

Understanding the Link Between Estimating & Purchasing



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- Director with Redstone GCI, advising contractors on audit readiness, CAS, DFARS systems, and cost submissions
- 35+ years with DCAA and DCMA, specializing in audits and regulatory compliance
- Former DCAA Regional Technical Specialist and Assistant for Quality, supporting 20+ field offices and delivering NASBA-certified CAS and audit training
- Extensive audit expertise in pricing proposals, financial capability, accounting/estimating systems, and unallowable costs
- DCMA Commercial Item Group project lead and lead analyst, focused on contractor assertions, price analysis, and CPSR support
- Recognized for guiding contractors through complex audit challenges with compliance-focused strategies



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Learning Objectives

- ✓ The Governments Underlying Goal
- ✓ Comparison of System Requirements
- ✓ Estimating Process
- ✓ Proposal Requirements
- ✓ What Proposals Require the Systems to Work Together
- ✓ Risk When Competition Goes Away
- ✓ Government Audit & Cost Analysis
- ✓ Keep the Government Informed
- ✓ Takeaways

Government's Ultimate Goal in Purchasing & Estimating Process

Estimating System

Ensures cost estimates are verifiable, supportable, documented timely, and are an acceptable basis for negotiation of Fair and Reasonable Price (including direct material and subcontracts)

Purchasing System

Ensures supplies and services are obtained at a Fair and Reasonable Price (i.e., support the pricing of direct material and subcontracts for proposed and awarded contracts)

Estimating & Purchasing System

Estimating System (DFARS 252.215-7002)

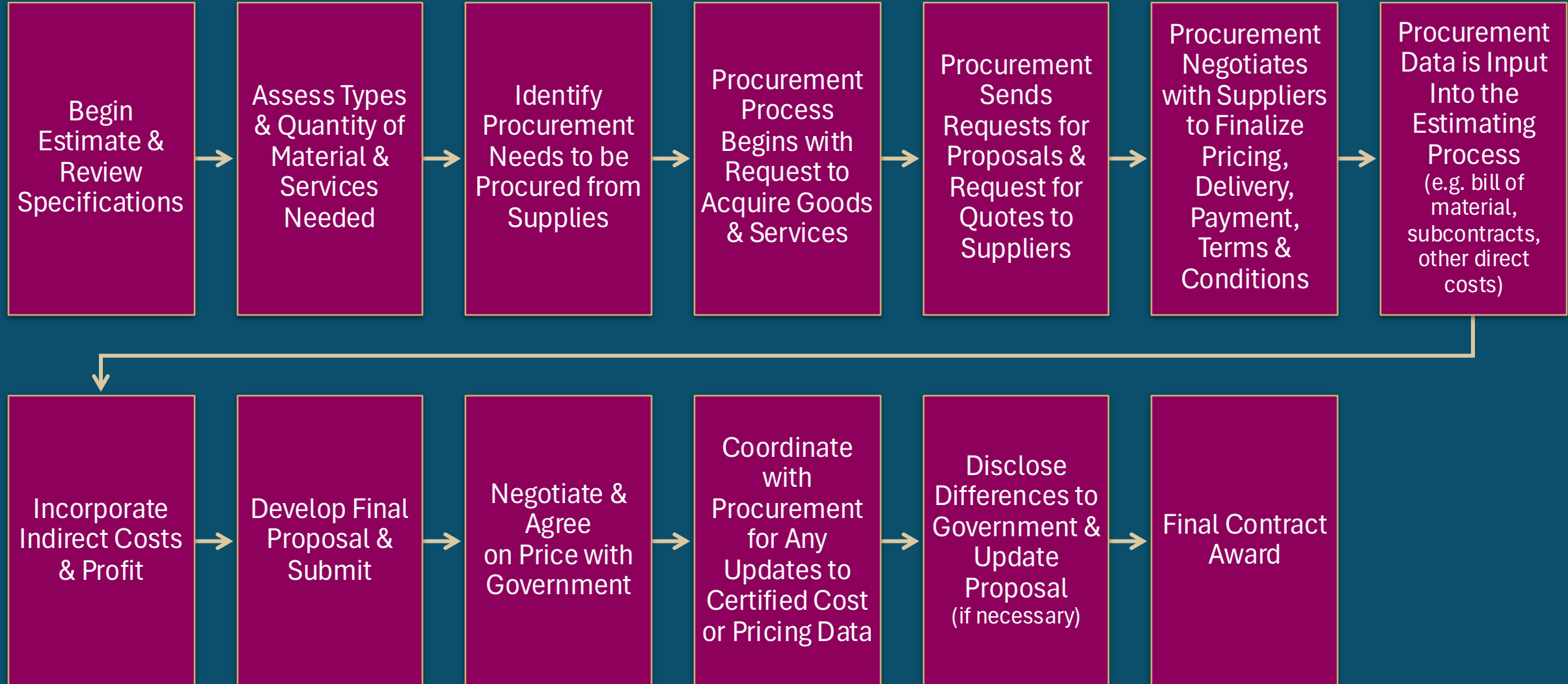
- Identify and document the data, methods, and rationale of estimates
- Provide for the use of historical experience (i.e., actual costs)
- Integrate data from other systems
- Provide updated estimates to contracting officer
- Ensure subcontract prices are reasonable based on your review and cost/price analysis

Purchasing System (DFARS 252.244-7001)

- Ensure purchases are:
 - Supported by requirements
 - Document vendor selected and price paid
- Make-or-buy policy
- Evaluate price, quality, delivery, technical capabilities, and financial capabilities to ensure fair and reasonable prices
- Adequate cost or price analysis
- Pass-through costs

Estimating Process

Estimating Process & How Procurement is Involved



Estimating Process

Purchasing Feeds the Estimating System

- Time between proposal submission and negotiations can be lengthy
- Communication between estimating and procurement can lead to faster estimates
- Purchasing data impacts the accuracy of estimates
- Purchasing system needs to continually update information in the estimating system
- Proposals subject to certified cost or pricing data need to be current accurate and complete as of award
- Risk of Truthful Cost or Pricing Data Act (TINA) is reduced when procurement and estimating work together
- If two systems are not working together, TINA increases – Government can recoup price plus interest

The Estimating System Generates Proposals

What are the Requirements of an Adequate Proposal for Material & Subcontracts?



DFARS 252.215-7009 Proposal Adequacy Checklist

14. “Does the proposal include a consolidated summary of individual material and services, frequently referred to as a Consolidated Bill of Material (CBOM), to include the basis for pricing? The offeror’s consolidated summary shall include raw materials, parts, components, assemblies, subcontracts and services to be produced or performed by others, identifying as a minimum the item, source, quantity, and price.”
15. “Has the offeror identified in the proposal those subcontractor proposals, for which the contracting officer has initiated or may need to request field pricing analysis?”
16. “Per the thresholds of FAR 15.404-3(c), Subcontract Pricing Considerations, does the proposal include a copy of the applicable subcontractor’s certified cost or pricing data?”
17. “Is there a price/cost analysis establishing the reasonableness of each of the proposed subcontracts included with the proposal?” or a matrix identifying dates it will be completed.

The Estimating System Generates Proposals

What are the
Requirements of an
Adequate Proposal
for Material &
Subcontracts?



DFARS 252.215-7009 Proposal Adequacy Checklist

18. Supported exceptions to the requirement for certified cost or pricing data – Commerciality or Competition
20. “Does the proposal support the degree of competition and the basis for establishing the source and reasonableness of price for each subcontract or purchase order priced on a competitive basis exceeding the threshold for certified cost or pricing data?”
21. “For inter-organizational transfers proposed at cost, does the proposal include a complete cost proposal in compliance with Table 15-2?”
22. “For inter-organizational transfers proposed at price in accordance with FAR 31.205-26(e), does the proposal provide an analysis by the prime that supports the exception from certified cost or pricing data in accordance with FAR 15.403-1.”

The Estimating System Generates Proposals

What are the Requirements of an Adequate Proposal for Material & Subcontracts?

FAR 15.408 Table 15-2 II. Cost Elements

- A. “Provide a consolidated priced summary of individual material quantities included...the basis for pricing (vendor quotes, invoice prices, etc.). ...For all items proposed, identify the item and show the source, quantity, and price. Conduct price analyses of all subcontractor proposals. Conduct cost analyses for all subcontracts when certified cost or pricing data are submitted by the subcontractor. Include these analyses as part of your own certified cost or pricing data submissions for subcontracts expected to exceed the appropriate threshold in FAR 15.403-4. ...”
- A(1). “Provide data showing the degree of competition and the basis for establishing the source and reasonableness of price for those acquisitions (such as subcontracts, purchase orders, material order, etc.) exceeding, or expected to exceed, the appropriate threshold set forth at FAR 15.403-4 priced on the basis of adequate price competition. For interorganizational transfers priced at other than the cost of comparable competitive commercial work of the division, subsidiary, or affiliate of the contractor, explain the pricing method (see FAR 31.205-26(e)).”
- A(2). “Obtain certified cost or pricing data from prospective sources for those acquisitions (such as subcontracts, purchase orders, material order, etc.) exceeding the threshold set forth in FAR 15.403-4 and not otherwise exempt, in accordance with FAR 15.403-1(b)...”

The Estimating System Generates Proposals



Does the Government Expect You to Start the Purchasing Process Before They Even Award You a Contract?

YES

The Estimating System Generates Proposals

To Meet These Requirements the Estimator Must Have the Support of the Buyer/ Subcontract Administrator



When Will Your Proposal be Reviewed

Contract Types

Commercial Items FAR Part 12:

Fixed Price & Fixed Labor
Rates



Fixed Priced FAR Part 15 (with Adequate Competition):

Firm-Fixed-Price & Fixed-
Price with Economic Price
Adjustment



Fixed Priced FAR Part 15 (without Adequate Competition):

Firm-Fixed-Price & Fixed-
Price with Economic Price
Adjustment (Cost-Based)



Reimbursement & Redeterminable FAR Part 15:

Fixed Price Incentive, Cost
Type, & Time & Material
(Cost-Based)

Contract Type Leading to Review

Fixed Priced
FAR Part 15
(without Adequate
Competition)

Fixed Priced FAR Part 15 (without Adequate Competition):

Firm-Fixed-Price and Fixed-Price with Economic Price Adjustment (Cost-Based)

- Extensive contract clauses
- Must have Acceptable Accounting System based on SF 1408, if financed by Progress Payments based on cost (Performance Based Payments is better option)
- Priced based on cost data (Cost Analysis) – over \$2M you must certify the data you provide the Government
- Cost Accounting Standards (CAS) – starts to come into play when you get a \$7.5M Cost Based Government contract and are not a small business

(Note: TINA threshold increased to \$2.5M on October 1, 2025)

Contract Type Leading to Review

Reimbursement & Redeterminable FAR Part 15



Reimbursement & Redeterminable FAR Part 15: Fixed Price Incentive, Cost Type, and Time & Material (Cost-Based)

- Even more contract clauses
- Must have Acceptable Accounting System based on SF 1408
- Must submit Annual Incurred Cost Proposal per FAR 52.216-7
- Priced based on cost data in most cases – over \$2M you must certify the data you provide the Government
- Cost Accounting Standards (CAS) – starts to come into play when you get a \$7.5M Cost Based Government contract and are not a small business

(Note: TINA threshold increased to \$2.5M on October 1, 2025)

When Competition Goes Away

The Government Only Receives One Proposal



FAR 15.403-1(c)(1)(ii):

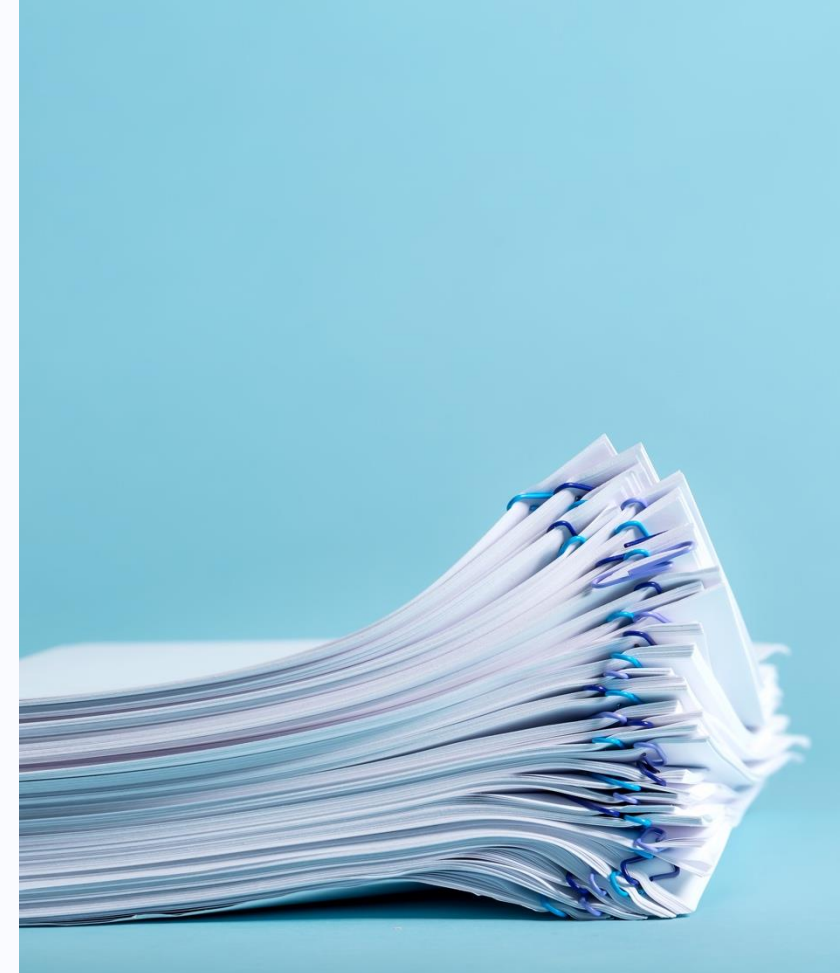
- For agencies other than DoD, NASA, and the Coast Guard, a price is also based on adequate price competition when—There was a reasonable expectation, based on market research or other assessment, that two or more responsible offerors, competing independently, would submit priced offers in response to the solicitation's expressed requirement, even though only one offer is received from a responsible offeror and if based on the offer received, it can be reasonably concluded that the offer was submitted with the expectation of competition, and price analysis clearly demonstrates that the proposed price is reasonable

DFARS 215.371-3:

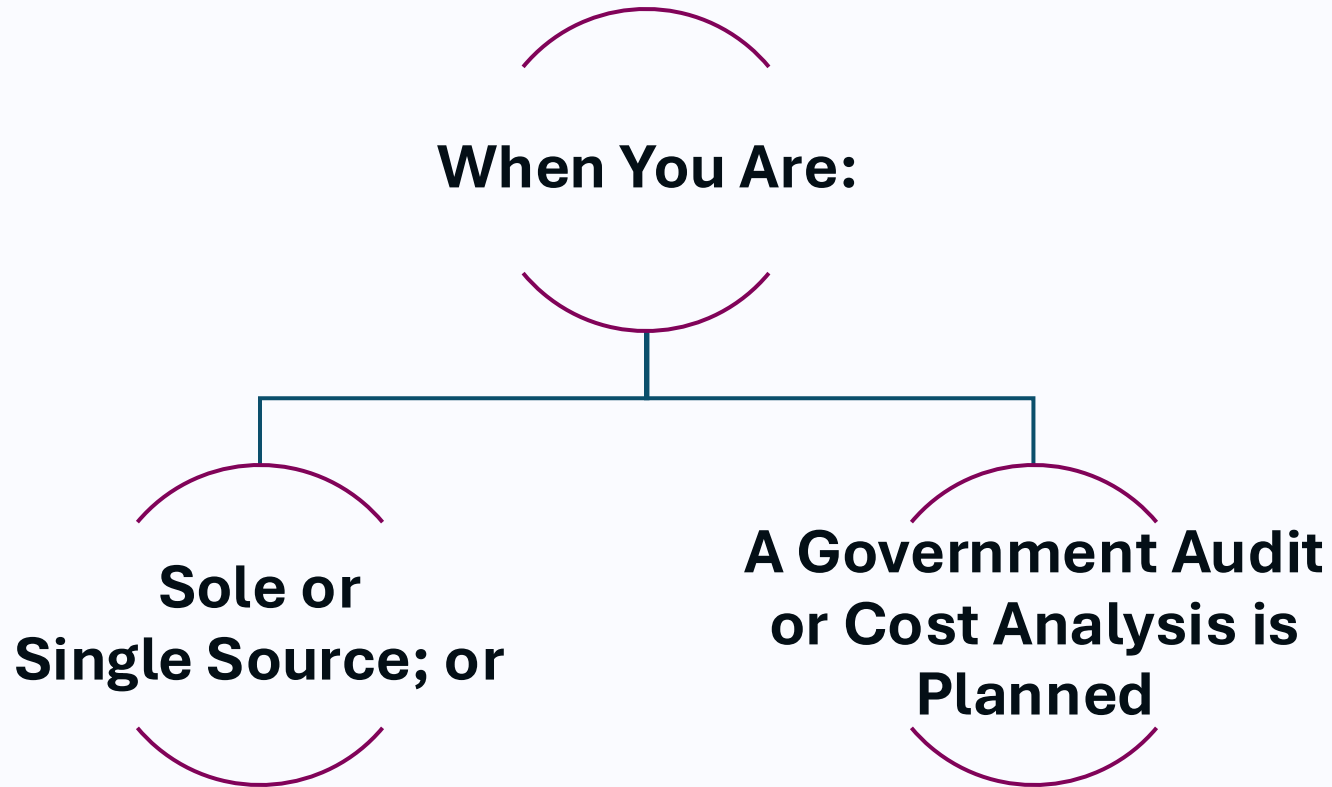
- If only one offer is received resolicit from other suppliers, or obtain additional cost or pricing data, get it certified if required, and negotiate a fair and reasonable price.

When Competition Goes Away

- The Government or the prime contractor issues a letter contract or undefinitized contracting action (UCA)
 - You are now sole source, and cost or pricing data will be requested
 - Truthful Cost or Pricing Data Act certification may be required



Takeaway



- ✓ You will be expected to have priced your material and subcontracts based on the standard operation of your purchasing system (i.e., effort of your buyers/subcontract administrators)
- ✗ If not, you may be cited with an estimating deficiency as well as a purchasing system deficiency

DCAA Audit Program – Direct Material

- ☐ If historical data is used to support the basis of estimate, perform substantive audit procedures to determine if the historical data is in reasonable compliance with FAR Part 31.
- ☐ Trace a representative sample of the proposed quantities on the BOM to supporting documents (e.g., Government RFP, engineering drawings, etc.).
- ☐ Test a representative sample of proposed unit prices listed on the BOM (see CAM 9-404). Verify that proposed unit prices take into account reasonably anticipated discounts, including quantity and prompt payment discounts. Verify proper handling of minimum buys, potential quote decrements (due to potential negotiated reductions), availability of parts in current inventory (inventory price could be lower), adequate competition, and contractor price analysis.
- ☐ Identify any significant estimates based on a Long-Term Agreement (LTA) and design appropriate evaluation steps (CAM 9-406.3). Consider comparing LTA unit prices to actual unit prices paid during the agreement.
- ☐ Review and evaluate significant contractor make-or-buy decision documentation (CAM 9-405).

DCAA Audit Program – Subcontracts

- ☐ Verify that the proposed subcontract(s) were priced in compliance with FAR 15 (i.e., a fair and reasonable price and the best value is obtained).
- ☐ When certified cost or pricing data are required by the subcontractor determine if the prime/higher-tier contractor obtained and analyzed certified cost or pricing data in accordance with FAR 15.404-3, Subcontract pricing considerations, and FAR 15.408, Table 15-2, II.A.
- ☐ When data other than certified cost or pricing data are required of the subcontractor (e.g., adequate price competition, commercial products and commercial services, etc.) determine if the prime/higher-tier contractor obtained and analyzed the data other than certified cost or pricing data in accordance with FAR 15.404-3, Subcontract pricing considerations, and FAR 15.408, Table 15-2, II.A.
- ☐ Identify any proposed subcontract costs based on a Long Term Agreement (LTA) and design appropriate evaluation steps (CAM 9-406.3). Consider comparing LTA unit prices to actual unit prices paid during the agreement.
- ☐ Review and evaluate significant contractor make-or-buy decision documentation (CAM 9-405).
- ☐ Review pass-through costs to establish “added value”

Contract Pricing Reference Guides (CPRG)

CPRG Volume 3 –
Cost Analysis –
Chapter 6



- **Direct Material Cost** – Any material cost that can be identified specifically with a final cost objective (e.g., a particular contract)
- **Collateral Cost Accounting Treatment** – Expenses associated with getting materials into the offeror's plant (e.g., shipping)
- **Related Cost** – Estimates of cost proposed to assure that sufficient material is available for production of the item (e.g., overruns, scrap, spoilage, or defective parts)

Contract Pricing Reference Guides (CPRG)

CPRG Volume 3 – Cost Analysis – Chapter 6



- ☐ Identify and evaluate the methodology used by the offeror to estimate direct material cost
- ☐ Identify any proposed direct material that does not appear necessary to the contract effort
- ☐ Identify any proposed direct material that should be classified as an indirect cost
- ☐ Identify any proposed direct material costs that merit special attention because of high-value or other reasons
- ☐ Assure that preliminary concerns about material cost estimates are well documented

Impact of Proposal Dollar Value

- DCAA Audit over
 - \$10M Firm Fixed Price
 - \$100M Cost Reimbursable
- DCMA Price Analysts between
 - \$2M and \$10M, no contract type addressed in the DCMA guidance
- Buying Command Price Analysts less than
 - \$2M, no matter the contract type
- Procuring Contracting Officer can override the thresholds based on risk

FAR 15.408

Table 15-2 II.

A. (2)

- Requires a summary of your cost analysis and a copy of certified cost or pricing data submitted by your subcontractor, when dollar value is the lower of \$15M or 10% of your proposed price
- Government can ask for the same information below these thresholds
- Subcontractor must certify cost or pricing data as of the date of final price agreement between you and the subcontractor
- You are required to update the Government on your subcontracts throughout the award process
- Government will accept a plan to complete your required cost/price analysis

Updating Cost or Pricing Data

Estimating

DFARS 252.215-7002(d)(4)(xiv)

Provide procedures to update cost estimates and notify the Contracting Officer in a timely manner throughout the negotiation process

Purchasing

DFARS 252.244-7001(c)(1), (2), & (19)

Flow down the requirement for certified cost or pricing data and ensure updated subcontractor cost or pricing data is flowed up to the Contracting Officer

Takeaways

If Certified Cost or Pricing Data is Required on Your Proposal:

- ✓ Direct material and subcontract costs need to be supported by the purchasing personnel
- ✓ All subcontracts greater than \$2M will require cost analysis unless exempt from certified cost or pricing data (e.g., commercial, competition, etc.)
- ✓ You are required to incorporate and flow up the certified cost or pricing data from the subcontractors

(Note: TINA threshold increased to \$2.5M on October 1, 2025)

Takeaways

- Negotiations with the Government is often a long and drawn-out process, your purchasing system needs to continually feed and update information to your estimating system
- If your systems are not working together, your Truthful Cost or Pricing Data Act risk goes way up
- Remember, if you do not put the Government on equal footing when it comes to factual data, the Government may recover the price impact plus interest – TINA

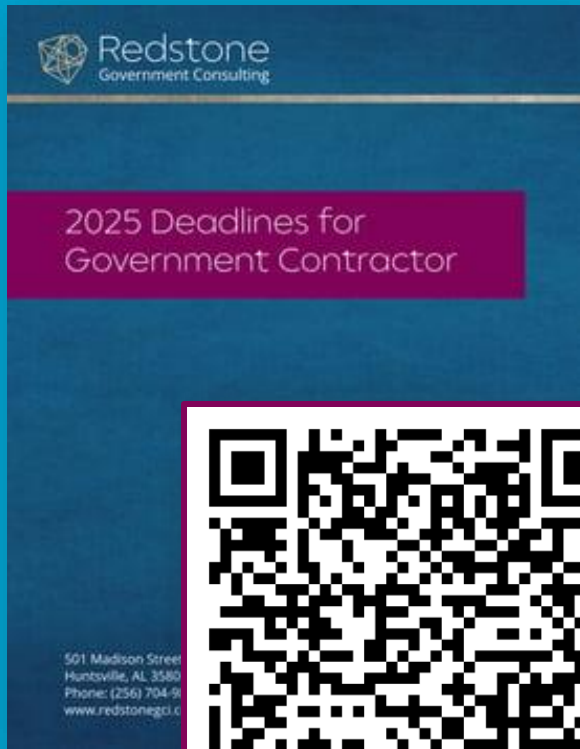
Questions and Discussion



2025 Critical Deadlines for Government Contractors

This guide provides you with all of the essential information and dates you need to know, including:

- Important deadlines for your internal departments
 - Accounting,
 - Human Resources,
 - Contracts & Subcontracts, and
 - Government Compliance
- Contract performance and delivery deadlines
- Deadlines for reporting and compliance requirements
- Deadlines for audits and reviews



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