



**DEPARTMENT OF DEFENSE
Defense Contract Management Agency**

ANNEX

Technical Support to Negotiations

**Engineering and Analysis Directorate
CPR: DCMA-EA**

**DCMA-ANX 213-01
April 3, 2013
Incorporating IPC-1, January 31, 2014
Validated Current, March 20, 2014**

SUMMARY OF CHANGES: This reissuance incorporates all changes that were deployed with the Immediate Policy Change (IPC-1) dated July 31, 2013. IPC-1 changes are identified in red italics.

1. PURPOSE. This Annex:

- a. Supplements DCMA Instruction (DCMA-INST) 213, “Technical Pricing Support” (Reference (a)).
- b. Provides direction for performing Technical Support to Negotiations (TSN) activities with References (a) through (i).
- c. Is established in compliance with DoD Directive 5105.64 (Reference (b)).

2. APPLICABILITY. This Annex applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence (e.g., DCMA International and Special Programs activities).

3. MANAGERS’ INTERNAL CONTROL PROGRAM. In accordance with DCMA-Instruction 710, “Managers’ Internal Control Program” (Reference (c)), this Annex is subject to evaluation and testing. The process flowchart is located at Appendix A.

4. RELEASABILITY – UNLIMITED. This Annex is approved for public release.

5. PLAS CODE. 041 – Pricing and Negotiation

6. POLICY RESOURCE WEB PAGE. <https://home.dcmamil/policy/213-01r>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Annex is effective immediately.

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REFERENCES

- (a) DCMA-INST 213, “Technical Pricing Support,” April 3, 2013
- (b) DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),”
January 10, 2013
- (c) DCMA-INST 710, “Managers’ Internal Control Program,” September 12, 2012
- (d) DCMA-INST 120, “Pricing and Negotiation – Contracts,” July 31, 2012
- (e) Federal Acquisition Regulation (FAR) 15-404, “Proposal Analysis”
- (f) Defense Federal Acquisition Regulation Supplement (DFARS) 215.407-5,
“Estimating Systems”
- (g) Contract Pricing Reference Guide (CPRG) (Reference maintained by the Office of the
Deputy Director of Defense Procurement and Acquisition Policy for Cost, Pricing and
Finance)
- (h) DFARS 215.404, “Proposal Analysis”
- (i) FAR 3.104-4, “Disclosure, Protection and Marking of Contractor Bid or Proposal
Information and Source Selection Information”

CHAPTER 1

OVERVIEW

1.1. OVERVIEW. This Annex is supplemental guidance to the Technical Pricing Support Instruction (Reference (a)) in the area of Technical Support to Negotiations (TSN). The intent of TSN is to:

1.1.1. Provide quality and timely technical pricing support (TPS) to the DoD, other Federal agencies and departments, and activities within DCMA in order to negotiate fair and reasonable contract prices.

1.1.2. Promptly acknowledge receipt of TSN requests.

1.1.3. Promptly conduct a preliminary review of the proposal, the requirements documents, and the detailed TSN request to determine completeness with pertinent supporting data that justifies the contractors proposed effort. Notify coordinating pricing team lead (the pricing team lead is the cost/price analyst that is leading the proposal evaluation efforts) if the proposal package is incomplete. NOTE: Assumption is that all technical requests for pricing support will pass through pricing, even technical only requests from outside agencies.

1.1.4. Complete TSN analysis and provide report to the requestor in order to minimize delay to procurement actions.

1.1.5. Support follow-on questions and negotiations as requested.

CHAPTER 2

RESPONSIBILITIES

2.1. CONTRACT MANAGEMENT OFFICE (CMO) COMMANDER/DIRECTOR. The CMO commander/director shall ensure compliance with this Annex.

2.2. CMO ENGINEERING AND ANALYSIS (E&A) DIRECTOR/TECHNICAL LEAD (INTEGRATED COST ANALYSIS TEAM (ICAT) DIRECTOR AT ICAT CMOs). The CMO E&A Director/Technical Lead (ICAT Director) shall *designate* a single TSN coordinator to manage all TSN requests. *For CMOs with multiple programs that do not overlap use of resources, it is acceptable to assign a coordinator for each program.*

2.3. TSN COORDINATOR. The TSN coordinator shall:

2.3.1. Acknowledge TSN requests *via alternate methods, such as email (or the cognizant CMO's approved method, if applicable) until a new P&N eTool is released or another system of document control is provided.*

2.3.2. Identify necessary functional support for the completion of the TSN request, coordinate support with appropriate supervisors, and convey the deadline requirements to the technical team.

2.3.3. In the event the deadline is not feasible, recommend and negotiate a new suspense date with the pricing team lead.

2.3.4. Ensure appropriate supervisor/lead reviews and approves all technical reports. Approval shall be completed prior to release of analysis to external customers (either as a TSN report or as supporting data in a full pricing case, etc.).

2.3.5. Submit approved report to the requestor.

2.3.6. Document completion of TSN report *via alternate methods, such as email (or the cognizant CMO's approved method, if applicable) until a new P&N eTool is released or another system of document control is provided.*

2.4. TECHNICAL SPECIALIST. The technical specialist (e.g., engineer, industrial specialist, quality assurance representative) shall:

2.4.1. Review proposal package for completeness per DCMA-INST 120, "Pricing and Negotiation – Contracts" (Reference (d)), to include, as applicable:

- A copy of the Request for Proposal (RFP)
- Statement of Work/Statement of Objectives (SOW/SOO)
- Work Breakdown Structure (WBS)

2.4.2. Determine that the technical scope of the proposal is in agreement with, and complies with, the terms and conditions of the requirements as defined in the SOW/SOO.

2.4.3. Complete analysis for the areas/line items as detailed in the TSN request.

2.4.4. Maintain work papers to support the analysis.

2.4.5. Prepare and sign a well-documented TSN report that incorporates the analysis and technical recommendations in the TSN report.

2.4.6. Provide final report to the TSN coordinator.

CHAPTER 3

PROCEDURES

3.1. RECEIVE AND COORDINATE TECHNICAL SUPPORT TO NEGOTIATIONS

(TSN) REQUESTS. TSN requests should be received *via alternate methods, such as email (or the cognizant CMO's approved method, if applicable) until a new P&N eTool is released or another system of document control is provided.* The TSN coordinator shall promptly acknowledge requests. The request should be detailed and precisely identify what aspects of the proposal need to be evaluated.

3.1.1. The scope of the request shall be reviewed by the TSN coordinator. The TSN coordinator shall identify all functional areas necessary to complete the analysis and coordinate support with the appropriate leads/supervisors. Clearly specify the due date necessary to accommodate a supervisory/lead review and approval of the final report within the overall schedule.

3.1.2. If resources are not available, or the review cannot be completed as requested due to resource constraints, a mutually agreed upon date may be negotiated with the pricing team lead.

3.2. PERFORM DOCUMENTATION CHECK FOR ADEQUACY AND COMPLETENESS.

3.2.1. The appropriate supporting documentation should accompany the TSN request e.g., proposal, RFP, SOW/SOO, WBS per DCMA-INST 120, paragraph 3.3.2.4 (Reference (d)). If pertinent documentation is missing, the technical specialist should request them from the pricing team lead.

3.2.2. The technical specialist shall perform a review of the contractor data provided to support the rationale and estimates within the proposal per FAR 15.404-2 (Reference (e)). This review should allow for adequate time to request additional details from the contractor. Per local guidance, the technical specialist may request needed data either during a fact-finding session with the contractor or via a Request for Information (RFI) submittal.

3.2.2.1. When fact-finding sessions are used, they should be coordinated with the pricing team lead. Other proposal evaluation team members should be invited, as appropriate. Following the meeting, ensure that any pertinent information provided by the contractor is documented in a memorandum for record or similar means. The conclusions should also be sent to the contractor representative to make sure there are no disagreements relative to what information was provided and/or to document what additional information needs to be provided.

3.2.2.2. When RFI requests are used, local guidance should dictate the appropriate method/format for doing so. All RFI requests to the contractor should also be copied to the

pricing team lead for their awareness.

3.2.3. It is highly encouraged, particularly for complex proposals, that a proposal walk through be requested from the contractor. This review should be coordinated through the pricing team lead and all proposal review team members should be invited to participate.

3.3. CONDUCT TECHNICAL PROPOSAL ANALYSIS.

3.3.1. The objective of technical proposal analysis is to determine the need for, and reasonableness of, resources (materials, labor and other direct costs (ODC)) to complete the contract requirements.

3.3.2. Technical analysis of proposals is described in FAR 15.404-1(e) (Reference (e)). If, during evaluation of a proposal, any significant estimating system deficiencies are identified, the TSN report shall describe the deficiencies in sufficient detail in accordance with DFARS 215.407-5-70(d)(1) (Reference (f)).

3.3.3. Proposal analysis shall be consistent with the detailed request and all requested areas shall be addressed in the analysis and subsequent report. Analysis and recommendations should be based on facts and quantitative data except in rare circumstances such as when cutting edge technology or other factors are involved. "Engineering judgment" is not generally valid rationale by either the contractor or the technical analyst for the purpose of supporting a position. No requirement exists to complete a 100 percent analysis on all proposed data. When large volumes of data exists, such as a large Bill of Materials, it is up to the discretion of the technical specialist to conduct sampling or other means to develop the government recommended positions. Statistical sampling or stratified sampling are two options and information on sampling is available in Volume 2, chapter 3 of the Contract Pricing Reference Guide (CPRG), Using Statistical Analysis (Reference (g)). Sampling size should be adequate to allow for valid justification and defense of recommendations.

3.3.4. Perform Technical Analysis of Proposed Direct Materials. Evaluation of direct materials can be a very extensive effort; however, there are some key points to consider. Verify the kinds/types of materials. The part numbers proposed should match the part numbers on the engineering drawing and other supporting documentation. The quantity of materials required should match the proposed materials and the supporting documents. Verify that the materials meet (but do not exceed) the requirements as established by the RFP and any other requirements documents. As with all aspects of the proposal, verify that there is no duplication of materials. There may be a factor for yield (allowable). Volume 3, chapter 6 of the CPRG, Analyzing Direct Material Costs (Reference (g)), provides information on direct material cost analysis.

3.3.5. Perform Technical Analysis of Proposed Direct Labor. A Basis of Estimate should be provided by the contractor to substantiate each line item of direct labor in the proposal. Ensure that the appropriate levels of labor are proposed. For example, hours proposed by a senior engineer to perform a task that a lower level classification engineer could perform would incur an unnecessarily higher labor rate. Always ensure that the periods of

performance are consistent and correct. Identify and eliminate any redundancy in tasks being proposed. Check for duplication of tasks by more than one person. Volume 3, chapter 7 of the CPRG, Analyzing Direct Labor Costs (Reference (g)), provides information on direct labor analysis. Improvement curves or factors proposed should be in agreement with the specialist's analysis. Volume 2, chapter 7 of the CPRG, Improvement Curves (Reference (g)), provides information on improvement curve analysis. Complexity and other factors should be explained within the proposal and supporting documentation. Factors cited should not be accepted by the analyst without valid justification.

3.3.6. Perform Technical Analysis of Proposed ODCs. ODCs are those identified specifically with a particular final cost objective other than direct labor and direct materials and may include such costs as travel, special tooling and test equipment, computer services, etc. Volume 3, chapter 8 of the CPRG, Analyzing Other Direct Costs (Reference (g)), provides information on ODC analysis. Evaluation of travel is typically the primary focus on ODCs. When evaluating travel, the technical specialist should review the number of trips proposed, the locations, and whether the appropriate personnel are involved. Electronic forums such as Video Teleconferences and telecoms should be considered as alternatives, when applicable, in the recommendations.

3.3.7. Evaluation of Cost Estimating Relationships (CER). During the technical analysis, the proposal may cite CERs. The technical specialist shall ensure that all CERs cited in the proposal have been evaluated previously and that DCMA is in agreement with the contractor's method of developing the CERs. Local policy and guidance shall determine tracking of the CERs. The specialist shall evaluate the appropriateness of the use of the CER in the proposal being reviewed. In addition, the CER should be relatively current with the evaluation having been completed within the past two to three years as a rule of thumb, depending on program changes and validity of data previously used. There is no mandatory expiration date on such evaluation. The specialist should use sound judgment in this determination and take into consideration the age of the data used for the evaluation and whether any significant program changes have occurred which may invalidate the CER methodology. Volume 2, chapter 4 of the CPRG, Developing and Using Cost Estimating Relationships (Reference (g)), provides information on CERs. When the CERs have not been previously reviewed and agreed upon by DCMA, the specialist shall treat the CER as if it were being proposed discretely and all accompanying support documentation must be provided by the contractor and analyzed.

3.3.8. Profit Determination. Assist with determination of an appropriate profit rate through the weighted guidelines method or alternate structured approach in accordance with DFARS 215.404-4 (Reference (h)) and DFARS 215.404-70/71 (Reference (h)) as requested by the pricing team lead. This is accomplished by assessing performance and technical risk as well as evaluating technical cost efficiency initiatives what would factor into the application of any cost efficiency factor adjustments.

3.3.9. Scope of Proposed Effort. During analysis of the proposed effort, the technical specialist shall ensure that all requirements are met and that no additional scope beyond that should be included in the proposal. If scope differs from requirements and the technical specialist is unable to resolve the discrepancy, document the issue in the final report. If

significant, notify the pricing team lead as soon as possible and request direction on how to proceed.

3.4. PREPARE TSN REPORT.

3.4.1. The technical specialist shall prepare a well-documented TSN report incorporating the findings and recommendations of all proposal areas requested.

3.4.1.1. The technical specialist shall follow *the local CMO Standard Operating Procedure for TSN report formatting when one exists. In all instances*, the report shall be standalone by reiterating the proposed information, followed by the specialist's recommended government position and the basis of analysis leading to that position. When stating the supporting analysis, keep in mind that the audience using the report is likely non-technical. The detailed work papers may be in any format and shall be retained in the official file.

3.4.1.2. The appropriate technical supervisor/lead shall review, approve, and sign the TSN report prior to release to the customer. Review and approval may be coordinated by the TSN coordinator. NOTE: For internal purposes, to facilitate schedule, the report can be unofficially provided to the pricing team lead for incorporation in the cost and pricing analysis report. The cost/price analyst should not release the pricing report to the customer prior to review and approval of the TSN report.

3.4.1.3. If the initial due date is revised or the report is submitted after the due date, the individual responsible for the report shall document the reasons for revising or missing the due date in the official file.

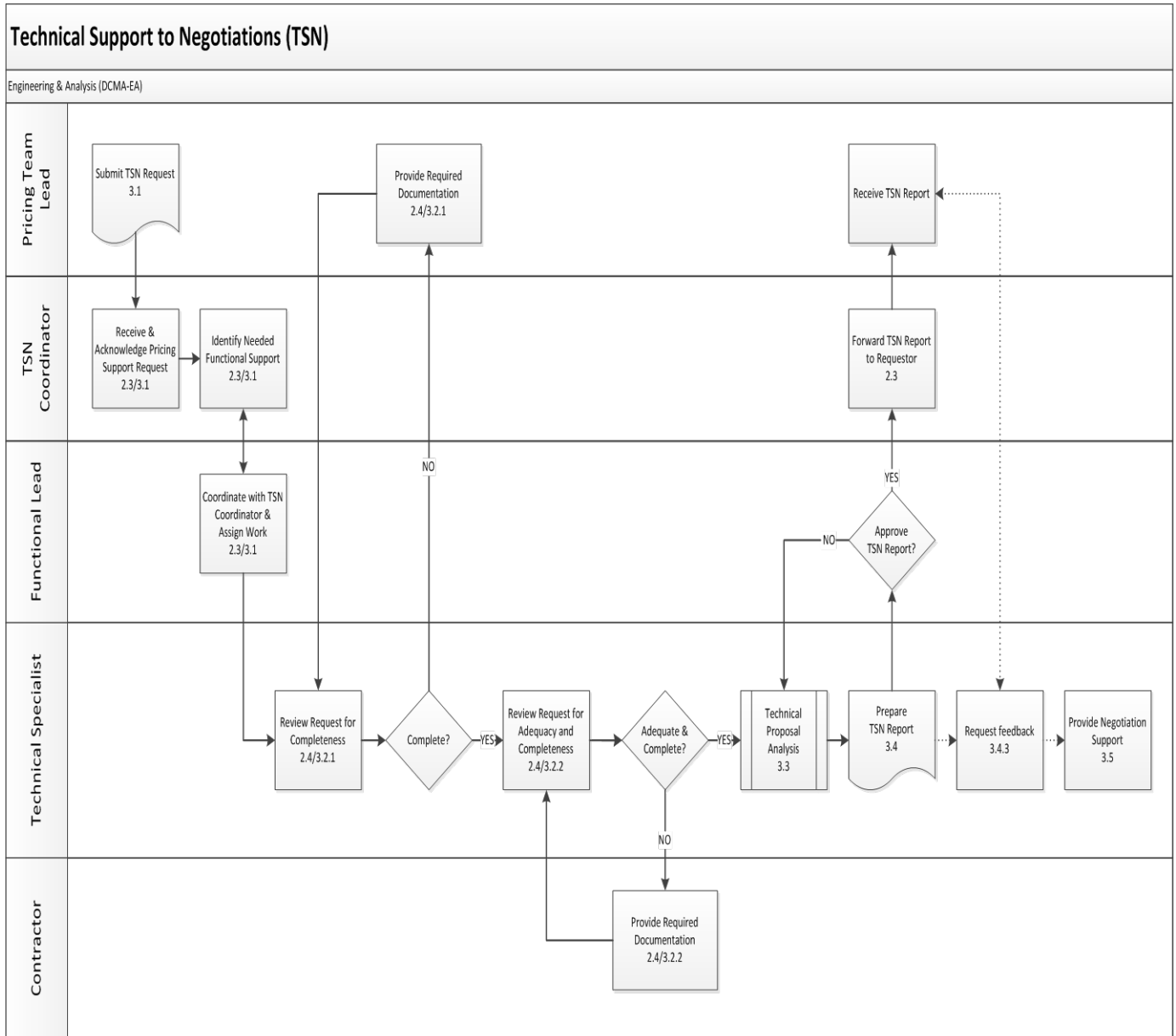
3.4.2. All technical reports and other pricing documents containing Government or contractor proprietary data, shall be marked "For Official Use Only" or at a higher security level if mandated by the contract or solicitation. Add "Source Selection Information," if applicable, per FAR 3.104-4 (Reference (i)).

3.4.3. The TSN report and any supporting documentation shall be sent to the pricing team lead. Feedback on the adequacy and value of the report should be requested. If sending the TSN report completes the TPS case, the case shall be annotated *as closed by the TSN coordinator in the cognizant CMO's approved method for documenting cases until a new P&N eTool is released or another system of document control is provided.*

3.5. PROVIDE NEGOTIATION SUPPORT. When requested, the technical specialist shall support negotiations as necessary. Such requests may be from within DCMA or may be from an external contracting officer within the program office, etc. Ad hoc support may be requested of the technical specialist who completed the analysis of the area needing support; such as further explanations. Time consuming or more extensive negotiation support requests that would impact workload should be routed *in the same manner as a TSN request, via alternate methods, such as email (or the cognizant CMO's approved method, if applicable) for documenting cases until a new P&N eTool is released or another system of document control is provided.*

APPENDIX A

TSN PROCESS FLOWCHART



ACRONYMS

CER	Cost Estimating Relationship
CMO	Contract Management Office
CPRG	Contract Pricing Reference Guide
DCMA-INST	DCMA Instruction
DFARS	Defense Federal Acquisition Regulation Supplement
E&A	Engineering and Analysis
FAR	Federal Acquisition Regulation
ICAT	Integrated Cost Analysis Team
ODC	Other Direct Costs
P&N	Pricing and Negotiation
PLAS	Performance Labor Accounting System
RFI	Request for Information
RFP	Request for Proposal
SOO	Statement of Objectives
SOW	Statement of Work
TSN	Technical Support to Negotiations
TPS	Technical Pricing Support
WBS	Work Breakdown Structure