

UNIT 8: OFFER EVALUATION FACTORS

October 2003

Duty	Select appropriate offer evaluation factors for incorporation in the solicitation.
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Conditions	Given forecast requirements, written or unwritten acquisition plans, market research, Procurement Request, and other related documents.
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Overall Standard	Incorporate all evaluation factors necessary to identify offers that provide the best value to the Government.
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Part A: Price-Related Factors

Sub-Duty	Select price-related factors for incorporation in the solicitation.
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Sub-Duty Standard	Incorporates all price-related factors necessary to establish the total cost of each offer or any combination of offers to the Government over the life of the deliverable.
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Part B: Non-Price Factors

Sub-Duty Select any appropriate non-price evaluation factors for incorporation in the solicitation.

Sub-Duty Standard Incorporate evaluation factors that are:

- Reliable (i.e., using the factors independently from one another, technically competent individuals would evaluate the same proposal consistently);
- Valid (i.e., factors are in fact predictive of an offeror's ability to satisfy the Government's requirement); and
- Tailored to the acquisition situation (i.e., the type and number of evaluation factors and subfactors, and techniques optimize the acquisition process).

Part C: Offer Evaluation Strategy

Sub-Duty Select the offer evaluation strategy that permits evaluators to identify the offer that provides the best value to the Government considering identified price-related and non-price-related evaluation factors.

Sub-Duty Standard Incorporate an evaluation strategy in the Source Selection Plan that appropriately considers identified price-related and non-price-related factors to identify the offer that provides the best value to the Government.

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Policies

<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
2.101		Definition of best value.
3.104		Procurement integrity.
7.4		Equipment lease or purchase.
9.104-2		Special standards of responsibility.
11.103		Market acceptance.
12.205		Commercial item offers.
12.206		Use of past performance in evaluating commercial item offers.
12.602		Streamlined evaluation of commercial offers.
13.101(b)		Providing for multiple awards of related items.
13.103		Use of standing price quotations.
13.106-1(a)		Considerations in soliciting competition.
13.106-2(a)		Evaluating all quotations or offers.
14.201-8		Price-related factors in sealed bidding.
15.101		Best value continuum in negotiations.
15.201		Exchanges with industry prior to receipt of proposals.
15.302		Source selection objective.
15.303		Responsibilities for source selection.
15.304		Evaluation factors and significant subfactors.
15.305		Proposal evaluation.
17.106-2		Solicitations for multi-year offers.
17.203		Solicitation criteria for evaluation of options.
17.206		Evaluation of offers including options.
19.202-1(a)		Divide acquisitions to small business concerns to compete for part of the requirement.
19.202-1(b)		Plan for multiple small businesses to perform the contract work.
19.11		Price evaluation adjustment for small disadvantaged business concerns.
19.1201		Small disadvantaged business (SDB) participation program general evaluation requirements.
19.1202		SDB participation program evaluation factor or subfactor.
19.1307		Price evaluation preference for HUBZone small business concerns.
23.203		Energy conservation policy on evaluation of energy efficiency.
25.1		Buy American Supplies.
25.4		Trade Agreements.
32.107		Need for financing not used as an evaluation factor.
35.007		Sample R&D evaluation factors.

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<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
35.008(a)-(b)		Guidelines for R&D evaluation factors.
35.016		Broad agency announcement evaluation factors.
35.017-3		Using a Federally-Funded Research and Development Center
37.203(d)		Controls on contracting for evaluators in source selection.
45.2		Competitive advantage evaluation related to Government furnished property.
47.101		Policy on obtaining traffic management advice and assistance.
47.105		Transportation assistance.
47.3		Transportation in supply contracts.
52.207-5		Option to purchase equipment.
52.212-2		Factors in evaluating commercial item offers.
52.214-10		Contract award – sealed bidding.
52.214-22		Evaluation of offers for multiple awards.
52.215-1(f)		Contract award in negotiation.
52.217-3		Evaluations exclusive of options.
52.217-4		Evaluation of options exercised at time of contract award.
52.217-5		Evaluation of options.
52.219-4		Notice of price evaluation preference for HUBZone small business concerns.
52.219-23		Notice of price evaluation adjustment for small disadvantaged business concerns.
52.219-24		SDB participation program – targets.
52.219-25		SDB participation program status and reporting.
52.247 - 1		Transportation requirements including f.o.b., liability, and offer evaluation.

Other KSAs

1. Knowledge of different types of award combinations and the circumstances under which each is the most appropriate.
2. Knowledge of different types of leases and financial considerations in lease vs. buy analyses (e.g., sources of data and methods for determining the cost of capital to the Government, net present value analysis, and the time value of money).

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3. Knowledge of the typical elements in logistical support (e.g., physical distribution, installation, technical documentation, training, supplies, spares, and facilities), in terms of identifying a potential price-related factor for each such element.
4. Knowledge of other typical price-related factors, the benefits and drawbacks of each such factor, circumstances under which the price-related factor may be included, and typical formulas for applying the factors.
5. Knowledge of alternative choice decision-making (e.g., steps in analysis, differential costs, and capital investment decisions).
6. Knowledge of net present value analysis techniques and OMB Circular A-94, Discount Rates to be used in Evaluating Time-Distributed Costs and Benefits.
7. Knowledge of mathematics sufficient to develop formula (e.g., net present value) for such price-related factors as life cycle costs.
8. Knowledge of Comptroller General decisions and other case law relevant to the selection, composition of non-price factors, as well as on the incorporation of such factors in solicitations
9. Knowledge of typical non-price evaluation factors, the benefits and drawbacks of each, and the types of situations where they have been used successfully.
10. Skill at market analysis; knowledge of market prices and the related terms and conditions of under which goods are leased or sold.
11. Ability to identify the critical factors affecting an offeror's ability to successfully meet a contract requirement.
12. The ability to apply financial factors to determine whether the lowest total life cycle cost to the Government.
13. Ability to use electronic tools to access the most recent legal and administrative decisions related to the use of non-price factors in source selection.
14. Ability to write clear offer evaluation criteria for the solicitation.
15. Ability to prioritize the importance of different factors to offer evaluation.
16. The ability to clearly state how offer evaluation factors will be considered in offer evaluation.
17. The ability to make sound business decisions based on the available information.

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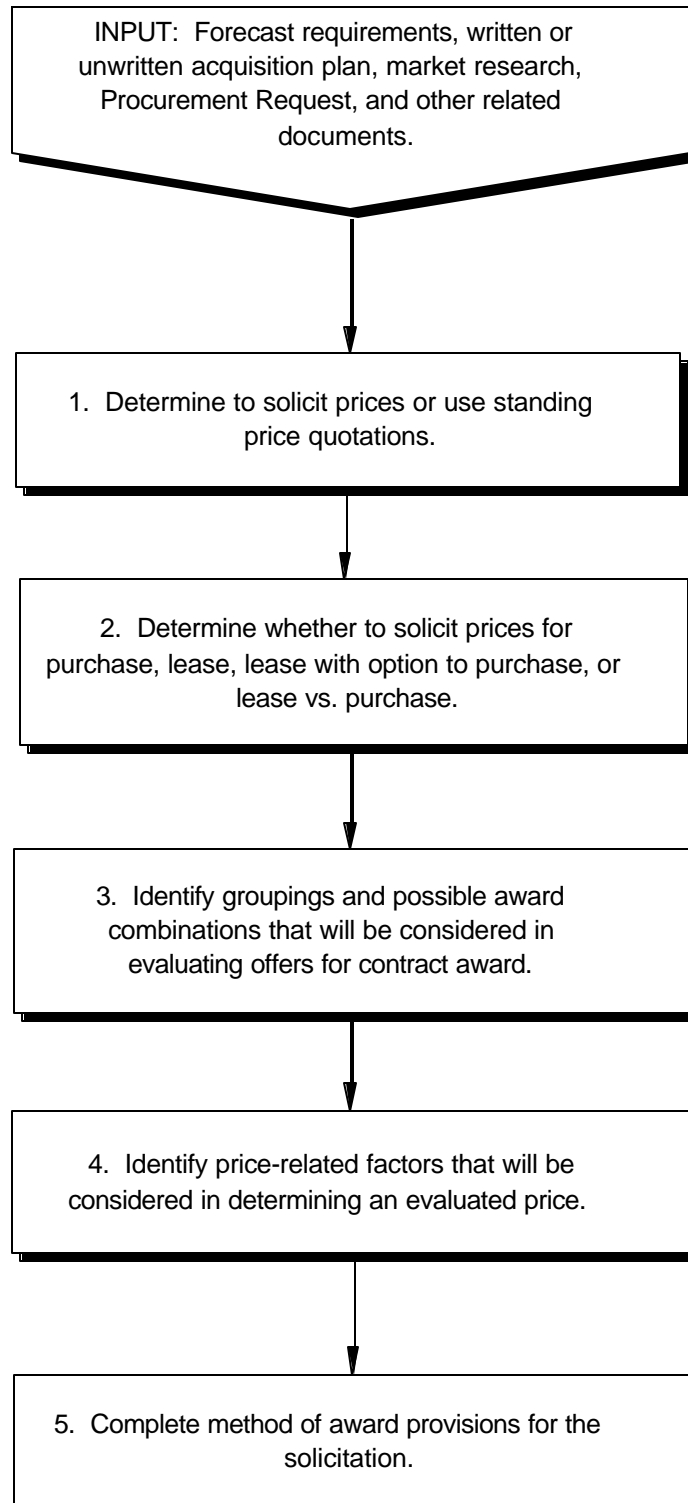
18. The ability to select and use appropriate quantitative tools in analysis of identified price-related factors.
19. Ability to maintain the honesty and integrity of the acquisition process.

Other Policies and References (Annotate As Necessary):

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Part A: Price-Related Factors

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Part A: Price-Related Factors

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Tasks	Related Standards
1. Determine to solicit prices or use standing price quotations.	Identify applicable standing price quotations (if any). Ensure that the pricing information is current and that the Government obtains the benefit of maximum discounts before award is made.
2. Determine whether to solicit prices for purchase, lease, lease with option to purchase, or lease vs. purchase.	Using market research, select the method expected to produce offers that are most advantageous to the Government. Solicit giving offerors the opportunity to offer a price for Government purchase, a price for lease, or both when differences in expected total cost to the Government between these alternatives are unknown or fluctuate over time.

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Part A: Price-Related Factors

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Tasks	Related Standards
<p>3. Identify groupings and possible award combinations that will be considered in evaluating offers for contract award.</p>	<p>Correctly identify procurements for which multiple contracts may attract more effective competition (particularly from small business) and yield greater value.</p> <p>Consider such groupings as:</p> <ul style="list-style-type: none">• Single award of all items to one offeror.• Multiple awards for different line items (e.g., award Item 1 to one offeror and Item 2 to another).• Progressive awards (e.g., if the firm with the most advantageous offer can only provide a portion of the requirement, award that quantity to that offeror and go to the firm with the next most advantageous offer and so on until the entire quantity is awarded).• Multiple awards of the same line item. Often used for indefinite-delivery-indefinite-quantity contracts, to allow buyers to select the most advantageous contractor in a particular situation.• Partial set-aside, when small business can effectively compete to provide for only part of the requirement.• Incremental pricing -- separate prices for different size lots (e.g., one price for the first 100 and a separate price for next 500) when some prospective offerors may be able to offer a lower unit price on smaller lots but others may be able to offer lower prices on larger lots.• Split awards (e.g., 60% to one offeror and 40% to another) when there are only a small number of offerors and firms other than the successful offeror may leave the market and preclude future competition.• Family or group awards -- related items are grouped to together, when groups (e.g. systems) of items are likely to attract more effective competition.

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Part A: Price-Related Factors

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Tasks	Related Standards
4. Identify price-related factors that will be considered in determining an evaluated price.	<p>Identify all price-related factors that must be considered in offer evaluation. Consider:</p> <ul style="list-style-type: none">• The price evaluation adjustment for small disadvantaged business concerns when prescribed by FAR 19.1102.• The price evaluation adjustment for HUBZone small business concerns when prescribed by FAR 19.1307.• Costs associated with multiple awards, when multiple awards will be considered in sealed bidding (FAR 14.201-6q) or when applicable in negotiated acquisitions.• Competitive advantage and costs related to using Government furnished property when required by FAR 45.2.• Option prices when there is a reasonable likelihood that an option in the contract will be exercised.• The cost of ownership vs. the cost of leasing when an offeror can offer either alternative. (FAR 7.401(a))• Transportation costs when an offeror may offer an f.o.b. point other than destination. (FAR 47.301)• Life cycle costs (e.g., expected costs for maintenance, warranty protection or repair, training, installation, technical manuals, spare parts, and supplemental supplies) when different items potentially offered in response to a solicitation have different costs of ownership.• Energy conservation and efficiency when energy consumption is significant and varies substantially among acceptable items. (FAR 23.203)• Quality-related costs (e.g., Blue Ribbon or vendor rating programs) when the quality of acceptable performance can vary substantially among prospective offerors.

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Part A: Price-Related Factors

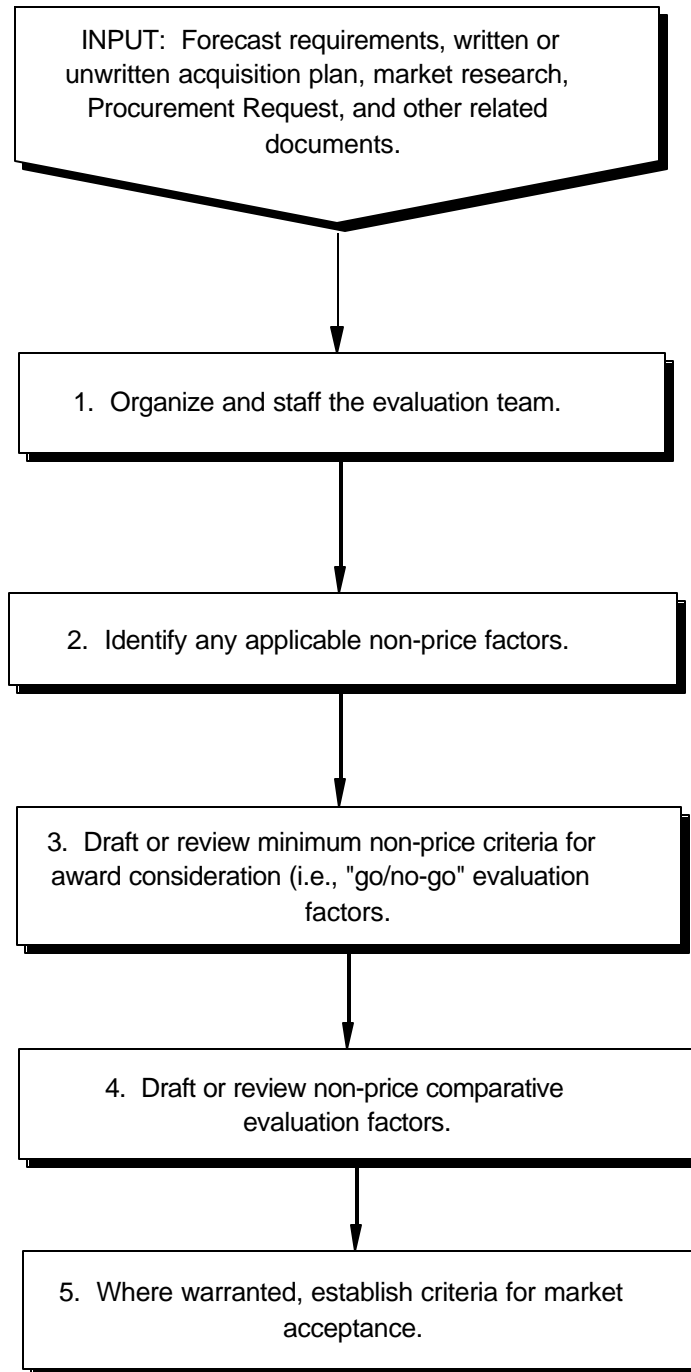
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Tasks	Related Standards
5. Complete method of award provisions for the solicitation.	Clearly state the method of award provisions using the identified groupings and possible award combinations that will be considered in evaluating offers for contract award and price-related factors that will be considered in determining an evaluated price.

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PART B: Non-Price Factors

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PART B: Non-Price Factors

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Tasks	Related Standards
1. Organize and staff the evaluation team.	<p>Correctly identify the role(s) and responsibilities of each participant in identifying non-price evaluation factors and offer evaluation using those factors.</p> <ul style="list-style-type: none">• Identify the Source Selection Authority (SSA) (normally the Contracting Officer on smaller scale procurements).• Tailor team membership to the requirement.<ul style="list-style-type: none">- Consider the volume of analysis and skills required.- The team may be as small as one person or include more than 50 specialists.• Brief team members on their roles and responsibilities. Include requirements for:<ul style="list-style-type: none">- Safeguarding information, including the provisions of FAR 3.104 and 15.201.- Exchanges with offerors (FAR 15.306). <p>Determine whether to obtain contractor analysis support for the team. Contractor team support is only authorized when: (FAR 37.203(d))</p> <ul style="list-style-type: none">• The agency head determines that Government personnel with adequate training and capabilities to perform the analysis are not available;• The contractor is a Federally-Funded Research and Development Center (FFRDC) and the work required is authorized under FAR 35.017-3; or• Otherwise authorized by law.

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PART B: Non-Price Factors

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Tasks	Related Standards
<p>2. Identify any applicable non-price factors.</p>	<p>Review acquisition histories and market research to identify factors that will significantly increase the Government's ability to identify technically/managerially superior offers. For commercial items, also review published ratings and evaluations (e.g., <i>Consumer Reports Online</i> or trade periodicals).</p> <p>For a simplified acquisition, use non-price factors such as past performance and quality.</p> <p>For commercial acquisitions other than simplified acquisitions, consider past performance and technical factors (e.g., capability of meeting agency needs).</p> <p>For other negotiated acquisitions, consider: Past performance.</p> <ul style="list-style-type: none">• Quality by using factors such as:<ul style="list-style-type: none">- Past performance;- Compliance with solicitation requirements;- Technical excellence;- Management capability;- Personnel qualifications; and- Prior experience.• Extent of participation of SDB concerns in contract performance in unrestricted acquisitions expected to exceed \$500,000 (\$1,000,000 for construction) subject to certain limitations.• Small business subcontracting participation when the acquisition involves bundling of requirements with significant subcontracting opportunities.• Other relevant factors (if any), such as cost realism.

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PART B: Non-Price Factors

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Tasks	Related Standards
3. Draft or review minimum non-price criteria for award consideration (i.e., "go/no-go" evaluation factors).	<p>Accurately distinguish minimum criteria for award consideration from special standards of responsibility.¹ Identify any factor that should be applied on a go/no-go basis to screen out high-risk offers. For example:</p> <ul style="list-style-type: none">• “The offeror must demonstrate compliance with ISO 9000” would be a special standard of responsibility, because the offeror must demonstrate specific required operational controls.• “The offeror must document the quality assurance procedures that will be employed in subcontractor management” would be a go/no-go evaluation factor; because it requires the offeror to document that certain procedures will be used in completing the contract. <p>Accurately diagnose problems, such as:</p> <ul style="list-style-type: none">• Criterion is vague or ambiguous.• No clear line of demarcation between acceptable and unacceptable proposals.• Criterion not consistent with the requirement (e.g., statement of work).• Criterion appears arbitrary and capricious (e.g., insufficient facts to support use). <p>Take action to make the necessary changes needed to improve the proposed factors. If others drafted the factors, advise the drafter(s) of all changes necessary to improve the reliability and validity of proposed factors.</p>

¹For guidelines on the use of responsibility factors in evaluating offers, see 52 Comp. Gen. 47 and also the following unpublished decisions of the Comptroller General: B-224392.2, Matter of B & W Service Industries, Inc; B-231607, Matter of Sanford and Sons Company; B-236255, Matter of Eagle Technology, Inc.; B-237364, Matter of York Systems Corporation; B-237325, Matter of Environmental Technologies Group, Inc.; and B-237865.2, Matter of: Commercial Building Service, Inc.

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PART B: Non-Price Factors

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Tasks	Related Standards
4. Draft or review non-price comparative evaluation factors.	<p>Use only the minimum number of factors required to reveal significant proposal strengths and weaknesses.</p> <p>For very large complex requirements, it may be necessary to breakdown factors into subfactors. Do not use subfactors unless absolutely necessary for any acquisition but particularly not for a commercial item.</p> <p>Accurately diagnose problems, such as:</p> <ul style="list-style-type: none">• Omission of an area that requires analysis.• Factor is vague or ambiguous.• Duplication between factors.• Factor apparently not related to the requirement (e.g., statement of work).• Factor not consistent with the requirement.• Factor appears arbitrary and capricious (e.g., insufficient facts to support use).• Overlap of factors that in total gives to much emphasis to a particular area of concern.• Not proper for evaluation (e.g., need for financing). <p>Take action to make the necessary changes needed to improve the proposed factors. If others drafted the factors, advise the drafter(s) of all changes necessary to improve the reliability and validity of proposed factors.</p>

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PART B: Non-Price Factors

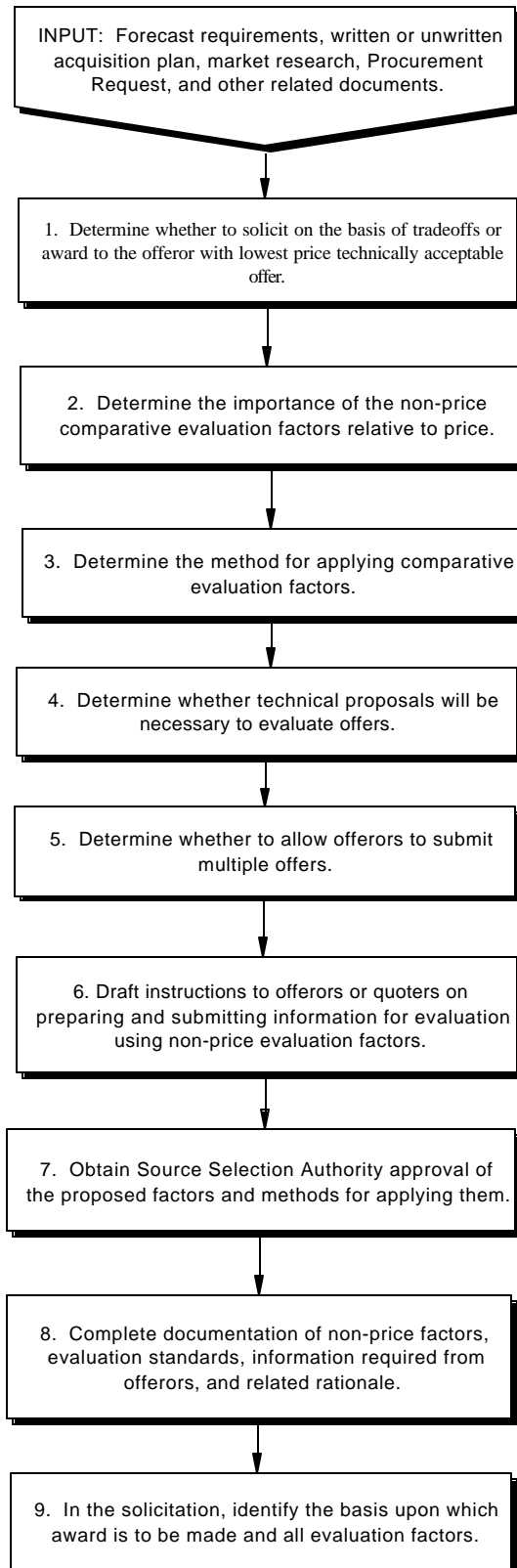
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Tasks	Related Standards
5. Where warranted, establish criteria for market acceptance.	<p>Correctly determine whether circumstances justify market acceptance criteria. The use of such criteria:</p> <ul style="list-style-type: none">• May be appropriate for example when the agency's minimum need is for an item that has a demonstrated reliability, performance, or product support record.• Is inappropriate when new or evolving items may meet agency needs.• Must not provide the sole measure to evaluate whether an item meets Government requirements. <p>Documentation in the file must:</p> <ul style="list-style-type: none">• Describe the circumstances justifying the use of commercial market acceptance criteria; and• Support the specific criteria being used to demonstrate market acceptance considering the requirements of FAR 11.103(c).

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PART C: Offer Evaluation Strategy

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PART C: Offer Evaluation Strategy

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Tasks	Related Standards
<p>1. Determine whether to solicit on the basis of tradeoffs or award to the offeror with the lowest price technically acceptable offer.</p>	<p>Given the requirement's complexity, risks, and the resources (including lead-time) available to the Government, correctly determine whether the benefits of the tradeoff process would outweigh the costs of that process.</p> <p>In particular, consider tradeoffs between price and non-price factors when:</p> <ul style="list-style-type: none">• Acquiring complex or unique supplies or services.• Using performance or functional specifications that will encourage a variety of technical approaches – each with different strengths and weaknesses.• There is no clear-cut means of determining the technical acceptability of marginal offers.
<p>2. Determine the importance of the non-price comparative evaluation factors relative to price.</p>	<p>Relative importance is a function of the business and technical risks inherent in the work. The higher the risks, the greater the emphasis on factors other than price-related.</p> <p>To be considered price competition, price must have a weight large enough to cause offerors to seriously consider price when preparing offers. The Comptroller General (CGEN) has found adequate competition where price was assigned a weight of only 20 percent in the award decision. However, price is normally assigned a weight higher than 20 percent. (CGEN B-176217 and B-189884)</p>

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PART C: Offer Evaluation Strategy

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Tasks	Related Standards
<p>3. Determine the method for applying comparative evaluation factors.</p>	<p>When using simplified acquisition procedures, the evaluation method is normally a comparative evaluation of offers. There are many alternative methods (e.g., first ranking offerors based on price then applying non-price factors for final evaluation of a grouping of the lowest priced quotations (excluding unrealistic and unreasonable prices).</p> <p>When using other negotiation procedures, evaluations are normally more complex and the method of evaluation must be clearly defined prior to solicitation of offers. The evaluation team must:</p> <ul style="list-style-type: none">• Determine the relative importance of each identified factor/subfactor.• Select the evaluation method (e.g., adjective ratings, numerical scores, or relative ranking).• For each factor/subfactor, define standards for the multiple distinctions of merit. For example, what characteristics must an offer have to be considered satisfactory? Superior? Outstanding?• Prepare a written rationale for the rating/scoring methodology (if any). It should demonstrate why the team believes the identified evaluation methodology is:<ul style="list-style-type: none">- Reliable (i.e., technically competent personnel will evaluate the same proposal consistently): and- Valid (i.e., predictive of an offeror's ability to satisfy the requirement). <p>Assure that the identified methodology:</p> <ul style="list-style-type: none">• Is consistent with the relative importance of each area of analysis.• Does not appear arbitrary and capricious.• Does not include logical fallacies (e.g., subfactors weight for exceed the total factor weight).• Is not ambiguous.

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PART C: Offer Evaluation Strategy

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Tasks	Related Standards
4. Determine whether technical proposals will be necessary to evaluate offers.	<p>A technical proposal should not be required for a commercial item acquisition if Government evaluators can apply non-price factors to existing product literature generally available in the industry.</p> <p>For other acquisitions, a technical proposal is normally required unless sources of information such as the following can be used to evaluate non-price factors:</p> <ul style="list-style-type: none">• Product literature (e.g., brochures, spec sheets, product technical descriptions);• Product samples; or• Past performance information.
5. Determine whether to allow offerors to submit multiple offers.	<p>Solicitations for commercial items should generally allow offerors to submit multiple offers. Do this especially when:</p> <ul style="list-style-type: none">• Using tradeoffs in offer evaluation;• Firms in the market offer two or more products that appear to satisfy the Government's requirement;• The acceptable products sold by the same firm differ in relevant characteristics other than price; and• The Government would benefit from having an opportunity to consider the different products available from the same firm. <p>Solicitations for noncommercial items may authorize alternate proposals that depart from stated requirements to encourage new and unique approaches to meeting Government needs.</p>

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PART C: Offer Evaluation Strategy

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Tasks	Related Standards
<p>6. Draft instructions to offerors or quoters on preparing and submitting information for evaluation using non-price evaluation factors.</p>	<p>Only require the information necessary to complete a proposal evaluation using identified evaluation factors.</p> <p>When a technical proposal is required, clearly match proposal requirements to evaluation criteria whenever possible.</p> <p>For simplified acquisitions:</p> <ul style="list-style-type: none"> • Evaluation of past performance does not require the creation or existence of a formal database. • May be based on information such as the Contracting Officer's knowledge of and previous experience with the supply or service being acquired, customer surveys, or other reasonable basis. <p>For other acquisitions, the solicitation must:</p> <ul style="list-style-type: none"> • Provide offerors an opportunity to identify past or current contracts (including Federal, State, and local government and private) for efforts similar to the Government requirement. • Authorize offerors to provide information on problems encountered on the identified contracts and the offeror's corrective actions.
<p>7. Obtain Source Selection Authority approval of the proposed factors and methods for applying them.</p>	<p>Prepare documentation necessary to obtain the approval. That documentation may be informal notes, a written business clearance, or a formal briefing. Include appropriate information, such as:</p> <ul style="list-style-type: none"> • A summary of risks and opportunities associated with the requirement. • A list of any questions requiring clarification. • An analysis of each factor. • An analysis of draft instructions to offerors or quoters. <p>Reach agreement on any necessary changes.</p>

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PART C: Offer Evaluation Strategy

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Tasks	Related Standards
8. Complete documentation of non-price factors, evaluation standards, information required from offerors, and related rationale.	<p>State factors/subfactors, as they will appear in the solicitation.</p> <ul style="list-style-type: none">• When the evaluation will use numerical weights they should normally not be disclosed to prospective offerors, because the CGEN has repeatedly ruled that Source Selection Authorities have discretion to overrule numerical scores when weights are not disclosed.• Disclose the relative weight of each non-price factor. As a minimum, present factors in relative order of importance.• Where a solicitation indicates that price will be considered but does not indicate the relative importance of price and technical factors, they are considered approximately equal in weight. <p>Record evaluation standards. Assure that all documentation is marked “Source Selection Sensitive” and distribution is restricted to those who have a need to know.</p> <p>State instructions to offerors, as they will appear in the solicitation.</p> <p>Document the rationale for each factor used.</p>

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Tasks

Related Standards

<p>9. In the solicitation, identify the basis upon which award is to be made and all evaluation factors.</p>	<p>Incorporate all evaluation factors and any significant subfactors, along with instructions on submitting information to apply the factors into the solicitation by using:</p> <ul style="list-style-type: none">• The provision at 52.212-2 or inserting your own provision when:<ul style="list-style-type: none">- Acquiring a commercial item;- Award will be on the basis of best value in terms of performance and other factors, and- Evaluation factors are relatively simple.• Sections L and M of the Uniform Contract Format.• Using another acceptable method.
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