- (c) Each Task Order Request for Proposal (T.O. RFP) will include at a minimum the following items based on the selected methodology of paragraph (d) below.
- (1) A description of the specific work required,
  - (2) The desired delivery schedule and/or required completion dates as applicable,
  - (3) The place and manner of inspection and acceptance,
  - (4) Reporting requirements and list of deliverables, if any,
  - (5) The date and time by which the proposal response is due.
  - (6) Other direct Cost requirements, if any,
  - (7) Instructions, Conditions, and Notices to Offerors,
  - (8) Evaluation Factors with relative value as appropriate, and
  - (9) Any other pertinent information deemed necessary.
- (d) Methods of Presenting Technical Proposals.  
In determining the procedures for providing awardees a fair opportunity to be considered for each order, PCOs shall exercise broad discretion. Examples of two formal methodologies are discussed below. The PCO will determine the exact procedures based upon the complexity and proposal response time required for specific task orders. The proposal response time will be indicated in the RFP for the Task Orders.

**Methodology 1** - Written presentation - Submittal of WRITTEN technical proposals. The Government will mail or otherwise provide to each contractor a request for task order proposal which will specify the work to be accomplished to satisfy a particular task order requirement. The contractor shall, within the time specified in each task order request, provide the PCO with written proposal. Upon receipt of the proposal, the PCO will evaluate the technical and cost proposals. The Government reserves the right to place an order based upon initial offers. If deemed necessary by the Government, the PCO will enter into oral and/or written discussions with the Contractor to resolve deficiencies and accept revisions. Once

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discussions are ended, the PCO will complete the evaluation and issue the Task Order.

**Methodology II** - Oral presentation - Technical proposals by ORAL presentation. During the presentation, a contractor will describe their capabilities to perform the task order requirement. The Government anticipates issuing the order based upon initial offers. Should all initial proposals contain deficiencies that would preclude issuing the order based on initial offers, the PCO will enter into oral and/or written discussions to resolve deficiencies.

(e) The Government may use any or all of the following requirements for processing the Task Order RFP (T.O.RFP).

(1) The T.O. RFP may require offerors to provide within a specific number of days, a contractor's statement of their intent to propose. As certain offerors may not want to propose on particular task orders, this statement of intent will enable the Government to ensure adequate opportunity to compete is afforded to all awardees.

(2) The T.O. RFP may establish a specified number of days for questions to be received by the government. Example: clarification of a Task Order SOW (T.O. SOW), suggestions for economy and efficiency, or added value to the T.O. SOW.

(3) Based upon the urgency of the requirement, the Government may condense the oral proposal process by specifying a time limit for completion of all oral presentations. For example, based on the number of participants, presentations may be limited to two or three per day at scheduled two-hour intervals. The Government may also require a limited time period for clarification of the presentation.

(f) Notwithstanding the use of the terms "offer" and "proposal", the PCO will issue an order and will not be awarding a contract.

*End of example*

**Multiple Awards of Advisory and Assistance Services Contracts.** Multiple awards must be made for all

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requirements contracts for advisory and assistance services (as defined in FAR 2.101) in excess of three years and \$10,000,000 (including options), unless the agency head or designee determines, in writing, that the services required are so unique or highly specialized that it is not practical to award to more than one contractor in accordance with FAR 16.503 (d)(1). NAVSUP has delegated this authority to the Chief of the Contracting Office. Multiple awards are usually made on best value basis.

### **Contracts for Professional and Technical Services.**

Contracts for these services should be evaluated and awarded, to the maximum extent practicable, on the basis of best overall value to the Government. The emphasis on cost must be commensurate with the nature of the services being procured. As the effort being contracted departs from clearly defined, routine types of tasks toward more complex, less clearly defined efforts, the emphasis on costs should decrease and the emphasis on technical and quality factors should increase.

## **DUTIES AND RESPONSIBILITIES**

**Procurement Integrity.** Personnel who participate personally and substantially in a Federal agency procurement in accordance with the definition at FAR 3.104-3 are subject to statutory and related prohibitions, restrictions, and requirements described under FAR 3.104-4. Questions regarding Procurement Integrity policy and regulations should be directed to agency ethics official.

**Security.** In order to maintain fairness and integrity in the evaluation process, proposal and evaluation material should be handled in a manner consistent with that for confidential security classifications, unless the material is classified at a higher level requiring corresponding handling. The PCO or Technical Evaluation Board (TEB) Chairperson must establish and implement procedures to ensure full security of proposals and evaluation results. The PCO and designated personnel, e.g., Contract Review Board (CRB) members, cost and price analysts, and contract negotiator will have access to the proposals. Such personnel must not discuss or reveal any aspect of the proposals or the evaluation results with anyone except other similarly designated Government evaluation personnel.

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**Procurement Contracting Officer.** The NAVSUP Field Contracting activity will designate the PCO who has ultimate responsibility for determining source selection criteria, preparation and issuance of the solicitation, source selection, contract award, and documentation. The PCO or designated representative will proceed in accordance with FAR 15.2 and 15.3 "Source Selection" and in addition should:

- (a) Provide advance planning assistance to the requiring activity including the need to obtain necessary waivers and/or approvals as well as conducting required market research, and preparation and issuance of the statement of work and source selection plan.
- (b) Consider use of oral presentations as a substitute or to augment a written proposal.
- (c) Encourage exchanges of information among interested parties including conferences, one-on-one meetings, etc.
- (d) Review and concur in the appointment of members to the Technical Evaluation Board (TEB).
- (e) Review and approve the Source Selection Plan and ensure consistency between the Plan, technical proposal requirements, and the solicitation evaluation criteria.
- (f) Brief the members of the TEB on the source selection procedures, procurement integrity and security standards to be maintained during the source selection process.
- (g) Prepare a synopsis in accordance with FAR Subpart 5.2, and transmit for publication.
- (h) Prepare and issue solicitation, conduct pre-proposal conference, if applicable, and instruct all offerors to communicate only with the PCO regarding any aspect of the procurement.
- (i) Upon receipt of proposals, review both the technical and cost proposals and general areas that will require clarification.

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- (j) Conduct a cost and/or price evaluation. Conduct cost realism analysis in accordance with the sample provided within this publication for cost reimbursement contracts and in limited situations when appropriate to establish reasonableness of the otherwise successful offeror's price. Conduct price analysis in accordance with FAR Part 15.404-1. The Air Force Institute of Technology (AFIT) and the Federal Acquisition Institute (FAI) jointly publish Contract Pricing Resource Guides including a volume on Price Analysis (<http://www.gsa.gov/fai>).
- (k) Conduct evaluation and rating of the offeror's past performance information.
- (l) When tradeoffs are performed, conduct a technical analysis in accordance with the evaluation criteria stated in the solicitation. Submit technical proposals to the TEB for evaluation. Cost information may also be provided to the TEB.
- (m) Award on the basis of initial offers without discussions, when provided for by the solicitation, and if warranted by the results of the evaluation of the proposals. Offerors may be given the opportunity to clarify certain aspects of proposals.
- (n) When unable to award on the basis of initial offers received, you may conduct communications with offerors before establishment of the competitive range in accordance with FAR 15.306(b). Discussions are conducted with offerors upon establishment of the competitive range as described in FAR 15.206(c).
- (o) Upon approval of the clearance, immediately notify, in writing, all offerors determined to be outside the competitive range that their proposals are no longer eligible for award. Conduct preaward debriefings upon request (refer to NAVSUP Publication 716 Preaward and Postaward Debriefings.)
- (p) Act as the sole authorized point of contact for any communication with offerors; conduct negotiations with each offeror in the competitive range. Maintain a written record of all discussions and issue requests for revised proposals to formally close discussions.

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- (q) Have the TEB review the results of negotiations and revised proposals, as necessary.
- (r) Select the successful offeror(s), prepare and obtain approval of the post-negotiation business clearance, and prepare and issue the contract award(s).
- (s) Notify unsuccessful offerors and conduct debriefings if requested
- (t) Document the contract file regarding all foregoing actions and all analyses pertaining to contract award(s), including all TEB reports and recommendations.

**Legal Counsel.** Legal counsel involvement in the source selection process, particularly in the review of the evaluation factors and source selection plan, is crucial in avoiding future problems with evaluation of proposals and ultimately, the source selection decision. Counsel's participation throughout the solicitation process should be documented and all correspondence placed in the contract files.

**Customer Activity.** The customer activity should:

- (a) Notify the PCO of anticipated contract requirements as early as possible and participate in advance planning with the PCO to determine the overall procurement strategy. Conduct market research to determine whether commercial products or services are available and to refine the statement of work (SOW), technical proposal requirements and source selection plan.
- (b) Obtain all required preaward waivers and approvals (e.g., Contract Advisory and Assistance Services and information technology resources) prior to submitting the formal procurement package to the contracting office.
- (c) Develop the procurement request and supporting documents in accordance with NAVSUP P-547 or local guide and ensure compatibility and cohesiveness between the SOW, the proposal requirements to be published in the Instructions-to-Offerors section of

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the solicitation, the evaluation factors to be included in evaluation criteria section of the solicitation, and the source selection plan.

- (d) Establish and appoint the TEB and Chairperson to evaluate technical proposals, prepare the evaluation report, and submit the evaluation report to the PCO. In view of the variety of requiring activities and requirements supported by the field activities, there is no optimal organization type or structure that will meet all needs. Differing approaches are anticipated and encouraged.
- (e) Assist the PCO in obtaining offeror clarifications and negotiating technical issues, as requested.

**Technical Evaluation Board Chairperson.** The TEB chairperson should:

- (a) Ensure that the purchase request and resultant solicitation is fully representative of the requiring activity's needs, and that any required changes are forwarded to the PCO in a timely manner.
- (b) Review the source selection plan to ensure that the plan, SOW, technical proposal requirements, and evaluation criteria are compatible and forward the plan to the PCO for approval.
- (c) Establish a competent evaluation committee comprised of the minimum number of members necessary to conduct a complete evaluation.
- (d) Ensure proposals are properly controlled and secured.
- (e) Ensure that the requiring activity proposal evaluation efforts are properly and efficiently conducted.
- (f) Perform final review and endorsement of the TEB reports and forward thoroughly documented recommendations to the PCO.
- (g) Prepare value analyses and recommendations and forward to the PCO for concurrence.

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- (h) Review/approve "lessons learned" report and submit to the PCO for inclusion in the contract file.

**Technical Evaluation Board.** This group consists of the TEB Chairperson and Board Members appointed by the Chairperson to direct, control, and perform proposal evaluation and to produce summary facts and findings required by the Source Selection Plan. The TEB should include the best-qualified civil service or military personnel who are available for evaluation of the technical proposals. Non-government personnel may not be members of any evaluation committee, nor serve in any advisory capacity to the TEB without specific approval. The TEB should:

- (a) Develop and submit, via the Chairperson, the evaluation plan and technical proposal requirements.
- (b) Review the solicitation, especially the SOW, the Instructions to Offerors, Technical Proposal Requirements, and the Evaluation Criteria, to ensure consistency with the source selection plan.
- (c) Evaluate proposals in accordance with the solicitation requirements and use the methodology cited in the source selection plan.
- (d) Ensure that questions from industry representatives are referred to and reported to the PCO.
- (e) Discuss and clarify technical evaluations as necessary to prepare a summary evaluation report for approval by the Chairperson.
- (f) Assist in fact finding, clarification of offers, and negotiations, as requested by the PCO.
- (g) Assist in the debriefing of unsuccessful offerors as requested by the PCO.
- (h) Prepare a "lessons learned" report for approval by the Chairperson and submission to the PCO for inclusion in the contract file.

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### PRE-AWARD

**Acquisition Planning.** The need for advance procurement planning is paramount. Contracting activities must establish relationships with their customer activities, as well as with potential contractors that will facilitate communication at the inception of a requirement. This early teaming effort is intended to result in a mutual understanding by all parties of the Government's requirement and the source evaluation/selection and contracting process to be employed. The main goal of acquisition planning should be to execute the procurement as efficiently as possible. Additionally, a crucial part of acquisition planning is to develop the Government's requirements in terms of performance or the desired results. The acquisition planning phase is the correct time to encourage the requiring/technical people to simplify the best value process and define their requirement in terms of result desired. Holding communications with interested parties is highly recommended during this phase.

**Market Research.** Market research must be conducted in support of every procurement and is best conducted as a team approach. The greatest potential benefit of market research is realized when the government uses (1) knowledge of current technology and trends, (2) an understanding of the commercial marketplace, and (3) meaningful presolicitation contact with the private sector and others to develop a competitive package.

A market research team consisting of the requirements, financial, and procurement representatives will reflect a coordinated effort of all the stakeholders. Depending upon the requirement, a considerable amount of research may be necessary to attain the level of knowledge needed to conduct the Government's procurement in the same manner as a commercial procurement for the same or similar supplies/services.

One purpose of market research is to determine how the required item(s) is procured in the commercial marketplace. Another purpose of market research is to discover if an item(s) already exists which will meet the current requirement or will meet it with only minor modifications. Market research is also used to increase bidder/source lists, prequalify sources, help the government ensure

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specifications are up-to-date and valid, develop long range estimates and forecasts, arouse interest in a procurement, gather information regarding the number of sales and length of time over which they must occur to provide reasonable assurance that a particular product is reliable, and to gather information regarding the distribution and support capabilities of potential suppliers, including alternative arrangements and cost estimates. Market research is not intended to determine the characteristics of all potential items in the commercial market, or to develop either hybrid requirements or a new item. Effective market research may yield valuable information to be used in developing performance specifications/requirements.

While FAR Part 10 discusses various methods of conducting market research, one familiar way to conduct market research is publishing a Request for Information (RFI) as a special notice in the Federal Business Opportunities ([www.fedbizopps.com](http://www.fedbizopps.com)). The purpose of the RFI would be to see what already exists in the market which will meet the Government's requirement.

**Source Selection Plan.** A team approach should be taken to prepare the source selection plan (SSP) with the customer activity preparing the plan with assistance from the PCO or contract negotiator. The importance of PCO/contract negotiator involvement up-front cannot be overemphasized. The plan must be complete and tailored to the individual requirement in both format and substance and directly reflect the proposal requirements set out in Section L and the selection criteria in Section M of the solicitation.

Evaluation factors and significant subfactors must represent key areas of importance and emphasis to be considered in the source selection decision and support meaningful comparison and discrimination between and among competing proposals. The better the evaluation factors discriminate among the offerors, the more straightforward and easier the evaluation process. Price/cost, quality of the product or service (which may be included in one or more non-cost evaluation factors such as experience and past performance), environmental, and any other relevant factors and their relative importance should be considered. The need to convene a formal Technical Evaluation Board (TEB) should also be considered when developing the source selection plan. If the requirement is for an undefined, state-of-the-art supply or service, or for a top expert in

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a particular field of knowledge, a board of technical experts would probably be needed to evaluate the technical approach and/or personnel in the proposal. If the requirement is for more of the same engineering and technical support services that various contractors have been performing on an ongoing basis, and if evaluation factors are kept to a minimum and are true discriminators, both the number of evaluators and the time to evaluate should be minimal. By carefully selecting and keeping evaluation criteria to a minimum, the resulting proposal should be easier to evaluate.

The SSP is not intended to be a detailed compendium or to be in compliance with the restrictions and codification of the formal source selection plans for major system acquisitions. The source selection plan will normally state that the PCO is the Source Selection Authority (SSA) for the acquisition and should identify the PCO by name. If someone other than the PCO will be the SSA, the appropriate HCA approval is required. The plan should also address the following:

- Schedule - Include milestones from purchase request submission through contract award.
- Specify the duties of the TEB members.
- Discuss the source selection criteria.
- Identify TEB procedures and forms to be used.

A sample source selection plan and rating forms are provided at the end of this publication.

Any change to the Source Selection Plan, made subsequent to the approval of the plan by the PCO, must be communicated, in writing, to all potential offerors by amending the solicitation. Evaluation factors which have not been both documented in the Plan and communicated to the offerors cannot be used to evaluate offers.

### **Solicitation/Request for Proposals.** FAR

15.203(a)(4) requires that the RFP clearly establish the relative importance assigned to all evaluation factors in accordance with the source selection plan. The solicitation must also inform offerors of performance requirements or the required results that apply to evaluation factors. The RFP must disclose to offerors

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whether all evaluation factors other than cost or price, when combined, are:

- Significantly more important than cost or price;
- Approximately equal in importance to cost or price;
- Significantly less important than cost or price.

The terms "significantly more important" and "significantly less important" used above should not have specific numeric weights assigned that would be uniformly applied to all solicitations or class of solicitation.

The solicitation should ask for an offer and a discussion of the offeror's capability. Both pieces of information, while used in conjunction with one another, are separated and distinct. The offer is the signed solicitation, indicating the offeror's promise to perform. An offeror's "capability" information is its technical/management proposal which contains its prior experience, past performance history, and description of the work to be performed. The purpose of the evaluation factors is to assess the offeror's relative capability and understanding of the work to be performed. For performance based requirements particularly, the evaluation of the technical proposal is used to assess worth of varying approaches, not just contractor knowledge.

Specifically, the solicitation should state "The Government will award the contract to the offeror who represents the best value to the Government on the basis of (1) the merits of the offer, (2) the offeror's capability, and (3) cost or price. This language relates to the idea that the "offer", when accepted, becomes the contract. The solicitation should further state that "The Government will determine the relative capability of each offeror on the basis of (1) its organizational experience, (2) its organizational past performance, (3) its understanding of the Government's requirement, and (4) its demonstrated ability to comply with instructions (like those in solicitation)." Additional capability description language should be as follows:

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### Example 2

"Organizational Experience". Has the offeror performed these kinds of services before?

Company experience and personnel experience can be separate and evaluated separately.

The Government will evaluate each offeror's organizational experience on the basis of its breadth, depth, and relevance to the work that will be required under the prospective contract.

Organizational Past Performance. Past performance is a measure of the degree to which an Offeror satisfied its customers in the past and complied with the Statement of Work, contract terms and conditions, as well as Federal, state, and local laws and regulations. Past Performance is also a measure of the risk of performance associated with the offeror.

Understanding of the Government's Requirements. The Government will evaluate each offeror's relative understanding of the contract requirements.

Compliance with Instructions. In evaluating an offeror's capability, the Government will consider how well the offeror complied with the instructions in this RFP.

Relative Importance of the Evaluation Factors. An offer must be acceptable for the offeror to be eligible for award. The Government considers relative capability to be more important than price, however, the Government will not select an offeror for award on the basis of a relatively superior capability without concern for its cost/price. The relative impact that capability and price will have on the source selection decision will depend, in part, on the degree of differences among the competing offerors."

*End of example*

The Government may request each offeror complete a simple yes or no matrix to be utilized as an evaluation tool to assess the offeror's capability in terms of experience. The matrix may chart either key SOW paragraphs or key performance characteristics versus whether or not the offeror has experience performing the same or similar tasks. In addition to providing prior experience

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information, the offeror may be asked to provide a customer point of contact to verify its reported performance. If the offeror has performed those matrix tasks will be ascertained by the individual points of contact identified. This information may be used to make a determination about how well the offeror might perform the same tasks on the instant procurement. Whether the offeror has no prior experience in performing the matrix tasks, the offeror may be asked during discussions to provide a brief statement describing its technical approach and understanding of the task to be performed. The statement may then be evaluated. An example of a matrix is as follows:

	YES	P.O.C.	NO
SOW paragraph 3.2	[ _____ ]	[ _____ ]	[ _____ ]
SOW paragraph 5.2	[ _____ ]	[ _____ ]	[ _____ ]

- Provide description of anticipated technical approach.

The same approach may apply to buying supplies, except a supply buy might include evaluation factors which address required performance characteristics of those supplies. The offer would then indicate whether or not the supplies being offered meet those characteristics. Note: using this matrix provides a means whereby only relevant information is requested and provided. Furthermore, this matrix approach focuses both the offeror and evaluators on the critical (discriminatory) aspects of the requirement.

The solicitation may also request the offeror develop a Statement of Work and associated technical approach. With this evaluation method, the offeror will develop the required Statement of Work based upon a list of performance objectives provided in the solicitation. Since historically most Government requirements are not performance based, and as performance based Statements of Work are preferred, this method results in two outcomes: first, the contractor is encouraged to provide its unique work approach to the requirement; second, the offerors may be asked to develop performance based statements of work for the contract requirement. In this case, the SOW would be incorporated into the contract. Bear in mind however, that the resulting SOW will only be as good as the performance objectives provided. Therefore, it is absolutely critical that the above described list of

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performance objectives be developed with sufficient forethought and contemplation.

If a multiple award indefinite quantity solicitation is planned, the solicitation should state that the Government may elect to award a single contract or to award multiple contracts for the same or similar supplies or services to two or more sources. The solicitation should not specify how many awards are anticipated. The solicitation must also specify the total minimum and maximum quantity or dollar value of supplies or services to be acquired under the contract, per option year. The resulting multiple award contract should also state that the total maximum quantity or price shall not be exceeded in the aggregate of subsequent orders.

### **EVALUATION**

**Evaluation Factors.** The evaluation criteria are set forth in Section M of the RFP with the proposal requirements addressed in Section L. The relative importance of each source selection factor must also be stated in Section M. The purpose of the evaluation factors is to assess the relative capability of the offeror - by evaluating the offeror's experience, past performance, and understanding of the work to be performed. Only capabilities such as these are subject to comparative evaluation. An important concept to bear in mind is that while the evaluation factors provide the means to assess the offerors' capability to perform its offer (which becomes the contract), the results of the evaluation do not become part of the offer/contract. Exceptions to this are where a particular technical approach or specific resumes may become part of the contract in order to bind the contractor to the approach/resumes proposed.

Developing evaluation factors which result in rating the contractor's creative writing ability provide no useful information which impacts the source selection decision. When buying services, if the requirement is so complex or state-of-the-art that it is not well defined, then a traditional technical proposal is probably warranted. In this instance, preparing a detailed technical proposal allows the contractor to develop and propose a technical approach. However, if the requirement is for more of the same kinds of support services that various contractors have been performing on an ongoing basis, then requesting

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and evaluating a detailed technical proposal may be a waste of time and resources. When buying traditional engineering and technical support services, the true discriminators among offerors are past performance and experience. Has the offeror performed these kinds of services before? If so, how well has that offeror performed those services? The response to these questions should provide the Government with the ability to assess the risk of awarding to that offeror. If the SOW contains complex technical tasks, the contractor may be asked to describe its past performance and experience with regard to certain critical elements/paragraphs of the SOW. If the contractor has completed an experience matrix, the Government evaluation of that matrix should be fairly straightforward, and may be conducted by the PCO alone. Where the offeror has indicated it has prior experience, the PCO is responsible for validating and verifying that information in order to evaluate that offeror.

With regard to key personnel requirements, the practice of requesting numerous resumes needs to be reconsidered. Only if particular individual(s) and/or their expertise are going to become part of the contract does proposing resumes have value. Additionally, to the extent a requirement is for some specialized type of knowledge which requires contracting for a top expert in the field, requiring the offeror to propose a resume for the purpose of including that individual in the contract has merit.

In point of fact, using resumes in the evaluation process as discriminators is questionable if those resumes are not going to become part of the contract. If the offeror has successfully performed similar work with a qualified staff in the past, that is probably a reasonable indicator that the offeror will successfully perform in the future.

However, if the offeror has good prior performance experience but no longer has the staff responsible for its good work record, then requesting resumes will surface that situation. Additionally, to the extent certain management roles are key to successful performance, either those resumes or an oral interview may be conducted to ensure those positions are filled with individuals having a certain level of competency. In this situation, oral presentations allow the Government to "talk" to those specific individuals.

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**Evaluation of Small, Small Disadvantaged Business, and Women-Owned Small Business Subcontracting Plans.** In acquisitions which require FAR 52.219-9, "Evaluation of Small, Small Disadvantaged, and Women-Owned Small Business Subcontracting Plans", DFARS 215.304 mandates that source selection shall address the extent of small and small disadvantaged business utilization on the contract. The DFARS goes on to list criteria to consider when performing this evaluation. This evaluation does not have to be problematic. While evaluation of small and small disadvantaged business subcontracting opportunities is a requirement, the weight and/or significance of this evaluation factor is left to the discretion of the PCO. As the evaluation of this factor will become a single element in the overall evaluation and resulting rating/ranking of the offeror, the chance that this factor will unintentionally become a go/no go element in the overall evaluation is unlikely and/or avoidable. As always, evaluation of this factor should be performed and utilized in order to realize the best value for the Government.

Small and small disadvantaged businesses are not required to submit subcontracting plans, although they are required to include a small and small disadvantaged business utilization section in the proposal.

**Evaluation of Past Performance.** The requirement to evaluate past performance for competitively negotiated acquisitions demands a form of best value evaluation and source selection for virtually all negotiated acquisitions over established thresholds.

As an evaluation factor, past performance is an indicator of an offeror's ability to perform the contract successfully. This is different from a contractor's experience, which reflects whether a contractor has performed the work before. Past performance, on the other hand, describes how well the contractor performed the work. FAR 15.305(a)(2) states, "This comparative assessment of past performance information is separate from the responsibility determination required under FAR Subpart 9.1." The courts and GAO have supported this concept. Both have consistently supported using traditional responsibility factors as evaluation criteria; e.g., strictly followed in the evaluation process, and comparative vs. absolute in nature. Consequently, care must be taken to ensure past performance is used only to

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determine a proposal's relative order of value. If past performance is used as a go/no go vs. a relative rating/ranking decision point for an offeror's proposal, then a de facto responsibility determination occurs.

Past performance data is available from several sources. Information can be obtained from the Navy's Contractor Performance and Assessment System (CPARS), Navy's Red Yellow Green Program (RYG), [www.nslcptsmh.navysea.navy.mil/ryg/htm](http://www.nslcptsmh.navysea.navy.mil/ryg/htm)), or the Past Performance Information Retrieval System (PPIRS). Another data source is Federal, State and local government databases. Additionally, the contractor is yet another source of past performance information. A sample data sheet that contains basic past performance data elements is provided at the end of this publication. These basic data elements revolve around three primary performance categories: quality, delivery, and price/cost. The data sheet should be tailored to the individual acquisition and include the type of data that permits a reasonable assessment against the past performance evaluation criteria established in the Source Selection Plan. Whatever database is utilized, the PCO must verify the data received. This data should be retained and retired in the contract file.

**Contractor Performance Assessment System.** Contractor Performance Assessment System (CPARS) is a web-enabled application that collects and manages the Navy library of automated CPARS. A CPAR assesses a contractor's performance and provides a record, both positive and negative, on a given contract for a specific period of time. Each assessment is based on objective facts and is supported by program and contract management data. In the Navy, CPARS are required for the following business sectors and corresponding dollar thresholds:

<b>Business Sector</b>	<b>Dollar Threshold</b>
Systems	\$5,000,000
Ship Repair/Overhaul	\$ 500,000
Services	\$1,000,000
Information Technology	\$1,000,000
Operation Support	\$5,000,000
Fuels	\$ 100,000

The value of CPARS to a future source selection team is inextricably linked to the care the assessing official takes in preparing a quality narrative to accompany the

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CPAR ratings. It is of the utmost importance that the assessing official makes a dedicated effort to thoroughly describe the circumstances surrounding a rating.

**Red/Yellow/Green.** Red/Yellow/Green (RYG) is a web-enabled Navy tool designed to help reduce the risk of receiving nonconforming products and late deliveries. RYG classifies the degree of risk by assigning a color to a contractor's historical product quality and delivery performance in individual Federal Supply Classifications/Federal Service Codes (FSCs).

<b>RED</b>	<b>=</b>	<b>High Risk</b>	<b>GREEN</b>	<b>=</b>	<b>Low Risk</b>
<b>YELLOW</b>	<b>=</b>	<b>Moderate Risk</b>	<b>NEUTRAL</b>	<b>=</b>	<b>Insufficient Data</b>

RYG provides procedures and an automated system for incorporating these classifications into source selection. RYG assists the Contracting Officer in source selection. It does not eliminate the requirement to determine responsibility.

**Past Performance Information Retrieval System.** The Past Performance Information Retrieval System (PPIRS) is a web-enabled application that allows the retrieval of contractor past performance information. PPIRS provides a query capability for authorized users to retrieve "report card" information detailing a contractor's past performance across the entire federal government. PPIRS is to assist DOD acquisition officials in purchasing goods and services that represent the best value for the Government. Confidence in a prospective contractor's ability to satisfactorily perform contract requirements in an important factor in making source selection decision.

**Evaluation of Performance Continued.** As an evaluation factor, past performance affects the offeror's standing in the competitive range. The past performance factor is used in combination with all other award factors, price, technical, etc., to determine best value. An offeror with poor past performance may well represent less than the best overall value to the Government, and may not receive award. However, if notwithstanding poor past performance, the offeror's proposal represents the **best combination** of technical, offeror's price, and past performance, it would be selected as the apparent successful offeror. Prior to award, a responsibility decision will be made as usual.

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Offerors must be notified that proposals will be given credit for good past performance and lose credit for poor past performance, but will not be penalized for no past performance. Activities should consider using the synopsis to inform prospective offerors that the evaluation criteria will include past performance. The Source Selection Plan must include instructions that discuss the definition of neutral evaluation, the basis for assessing merit, demerit, or neutral, and the documentation required to support assessment. When no past performance data is available, the narrative portion of the evaluations will document that fact. Proposals lacking past performance data would receive neither credit nor penalty for the past performance factor.

Determining which information to evaluate and how to evaluate it is a requirement-specific task. However, past performance must be a significant factor in all solicitations in which past performance evaluation (see FAR 15.304) is mandatory, and sections L and M must clearly identify past performance as an evaluation factor (see prior subparagraph "Solicitation/Request for Proposals" herein). In addition, past performance must be treated as a significant evaluation factor, although the degree of significance is up to the discretion of the PCO.

In most cases, past performance will simply be another factor included in the normal solicitation, evaluation, and award process. It must be a significant factor and rated according to the Source Selection Plan criteria. Past performance may be assessed based upon potential for disruption to schedule, increase in price, or degradation of performance. The best approach is to treat past performance like any other evaluation factor - establish useful evaluation criteria which will discriminate one offeror from another, then evaluate each offeror's proposal against those criteria. Additionally, the need to document the file regarding the rationale for the award decision (including the results of the evaluation of past performance) cannot be over-emphasized. After evaluating each offeror's past performance, the evaluation team members must document the basis for their ratings. The past performance ratings would be included with the other factor ratings to determine the overall ranking of the proposals.

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Another method of evaluating past performance is to evaluate past performance in the context of risk-of-performance and mitigation of that risk. The basic premise of this approach is that prior experience is only one element of past performance. It is the evaluation of relevant risk assessment data which permits us to evaluate the likelihood that a contractor will perform successfully (i.e. the offeror's reliability), even in circumstances when no relevant prior performance history exists. Using this approach, the Government would identify critical objectives to be accomplished by the offeror in performing the statement of work. In addition, any known risks associated with the effort would be identified. Offerors would be required to include in their proposal a risk abatement plan. Offerors would also be encouraged to bring to the Government's attention any risk not already identified and discuss the offeror's plan to mitigate such risks. Proposals would provide verifiable performance experience where management and risk abatement processes have been employed. Offerors would be encouraged to discuss instances where such processes were employed unsuccessfully and any corrective actions taken. The Government would include in the solicitation the relative importance of evaluated performance risk and all other factors.

Regardless of the evaluation methodology used, the key is to treat past performance like any other evaluation factor.

**Oral Presentations.** Utilizing oral presentations as part of the evaluation process may be a valuable tool under certain circumstances. However, a pitfall of the oral presentation process is the tendency to substitute a sometimes cumbersome technical proposal evaluation process with an equally cumbersome oral evaluation process. Care should be taken not to move from a written process which tests the offeror's creative writing ability to an oral process which tests the offeror's acting ability. Oral presentations should be used as a time saving device to enable the reviewer(s) to ask questions regarding the offeror's capability to perform the requirement.

In order to utilize the oral presentation process efficiently, oral presentations must add some value to the procurement process. For example, in a requirement for food items, no matter how large the dollar value, oral presentations would most likely be completely unnecessary

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as a written document would be sufficient for the contractor to indicate whether or not it has the required food, can get the required food, and has the capability to deliver the required food. In this instance, conducting oral presentations would add very little value to the procurement process. On the other hand, if the requirement is for some type of automated system, conducting oral presentations and requiring a demonstration of some type might add significant value to the procurement process.

Oral presentations should not be a particularly lengthy process. As the purpose of an oral interview is not to entertain the evaluators, the Government should establish presentation guidelines to ensure all offerors address the same critical/key question/concerns.

In the context of this document, an oral presentation is used to evaluate the offeror's capability. Each offeror is required to complete and sign the solicitation (signifying its acceptance of the contract and promise to perform the requirement), which is accompanied by the capability information provided in the oral interview. Each offeror will also submit a price proposal. An example of a solicitation Section L for oral presentations follows:

**Example 3**

**SECTION L**

**L1. INSTRUCTIONS FOR PREPARATION OF TECHNICAL  
INFORMATION**

Offerors are required to submit three types of written information as part of their proposal. The first part being past performance, the second part being the technical capability plan (oral presentation slides), and the third part being the offeror's pricing methodology.

In addition to these three written submissions, offerors are required to make an oral (in-person) presentation to the Navy of their technical capability plan and demonstrate their system. This oral presentation will be based upon the previously submitted overhead slides.

The technical information will be provided in written form as addressed below. All offerors will be required to give an oral presentation to the Government.

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- |   |          |
|---|----------|
| 1. PAST PERFORMANCE INFORMATION                       | 5 copies |
| 2. OVERHEAD SLIDES TO BE USED IN<br>ORAL PRESENTATION | 5 copies |

NOTE: NO DETAILED TECHNICAL PROPOSAL SHALL BE PROVIDED. ONLY ITEMS LISTED ABOVE WILL BE ACCEPTED. INFORMATION PROVIDED IN EXCESS OF THE ABOVE REQUESTED INFORMATION SHALL NOT BE REVIEWED OR EVALUATED.

Copies of all overhead slides to be used in the oral presentation shall be provided with offer prior to solicitation closing. The presentation shall not exceed 25 slides\*\* or screens (in case of computer generated presentation). No deviation from the originally submitted copies will be allowed in the oral presentation. This will prevent offerors from changing their presentation if they obtain sensitive information concerning earlier presentations.

\*\* Alternate language might be "The presentation shall not exceed 30 minutes. Offerors may prepare as many slides as may be presented in a 30-minute period.

**L2. ORAL PRESENTATION**

All offerors are required to give an oral presentation. The oral presentation will enable the Government to evaluate the management team's relative knowledge and competence with regard to the Government's requirements and program objectives and the relevant technology, program challenges and risks.

**Limitations for Oral Presentation**

(1) Schedule for oral presentation. (follow with a point-of-contact to schedule oral Presentations).

(2) Limitation of presentation time - All offerors will be required to complete their formal presentation in \_\_\_\_\_ hour(s). This time does not include time required for introductions or Government interview and questions, as discussed below.

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(3) Limitation of presentation media - The oral presentation shall only include certain media for the presentation (i.e. overhead slides, computer generated presentation format i.e. MS Power Point). The offeror is limited to 25 slides or screens which may be used during the presentation.

(4) Other than the required slide presentation discussed above, no other information will be reviewed or evaluated. Therefore, offerors may not submit supplemental slides to their presentation, and are further advised to include all information pertinent to the solicitation in their slide presentation.

(5) A maximum of \_\_\_\_\_ contractor personnel shall give oral presentations. No professional presenters are permitted.

(6) A question and answer period shall be conducted immediately after the presentation; this will allow the Government to compile and ask questions based on the presentation. The contractor will be required to answer all questions at this time. Communications between the contractor and the Government during the presentation will not constitute discussions as defined by FAR 15.306(d).

(7) Copies of all slides/screens to be used in the oral presentation shall be provided with the offer before solicitation closing. No deviation from originally submitted copies will be allowed in the oral presentation.

(8) The Government may video tape\*\* presentations for reference when making the final determination of technical acceptability and establishing support of the award decision. (See "Video Taping" section herein.)

\*\* An alternative approach may be to audio tape presentations.

(9) No pricing information shall be included in the presentation narrative or briefing overheads/screens.

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### L3. Instructions for Oral Presentation

- a) The oral presentation shall cover your understanding of the requirement and your proposed method of approach to attain contract objectives. Technical content shall be such as to enable the qualified technical evaluation team to make a thorough and complete evaluation and arrive at a sound determination as to whether or not the item and/or effort proposed and described will satisfy the requirements of the Statement of Work. To facilitate the evaluation, the oral presentation should be sufficiently specific, detailed, and complete to clearly demonstrate that the offeror has a thorough understanding of the requirements for, and any technical problems inherent in, the achievement of the specifications and has a valid and practical solution for each contemplated problem. It is realized that all technical factors cannot be detailed in advance, however, the oral presentation shall contain sufficient detail to indicate the proposed means for complying with all applicable specifications, and shall include a complete explanation of the techniques and procedures to be exercised. Data previously submitted may not be considered; therefore, such data should not be relied upon nor considered to be incorporated in the oral presentation by reference. The oral presentation should not include statements that the prospective offeror understands, can or will comply with all specifications or parts thereof, or phrases such as "standard procedures will be employed" or "well known techniques will be used" etc. These statements will be considered insufficient.
- b) The oral presentation should outline the proposed contract objectives as you interpret them, the technical approach to the requirement, any interpretations, deviations, or exceptions to the Statement of Work or Specifications, and any other topics pertinent to the requirement.
- c) During oral presentation, offerors will demonstrate their \_\_\_\_\_  
(whatever demonstration may be required.)

The oral presentation shall address the following sections which correspond to the evaluation factors as follows:

(List Technical Capability Plan)

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*end of example*

A sample Oral Presentation agenda might be as follows:

### Oral Presentation Schedule

0800	Start Presentation - Offer #1
1000	Questions and Answers
1100	Caucus to discuss/evaluate formal presentation
1200	Lunch
1300	Start Presentation - Offer #2

The point of this sample agenda is simply to show that the oral proposal process should not be protracted.

In order to make the oral interview process effective, the government should provide required presentation topics and/or questions. Like any other evaluation method, information gleaned from the required presentation topics and/or questions should enable the evaluators to determine the offeror's relative performance capability and understanding of the requirement. Information discussed in an oral presentation should provide the evaluator(s) with meaningful, discriminatory information about the offeror's capability to perform. A good rule of thumb in deciding whether or not to request an oral presentation is whether or not conducting an oral presentation/interview is faster and cheaper than requesting a written proposal. If an oral presentation is not faster and less costly, then the decision to require an oral presentation should be reconsidered. Remember - oral presentations can be conducted in addition to a written proposal.

**Video/Audio Taping Oral Presentations.** The value of videotaping an oral proposal/interview for record keeping purposes is questionable. As with any procurement, the proposal evaluation does not become part of the contract. Likewise, the videotape of the oral interview should not become part of the contract. Information presented in an oral presentation pertains to the offeror's capability. The contract is the signed solicitation duly executed by the PCO. Additionally, if video tapes exist, the question of whether or not those tapes are releasable under the Freedom of Information Act (FOIA) arises.

**Evaluation Methodologies.** A variety of methodologies are available which are used to assist the PCO to exercise discretion in making award or, for delivery order or task

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order contracts, multiple award decisions. Some commonly used approaches are discussed and shown at the end of this publication, each of which offers different advantages/disadvantages. Regardless of the specific approach utilized, the award decision must be justified by a persuasive and well supported narrative.

### (a) Adjectival Rating and Ranking.

Proposals are grouped by categories to which an adjectival label such as outstanding, better, acceptable, marginal, unacceptable, is assigned.

This approach offers greater flexibility, permitting room for individual discretion in weighing and assigning overall ratings and proposed rankings. As the subjective nature of this method may present difficulties in presentation of a clear written supporting narrative, the PCO must be particularly careful in reviewing the narratives for clarity, consistency, and compliance with stated evaluation factors. The PCO should not hesitate to require correction and resubmission of inadequate technical evaluation reports.

The TEB must prepare a narrative which provides detailed evaluation discussions to accompany each proposal rating. Adjectival ratings and narratives are first developed for each factor; subsequently, an overall rating is selected for the entire proposal which is consistent with the relative weighting assigned to each factor. The overall rating requires a detailed explanation of all considerations to determine the overall rating. For example, if an offer is rated good in personnel or corporate experience and average in all other categories, why does this yield an overall rating of good, average, etc.

Prior to any award decision(s), the TEB Chairperson must rank proposals in comparison to each other. The narrative supporting this ranking must make clear the basis for ranking proposals whose strengths do not coincide. For example, when Proposal "A" is rated superior for personnel and average in other categories, and proposal "B" is rated average in personnel and above average in other categories, why is one better overall than the other?

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Business Clearances should include the explanatory narrative to support the overall adjectival rating and ranking as described in subparagraph (a) above.

(b) Color Coding System. This evaluation method assigns a color to represent the adjectival rating and is also a very flexible system. It has the advantage of providing a visual display which may assist the TEB in organizing and presenting a clear narrative to support its recommendations. As is the case for the adjectival rating, the TEB must prepare a narrative to accompany each proposed rating and the overall ranking of proposals.

(c) Numerical Point Scoring System. This is not a preferred system and must be used with caution so as not to create the impression that a high numerical score by an offeror solely determines the award decision. The PCO award decision must be based on an overall assessment of the proposal which represents the best value to the Government. Application of a proposal scoring formula should not suffice as the sole basis for award since scores alone may not reflect actual differences in merit among proposals. These scoring systems usually have the following similarities:

- Point values are assigned to all evaluation factors, except cost, which correlate to the factors' relative importance.
- The point values assigned to each factor will be furnished by the customer activity as part of the source selection plan and may not be changed without prior approval of the PCO.
- The point value structure and the evaluation process serve as an identifiable and uniform starting point for the TEB. Scores are used as general guides to assist the TEB in the development of meaningful, convincing narratives, value analyses, and award recommendations.

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- The TEB may not make a determination that offers are unacceptable solely on the basis of failure to achieve a minimum required point score.
  
- A detailed, pre-established scoring system is unlikely to predict exactly the true relationship and value of factors that are perceived after reviewing the actual proposals. The more detailed the scoring system, the greater the likelihood for the need to deviate from it in writing the actual evaluation narratives. Any intended variance in scoring should be accounted for in the supporting narrative. The PCO must ensure that the TEB report does not contain any unexplained variances or contradictions between scores for factors, and between scores and supporting narrative. These variances, when thoroughly supported, can be a good indicator of the overall fairness and thoroughness of the evaluation. When not supported, they can provide ample opportunity for unsuccessful offerors to protest.

(d) Composite Methods. Evaluation systems may be constructed which assign a range of point scores to each of the adjectival ratings and category definitions. The point scores are assigned as a preliminary assessment or guide in selecting the most appropriate adjectival rating, both by factor and overall. Evaluation then proceeds in accordance with the established evaluation criteria.

**Evaluation Procedures.** The TEB must conduct evaluations in accordance with the solicitation, the Source Selection Plan, FAR 15.305, Proposal Evaluation, and as discussed below:

(a) Whenever possible, the TEB should conduct technical evaluations on a full-time basis in the procurement office. This will permit uninterrupted review of proposals as well as easy access to the PCO and legal staff to obtain guidance and assistance as necessary.

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(b) Prior to giving the technical and cost proposals to the TEB, the PCO will review both the cost and technical proposal to ensure that they are complementary, and to note any discrepancies.

(c) The PCO/PCO's Counsel should brief the TEB on security requirements to ensure that the integrity of the procurement process is maintained.

(d) The TEB, regardless of the specific evaluation system used, must provide a comprehensive overall summary to support the adjectival, numerical, or color rating for each proposal. Additionally, TEB must provide a detailed narrative assessment by evaluation factor of the significant strengths, weaknesses, and deficiencies for each offeror.

(e) The PCO should conduct the price analysis and cost realism analysis, if appropriate, concurrent with the TEB evaluation of proposals. PCOs are encouraged to request the TEB provide a quick-look response to technical proposals that are clearly unacceptable.

(f) The PCO must consider the results of the technical and cost evaluations and make a determination of competitive range in accordance with FAR 15.306(c). The competitive range shall now consist of all of the "most highly rated proposals." The PCO has considerable discretion but must be able to support how the range was determined and document it. The PCO may also limit the number of proposals in the competitive range to the greatest number that will permit an efficient competition among the most highly rated proposals (FAR 15.306(c)(2)). Communications may be made with offerors prior to establishment of the competitive range in accordance with FAR part 15.306(b). Where the RFP specifically provides for award without discussions, and where the results of the evaluation of the technical and cost proposals warrant an award without discussions, whether or not to the low cost offeror, the PCO should proceed to award. In this case, a competitive range determination is not necessary and only an approved pre/post-negotiation business clearance is required.

(g) When negotiations are necessary, after the prenegotiation business clearance is approved, the PCO or

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authorized representative must conduct negotiations with those offerors who are in the competitive range. At the conclusion of negotiations, the PCO must request revised proposals from those offerors in accordance with FAR 15.307. To preclude multiple rounds of revised proposals, all issues should be thoroughly discussed and understood prior to requesting revised proposals. Negotiations may be conducted in writing, telephonically, or in person. In order to obtain more insight into the offeror's understanding of the requirement, PCOs are strongly encouraged to hold verbal discussions with offerors. Any revised technical proposals received with revised proposals will require technical evaluation in accordance with subparagraph (d) above.

(h) The terms negotiation, discussion, and clarification, offer, and capability, must be clearly understood to ensure that all offerors in the competitive range are afforded the same degree of opportunity to participate in negotiations. When making a request for minor clarification, the PCO should state that no response, other than that which addresses the specific questions asked, will be considered or evaluated. When the PCO feels there may be room for doubt as to whether the offeror may interpret the request as negotiation and not minor clarification, the PCO should resolve the matter by handling the question as negotiation and afford all offerors in the competitive range the opportunity to participate in negotiations.

(i) Offerors with no past performance must receive a neutral evaluation for the past performance factor. The solicitation must notify all offerors that proposals will be given credit for good past performance, lose credit for poor past performance, and will not be penalized for no past performance. The competitive range should reflect the standing of each offeror when compared to other offerors.

(j) If an evaluation matrix is used, the PCO or TEB will review and evaluate the capability matrix, then solicit (if necessary), review, verify, and validate the accompanying past performance information. By cross referencing each offeror's experience with its past performance for the specific tasks, the PCO or TEB should be able to comparatively evaluate and rank all offerors in order to make an award decision.

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**AWARD**

**Selection for Award**

(a) For each offeror in the competitive range, the PCO will review the proposals either alone or along with the TEB recommendations. The PCO must assimilate this information and apply good business judgment in making the selection(s) for award. Prior to award of the contract, the PCO must make a responsibility determination in accordance with FAR Part 9.

(b) After completing review of the proposals and TEB recommendations if requested, the PCO will make award to the offeror or offerors whose proposal(s) conforms to the solicitation and is/are considered most advantageous to the Government considering cost/price, technical merit, and past performance. The PCO will document the award decision(s) in the business clearance or memorandum of negotiation, as appropriate. The documentation need not quantify the tradeoffs that led to the decision. If paying a premium for superior performance, justify in the business clearance why the technical superiority warrants paying the higher cost/price. The PCO is never bound to award to the offeror(s) which received the highest score/rank where doing so would not be in the best interest of the Government. The PCO's award decision must be justified by a persuasive and well supported narrative.

(c) The evaluation procedures utilized in a multiple award best value procurement will be essentially the same as those utilized in a single award best value procurement. Proposals will be evaluated and ranked in accordance with the source selection plan. If upon the recommendation of the TEB, the PCO decides multiple contracts are warranted, contracts would be awarded to the "appropriate" number of highest ranked offerors as a matter of good business judgment. The following factors should be considered:

(i) Do the offers indicate distinct, different areas of innovation and expertise are available? The PCO should consider awarding only the number of contracts required to take advantage of the distinctions.

(ii) If the anticipated requirement encompasses enough work to support more than one awardee, then how many awards can realistically be expected to

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effectively utilize the capacities of the potential offerors? The PCO should limit the number of awards to ensure a reasonable amount of work is available for each awardee. The PCO must also ensure work is available to meet guaranteed minimums for each contract.

(iii) The need to limit the number of awards for administrative purposes is a consideration. In order for the Government to maintain control over several contracts for the same supplies/services, limiting the number of awards and assigning a single PCO/Contracting Officer's Representative is advisable.

(iv) In the event Government property is to be furnished as a contract requirement, is enough Government property available for each awardee under the terms of the contract? If not, awards should be limited to enable the Government to provide Government property in accordance with the resulting contracts.

(d) The PCO must exercise sound business judgment when making multiple awards. There are no prescribed criteria dictating the number of awards. However, the need to thoroughly document the file with regard to the rationale for choosing one or more that, one contractor over others, as well as the rationale for the number of awards made, can not be overemphasized.

**Debriefings.** Refer to FAR Parts 15.505 and 15.506 and the NAVSUP Publication 716 "Preaward and Postaward Debriefings" (A Practical Guide for Conducting Debriefings).

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### **SAMPLE BEST VALUE SOURCE SELECTION PLAN AND RATING FORMS**

(Note: This is provided as a sample only and it is not intended to prescribe evaluation criteria or relative importance of factors or use of adjectives.)

#### **1.1 Purpose**

The purpose of this source selection plan is to provide for the selection of the offeror whose proposal represents the best value to the Government from a technical and cost standpoint consistent with the criteria in the Request for Proposals.

#### **1.2 Procurement Integrity**

All personnel who have access to contractor bid or proposal information or source selection information shall be familiar with and comply with the Federal Acquisition Regulation Part 3 and the Procurement Integrity Act. Prior to commencing the technical evaluation, each member of the technical evaluation board (TEB) must execute a Procurement Integrity Certificate and provide the certificate to the contracting officer.

#### **1.3 Financial Disclosure**

All personnel must have a current OGE 450, Executive Branch Confidential Disclosure Report, on file at their activity prior to commencing the evaluation.

#### **1.4 Conflict of Interest/Non-Disclosure**

All members of the TEB shall complete a conflict of interest/nondisclosure of information certificate and provide it to the contracting officer before commencing the evaluation. Such forms should be available from the contracting officer.

#### **1.5 Excused Participation**

The Chairman of the board and the contracting officer will review all certifications for possible conflicts of interest. If a conflict of interest is found to exist, the Contracting Officer, after consulting with legal counsel,

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will excuse the person from participation in the selection process.

### 1.6 Responsibilities

1.6.1 Contracting Officer. The contracting officer is responsible to determine the competitive range (if required), conduct discussions (if required), and perform the cost/price analysis. The contracting officer shall be the sole person through whom communications with offerors are conducted or requests for information on past performance are made.

1.6.2 Chairman, Technical Evaluation Board. The Chairman shall participate in the evaluation, ensure proper conduct by the technical panel, ensure safekeeping of the proposals and working papers, and coordinate the preparation of the detailed written summary of the TEB's consensus. This shall consist of an adjectival rating and supporting composite narrative by subcriteria summarizing each proposal, including strengths, significant weaknesses, and deficiencies.

1.6.3 Technical Evaluation Board. Each member of the board shall independently evaluate each proposal in accordance with the source selection plan, and prepare a written narrative and adjectival rating for each technical subcriterion. Once this process is complete, the board as a whole will prepare a composite narrative and adjectival rating (both by factor and subfactor and overall) that reflects the consensus of the board. The narrative shall describe why the proposal factors/subfactors are "acceptable" and the extent to which any strengths, if applicable, make (or do not make) the proposal/factors/subfactors above "acceptable"; i.e., "better" or "outstanding". Strengths and significant weaknesses must be described. For proposals with factor/subfactors which are "marginal" or "unacceptable," the specific "deficiencies" must be noted.

### 1.7 Solicitation/Source Selection Plan

The Source Selection Plan is to be tailored to individual acquisitions. In section M of the solicitation, offerors are advised of the relative importance of the technical factors, such as "descending order of importance", or "Experience is significantly more important than Past

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Performance." Within a criterion such as "technical," the RFP must identify the relative weights of the different specifications, either that they are all equal or that some (be specific) are more important than others and to what extent. Section M must also identify whether all the evaluation factors other than cost or price when combined are (1) significantly more important than cost or price, or (2) approximately equal in importance to cost or price, or (3) significantly less important than cost or price. There can be absolutely no variance from what is set forth in the solicitation.

### 1.8 Adjectives

The following adjectives may be used as general guidance by the evaluators in assessing each factor/subfactor and the proposal as a whole.

Outstanding      O      OVERALL PROPOSAL: Very significantly exceeds most or all solicitation requirements and those excesses are beneficial to the DON. Response exceeds a "better rating". The offeror has clearly demonstrated an understanding of all aspects of the requirements to the extent that timely and highest quality performance is anticipated.

FACTORS/SUBFACTORS: Very significantly exceeds factor/subfactor requirement and is beneficial to the DON. Response exceeds a "better rating". The offeror has clearly demonstrated ability to perform all aspects of the requirement to the extent that timely and highest quality performance is anticipated.

Better              B      OVERALL PROPOSAL: Fully meets all solicitation requirements and significantly exceeds many of the solicitation requirements. Response exceeds an "acceptable" rating. The areas in which the offeror exceeds the requirements is anticipated to result in a high level of efficiency or productivity or quality.

FACTORS/SUBFACTORS: Fully meets the factor/subfactor requirement. Response exceeds an "acceptable rating". The offeror has clearly demonstrated ability to perform all aspects of the requirement to the extent that timely and highest quality performance is anticipated.

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Acceptable                    A            OVERALL PROPOSAL: Meets all solicitation requirements. Complete and comprehensive; exemplifies an understanding of the scope and depth of the task requirements and the proposer's understanding of the Government's requirements.

FACTORS/SUBFACTORS: Meets the factor/ subfactor requirement. Complete and comprehensive; exemplifies an understanding and depth of the factor/subfactor requirement and proposer's understanding of the Government's requirement.

Marginal                    M            OVERALL PROPOSAL.\*\*  
Unacceptable, but susceptible to being made acceptable. There are some deficiencies in the proposal. However, given the opportunity for discussions, the proposal has a reasonable chance of becoming at least acceptable. (Areas of a proposal which remain marginal after best and final offers shall not be subject to further discussion or revision.) If award is made on initial offers, there will not be an opportunity for discussions or a chance to become at least acceptable.

\*\*Overall marginal rating will only be given if the total collective number of unacceptable factors and subfactors are susceptible to being made acceptable without completely revising the proposal.

Unacceptable                U            OVERALL PROPOSAL: Proposal has many deficiencies and/or gross omissions; failure to provide a reasonable, logical approach to fulfilling much of the Government's requirements; failure to meet many of the minimum requirements. The proposal must be so unacceptable that it would have to be completely revised in order to attempt to make it other than unacceptable.

FACTORS/SUBFACTORS:\*\* Deficiencies and/or gross omissions; failure to provide a reasonable, logical approach to fulfilling much of the government's requirement for that factor subfactor; failure to meet the minimum requirement for that factor/subfactor.

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\*\*Indicate whether or not requirement is susceptible to being made acceptable on a factor and subfactor basis.



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For each specification, provide a narrative that supports that the proposal met the specification ("ACCEPTABLE"), and describe any strength that makes that part of the proposal above ACCEPTABLE, and why. For each specification identify significant weaknesses and deficiencies and extent of each.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

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FACTOR 2 - PAST PERFORMANCE

EVALUATION CRITERIA:

TO WHAT EXTENT DOES THE PAST PERFORMANCE OF THE OFFEROR  
REFLECT THAT THE OFFEROR CAN CONSISTENTLY PERFORM THE  
PROPOSED EFFORT IN A TIMELY MANNER.

O            B            A            U

\_\_\_\_\_

NARRATIVE:

STRENGTHS

DEFICIENCIES

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FACTOR 3 - TECHNICAL APPROACH

OFFEROR \_\_\_\_\_

EVALUATOR \_\_\_\_\_

EVALUATION CRITERIA:           O - OUTSTANDING  
  B - BETTER  
  A - ACCEPTABLE  
  U - UNACCEPTABLE

EVALUATION CRITERIA:           TO WHAT EXTENT DOES THE  
PROPOSAL MEET OR EXCEED THE SPECIFICATIONS

	O	B	A	U
1. Performance Objective #1 <u>  </u> (List it word for word from Section C).	___	___	___	==
2. Performance Objective #2	___	___	___	___
3. Performance Objective #3	___	___	___	___
4. Performance Objective #4	___	___	___	___

OVERALL ADJECTIVE RATING   \_\_\_   \_\_\_   \_\_\_   \_\_\_  
(Be certain that the relative importance of the above factors as set forth in the RFP is followed absolutely.)

**NARRATIVE:**

For each specification, provide a narrative that supports that the proposal met the specification ("ACCEPTABLE"), and describe any strength that makes that part of the proposal above ACCEPTABLE, and why. For each specification identify significant weaknesses and deficiencies and extent of each.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

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FACTOR 4 - FACILITIES

OFFEROR \_\_\_\_\_

EVAUATOR \_\_\_\_\_

EVALUATION CRITERIA:           O - OUTSTANDING  
  B - BETTER  
  A - ACCEPTABLE  
  U - UNACCEPTABLE

EVALUATION CRITERIA: TO WHAT EXTENT DOES THE PROPOSAL MEET OR EXCEED THE SPECIFICATIONS

	O	B	A	U
1. Performance Objective #1 (List it word for word from Section C).	___	___	___	___
2. Performance Objective #2	___	___	___	___
3. Performance Objective #3	___	___	___	___
4. Performance Objective #4	___	___	___	___
OVERALL ADJECTIVAL RATING	___	___	___	___

(Be certain that the relative importance of the above factors as set forth in the RFP is followed absolutely.)

**NARRATIVE:**

For each specification, provide a narrative that supports that the proposal met the specification ("ACCEPTABLE"), and describe any strength that makes that part of the proposal above ACCEPTABLE, and why. For each specification identify significant weaknesses and deficiencies and extent of each.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_



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**SAMPLE CONTRACTOR PERFORMANCE DATA SHEET**

**NOTE: THE INFORMATION PORVIDED IN THIS DATA SHEET MAY BE USED TO EVALUATE THE OFFEROR'S PAST PERFORMANCE IN MEETING COST/PRICE, TECHNICAL, AND DELIVERY OBJECTIVES. THE RESULTS MAY BE USED IN THE EALUATION OF THE OFFEROR(S) IN ACCORDANCE WITH SECTION M OF THE REQUEST FOR PROPOSALS (RFP).**

**Contractor Name:**

**RFP #:**

**Address**

**POC: (Person to verify  
Data)**

**Telephone:**

**FAX:**

**Division:**

List performance Data on you five most recently completed Federal Government contracts (not to exceed three years since completion) for like or similar items under this RFP. (If you do not have five Federal Government contracts, then list state, local, or commercial contracts, in that order, to complete this report.

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**CONTRACT INFORMATION**

Contract Number: Date Completed:

Contract Type: Fixed Price Cost Reimbursement Other  
(Specify)

Item Description:

Contract Quantity/Length of Service:

Customer Name: Customer POC: (Person who can  
Verify data)

Address: Telephone:  
FAX:

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Contract Number: Date Completed:

Contract Type: Fixed Price Cost Reimbursement Other  
(Specify)

Item Description:

Contract Quantity/Length of Service

Customer Name: Customer POC: (Person who can  
Verify data)

Address: Telephone:  
FAX:

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-----

Contract Number: Date Completed:

Contract Type: Fixed Price Cost Reimbursement Other  
(Specify)

Item Description:

Contract Quantity/Length of Service



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QUALITY

NOTE: An explanation must accompany all answers with an asterisk (\*)

Was consideration or a monetary withhold for non-conforming supplies/services or late deliveries assessed against this contract?

YES \_\_\_\_\_ NO \_\_\_\_\_

(Explanation)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Was/is any part of this contract terminated for default and/or in litigation?

YES \_\_\_\_\_ NO \_\_\_\_\_

(Explanation)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Was any warranty work completed or delivered items?

YES \_\_\_\_\_ NO \_\_\_\_\_

(Explanation)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Did you receive any quality awards in the past three years?

YES \_\_\_\_\_ NO \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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**TIMELINESS**

NOTE: An explanation must accompany all answers with an asterisk (\*).

Were all items (including products, services, reports, etc.) delivered within the original contract schedule?

YES \_\_\_\_\_ NO \_\_\_\_\_

(Explanation)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
-----  
-----  
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**COST**

FOR COST TYPE CONTRACTS:

Was the original contract estimated cost met?

YES \_\_\_\_\_ NO \_\_\_\_\_

(Explanation)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If the estimated cost was not met, what was the positive/negative percentage of change?

+ \_\_\_\_\_ - \_\_\_\_\_

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-----  
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**OTHER PERTINENT INFORMATION**

Describe any corrective action(s) initiated to solve any of the above-described problems/deficiencies on this contract. Discuss the success of the corrective action(s) taken.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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**SAMPLE ADJECTIVE, COLOR, AND POINT SOCORING DEFINITIONS**

<u>RATING ADJECTIVE</u>	<u>NUMERICAL</u>	<u>COLOR</u>	<u>DEFINITION</u>
Outstanding	85 - 100%	Blue	Outstanding in Essentially all aspects; represents the best that could be expected of any contractor. Small number of deficiencies and none pertaining to the stated performance requirements. None would require correction before the contractor would be permitted to begin work.
Acceptable	70 - 85%	Green	Cannot be Considered outstanding but is above the average expected from any qualified contractor. Lacking in one of three areas of feasibility, manageability, or practicality. Small number of deficiencies which would require correction before the contractor would be permitted to begin work.
Marginal	60 - 69%	Yellow	Unacceptable, but

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susceptible to being made acceptable. Lacks reasonableness, tractability and practicality. A number of deficiencies including at least one that puts successful performance at risk. Substantial revisions would be required before the contractor would be permitted to begin work.

Unacceptable	50 - 59%	Red	Unacceptable, not susceptible to be made acceptable. The number of deficiencies would require the contractor to completely revise proposal to make this category other than acceptable.
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**COST REALISM ANALYSIS  
(GUIDANCE AND PROCEDURES FOR ANTICIPATED  
COST REIMBURSEMENT CONTRACTS)**

1. General

FAR Part 15.404 -1(d) defines cost realism analysis as the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine whether the estimated proposed cost elements are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with unique methods of performance and materials described in the offeror's technical proposal.

DFARS 215.805-70 states that the contracting officer should conduct 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. Cost realism analysis is critical for competitive cost-reimbursement contracts to ensure a fair and creditable source selection. The contracting officer must determine what information other than cost or pricing data is necessary for the cost realism analysis during acquisition planning and development of the solicitation or it will need to be requested during the evaluation phase, delaying source selection.

2. COST-REIMBURSEMENT CONTRACTS

The following procedures apply to competitive, cost-reimbursement contracts, where the Government is bound to reimburse the contractor for its actual reasonable, allowable and allocable costs. Of primary concern is the possibility of a contractor attempting to "buy in" at an unrealistically low cost and then later being reimbursed higher actual (realistic) costs. A form of cost realism analysis may be conducted under other contract types and circumstances, such as in time and material or labor hour contracts, however, this may most appropriately be in the form of a risk assessment to detect unreasonably low labor rates as envisioned by FAR 52.237-10.

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Cost realism analysis is a form of cost analysis, though there are distinctions between the application of cost realism analysis and cost analysis, as well as price analysis. Cost analysis is generally used in noncompetitive procurements to evaluate the reasonableness of individual cost elements including profit, regardless of contract type, when certified cost or pricing data are required. Cost realism is used in competitive acquisitions for cost reimbursement contract when certified cost or pricing data is not required and is not obtained. Price analysis is employed on all acquisitions to ensure that the overall price is fair and reasonable.

### 3. Duties and Responsibilities

a. Contracting Officer: The procuring contracting officer (PCO) is responsible for cost realism and to that end will:

- (1) For competitive, cost-reimbursement contracts, ensure that the evaluation provisions in Section M of the solicitation identify that cost realism will be considered in evaluating offers and that the proposed costs may be adjusted for purposes of evaluation based on cost realism. The evaluation provisions should also identify that cost realism may be considered in the technical evaluation
- (2) Determine what data are required to conduct the cost realism analysis and identify the data in the proposal requirements provisions in Section L of the solicitation. Such data should be limited to the PCO's minimum requirements consistent with the nature of the acquisition. It might include total labor hours and rate by category, indirect rates, material and other direct costs. Data requested under competitive solicitations for the purpose of cost realism analysis are not considered "cost or pricing data" per FAR 15.401. The contracting officer will not require certification of such data in accordance with FAR 15.406-2. The contracting officer will not request a

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formal field pricing report on any of the offers.

- (3) Conduct cost realism analysis in accordance with the procedures and guidance provided under FAR, DFARS, and herein and document the contract file accordingly.

- b. TEB: When requested by the PCO, the TEB will assist in the cost realism analysis by conducting a technical analysis of offerors' cost proposals in accordance with instructions provided by the PCO.

**4. Procedures for Cost Realism Analysis**

a. Cost realism analysis should commence concurrently with technical evaluation. The PCO may limit his/her initial review to those offers which, based on a "quick look" technical report, appear to be at least technically acceptable. The initial review deals primarily with analyzing direct and indirect rates. The analysis applies equally to significant subcontractors. The actions should include:

- (1) Request rate checks from DCAA and compare the proposed labor rates, indirect rates and other factors (overhead, G&A, material handling, etc.) to those recommended by DCAA. An example of unrealistic costs would be where the rate for a senior engineer reflects a rate for an entry-level engineer. Where a fringe benefit rate is separately identified (rather than as part of the company's overhead rate) the rate should be compared to industry norms to be sure it is consistent. The proposal should be clear on the application (or limitation) of fringe benefits to part-time employees or in-house "consultants". Discuss the matter with DCAA. Discuss with DCAA any proposed use of "uncompensated overtime".
- (2) For employees subject to the Service Contract Act (SCA), verify that the proposed wages meet or exceed the applicable wage determination rates. The

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proposal should be consistent with the solicitation as to those labor categories that are subject to the wage determination.

- (3) Compare each offeror's labor and material escalation rates against those recommended by DCAA and/or those incurred by the contractor in previous accounting periods. The proposed labor escalation should be consistent with the offeror's policy for providing salary increases. Labor and material escalation should be consistent with historical and projected escalation given the geographic location of performance and types of required materials proposed.
- b. The next step is to validate whether each offeror's cost proposal is consistent with its technical proposal and the requirements of the solicitation. The analysis applies equally to significant subcontractors. If required, a technical analysis of each offeror's cost proposal may be requested from the TEB in accordance with FAR 15.407-1(d). Actions should include:
- (1) Verify whether the proposed number and types of labor categories are consistent with the solicitation requirements and the offeror's technical proposal and personnel resumes. An example of unrealistic costs would be where the technical proposal offers predominantly senior level expertise but the cost proposal reflects more of an average level expertise cost of labor.
  - (2) Verify whether the proposed material types and quantities are necessary and sufficient for work required by the solicitation and proposed in the offeror's technical proposal. The material amounts in service contracts should be consistent with the government estimate and historical experience for follow-on contracts.
  - (3) Validate whether other direct costs (special tooling/test equipment, travel, facilities,

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reproduction, postage, etc.) are consistent with the requirements of the solicitation and the offeror's technical proposal.

- c. Other considerations in cost realism analysis may include the following:
- (1) A Contractor may offer to "cap" its direct labor and/or indirect rates. This means that the contractor would not be reimbursed in excess of the capped rates. The offer of capping in of itself does not mean that the rates are unrealistically low. However, capping rates at unreasonably low levels or capping total cost may present performance risks. This may necessitate an appropriate reduction in the technical score (see paragraph 4d).
  - (2) For services to be acquired on the basis of the number of hours to be provided, FAR 52.237-10 requires that offerors identify uncompensated overtime in their proposals and provide a copy of their policy addressing uncompensated overtime. The limited use of uncompensated overtime in accordance with company policy for employees exempt from the Fair Labor Standards Act (FLSA) generally does not indicate unrealistically low labor rates. Excessive uncompensated overtime, however, may present technical risks necessitating an appropriate reduction in the technical score (see paragraph 4d).
- d. Excessive risks noted as a result of cost realism analysis may warrant adjustment to the technical score rather than an adjustment to the proposed cost. Specifically, this may be appropriate when there is unrealistically low capping of labor rates, indirect rates, excessive use of uncompensated overtime, and capping of total cost. In the case of capping, an adjustment to the proposed cost would not necessarily be appropriate since the offeror will not be reimbursed for its excess costs in these areas. In the case of excessive uncompensated overtime, a cost adjustment would not necessarily be appropriate because the

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offer would not incur additional costs. In either case, the concern becomes the risk of performance. Unrealistically low capping of labor rates or excessive uncompensated overtime may hinder the offeror's ability to attract and retain quality personnel, which may warrant a reduced score in personnel evaluation factors. Capping overall costs may motivate a contractor to curtail its performance in an effort to avoid exceeding the cost ceiling. In such cases, a decrement to the offeror's score in management factors, or other factors, may be appropriate, rather than an adjustment for cost realism.

- e. Unrealistic costs or performance risks identified through cost realism analysis, and other inconsistencies noted between the technical proposal or solicitation requirements and cost proposal, should be addressed during discussions. Inconsistencies may result from ambiguous solicitation requirements as well as from an overt attempt by the offeror to secure contract award by underestimating costs.
- f. In awarding the contract, the estimated cost reflected in the schedule will be that which is actually proposed by the offeror - not the adjusted cost based upon cost realism. If cost realism analysis indicates that a cost overrun is likely, the availability of additional funds should be verified before award.
- g. As with other aspects of the source selection process, decisions regarding cost realism analysis and its impact are discretionary and based upon the sound business judgment of the PCO.

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**PROPOSED ADDITION, DELETION OR CHANGE TO NAVSUP PUBLICATION**

From: (Activity)

To: Commander, Naval Supply Systems Command

Subj: (STATE TYPE OF ACTION REQUESTED)

1. (Purpose of Request)
2. (Discussion of Problem)
3. (Recommended Change and Supporting rationale)
4. (Activity Point of Contact, Telephone Number, E-mail Address)