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TITLE: CIB 90-25 Relative Importance of Cost and Technical Factors in Contractor Selection

Agency for International Development
Washington, D.C. 20523

October 31, 1990

MEMORANDUM FOR ALL CONTRACTING OFFICERS AND NEGOTIATORS

TO: Distribution List FAC

FROM: MS/OP, Terrence McMahon,
Acting Procurement Executive

SUBJECT: Relative Importance of Cost and Technical
Factors in Contractor Selection

CONTRACT INFORMATION BULLETIN 90-25

We have been advised by the Office of General Counsel that cost evaluation under two recent procurements has been the subject of protests to the General Accounting Office (GAO) because of the way in which the cost evaluation factors were presented in the solicitation. This CIB provides advice on the subject in the interest of avoiding other protests in this area.

GAO has consistently taken the position that where a solicitation indicates that cost will be considered in the contractor selection process 1/ without explicitly indicating the relative weight to be given to cost versus technical factors, it must be presumed that cost and technical considerations will be considered approximately equal in weight. This position is being taken even when there was significantly more coverage in the solicitation on technical factors than there was on cost factors.

1/ Cost or price must be considered for all solicitations except A&E services and Title XII programs.

Such an equal weighting of cost and technical evaluation factors is not appropriate for AID procurements of technical services that are done on a cost-reimbursable basis. As FAR 15.605(d) indicates, "in awarding a cost-reimbursement contract, the cost proposal should not be controlling, since advance estimates of cost may not be valid indicators of final actual costs."

To a lesser degree, such equal weighting may not be appropriate in a selection for a technical services contract that will be awarded on a negotiated fixed-price, time-and-materials, or indefinite-quantity basis. In each of these types of contracts, there are trade-offs to be weighed between cost/price and technical advantages to obtain the most advantageous combination.

This being the case, the relative importance which will be given to cost in the evaluation of proposals should be specified in the RFP. This can either be done by applying a formula or points, or by listing evaluation factors in descending order of importance, with cost/price being listed last or near the last. As a general guideline, we believe that the cost/price factor usually should not be given a weight of less than 10% (for a cost-reimbursement contract) or more than 40% (for a fixed-price contract) of the total evaluation points for an AID technical services contract. However, the weight to be given to cost/price, as well as all other evaluation factors, must be determined on a case-by-case basis by the Contracting Officer in consultation with the project office.

When a point system is employed, even though not required by the FAR, specific weights should be given for each evaluation factor listed in the RFP in order to avoid the unwanted application of GAO's "equal weight" interpretation to these other factors as well. This would include specifying the weights of any subfactors to be evaluated as part of the cost/price factor, unless it is your intention that the subfactors be considered of equal weight. If specific weights are not assigned to evaluation factors and subfactors, you should at least state, for example, that "technical evaluation factors will be given a total weight of 80%. The following factors will be considered in descending order of weight and importance:.

A basic approach for weighting evaluation factors in a cost-reimbursement contract could be something along these lines: "Technical evaluation will be considered approximately three times as important as cost evaluation in determining total evaluation scores. Technical evaluation will include the following:

Points	Possible
1. Responsiveness and technical quality of proposal Offeror's understanding of current issues and approach to implementation of requirements	90
2. Institutional qualifications and capabilities Offeror's experience and demonstrated capability in managing similar programs and types of contract arrangements	90
3. Qualifications and experience of personnel	120
Total	300

Cost evaluation will include the following:

	Possible Points
1. Total estimated costs plus fixed fee	25
2. Estimated direct costs	25
3. Fee	20
4. Estimated indirect costs	15
5. Ceiling on indirect costs	15
Total	100"

When cost/price will be considered as an evaluation factor, the weight to be attributed to it and its subfactors in the evaluation process should be identified in Section M of the solicitation [ref FAR 15.406-5(c)], and we recommend that Contracting Officers and Negotiators also include language along the following lines:

Offerors are reminded that the Government is not obliged to award a negotiated contract on the basis of lowest proposed cost (see FAR 15.605), or to the offeror with the highest technical evaluation score. After the final evaluation of proposals, the Contracting Officer will make the award to the offeror whose proposal offers the best value to the Governments considering both technical and cost factors.

This subject is not susceptible to hard and fast rules, and careful, considered judgment must be applied to the circumstances of each individual procurement action when these evaluation factor weights are assigned and applied.

Agency for International Development

Office of the
General Counsel

September 28, 1989

ACTION MEMORANDUM FOR THE ASSOCIATE ASSISTANT TO THE ADMINISTRATOR FOR
MANAGEMENT

FROM: GC/CCM, Kenneth E. Fries
GC/LE, Gary M. Winter

SUBJECT: Suspension/Debarment of U.S. Contractors/Suppliers
Attached for your approval are proposed Agency procedures for review of
suspension/debarment cases. We have made minor changes to the previous
draft in light of our discussions with Mike Doyle on August 11 and our
further meeting with Bob Perkins and his staff on September 27.

We found the recent meetings useful and believe they should be
reconvened periodically as you suggested. Of major importance was the
recognition by all involved that suspension/debarment was only one of
several available administrative actions which the Agency might take in
particular cases. Changes in contract policy or regulation, bills for
collection, offset, or other administrative measures may be
appropriate, depending upon the case.

Att: a/s

Suspension/Debarment Review Procedures

1) Initial suspension/debarment recommendation:

Referral can be made by IG, any OP staff member, overseas contracting or commodity officer, or other AID officer. Referral must be in writing (preferably three copies), with reason for proposed suspension/debarment and supporting documentation, to the extent available.

Referral should be addressed to IG/LC, GC/LE, M/SER/PPE, or M/AAA/SER. The receiving office will ensure that IG/LC, GC/LE, and M/SER/PPE are properly notified.

IG/LC will log in referral as initial step in suspension/debarment process.

2) Preliminary review

If GC/LE and SER/PPE agree that suspension/debarment is appropriate, GC/LE will prepare a suspension/debarment package for M/AAA/SER action.

If a reviewing office believes more information is needed, or suspension/debarment is not appropriate, it will advise the other officer, in writing accordingly, or, if appropriate, set up a meeting with the other reviewing office and IG/LC to discuss the way to proceed.

The reviewing office will request IG/LC to record the above decision on its log.

3) Suspension package

GC/LE, with appropriate consultation with GC/CCM on questions of contract policy and interpretation, will prepare suspension letter(s) with covering action memorandum (cleared by GC/CCM). The letter will be forwarded to M/SER/PPE for processing to M/AAA/SER for signature.

After signature, SER/PPE will mail the letter, distribute copies to IG/LC and GC/LE, and will notify GSA for inclusion on the procurement and/or non-procurement lists.

IG/LC will record the suspension action.

4) Contractor/supplier response

If the contractor/supplier submits a written statement or requests a personal appearance, M/AAA/SER will request SER/PPE to receive the visit or written material on its behalf and to recommend appropriate action, with participation of counsel (GC/LE or GC/CCM, as appropriate).

If appropriate, administrative hearings will be conducted by the hearing examiner at GSABCA with Agency representation by GC/LE.

The hearing examiner will transmit written findings and recommendations to M/AAA/SER.

5) Debarment action

GC/LE will prepare a debarment letter covering action memorandum either:

-- 30 days after the contractor/supplier's receipt of the suspension notice, if no written or personal response is received;

-- After SER/PPE recommendation based on review of written material; or

-- If M/AAA/SER requests it, after receiving a hearing examiner's findings and recommendation.

The letter(s) will be forwarded to M/SER/PPE for processing to M/AAA/SER for signature.

After signature, SER/PPE will mail the letter, distribute copies to IG/LC and GC/LE, and notify GSA for inclusion on the procurement and/or non-procurement lists.

IG/LC will record debarment action.

6) Cancellation of suspension/debarment or decision not to debar a suspended contractor.

If appropriate, GC/LE will prepare a letter to contractor/supplier to inform it of such a decision.

The letter will be forwarded to M/SER/PPE for processing to M/AAA/SER for signature.

After signature, SER/PPE will mail the letter, distribute copies to IG/LC and GC/LE, and notify the GSA for deletion on the procurement and/or non-procurement lists.

IG/LC will record the action.

7) Time Frames

Reviewing and processing offices will give suspension/debarment matters high priority and will take appropriate action expeditiously.

APPROVED:
John F. Owens
M/AAA/SER

DATE: 10/11/89