MEMORANDUM FOR GSA CONTRACTING ACTIVITIES

FROM: JEFFREY A. KOSES
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OFFICE OF ACQUISITION POLICY (MV)

SUBJECT: Class Deviation to FAR 15.404-1(d)(2) - Cost Realism Analysis for Multiple-Award IDIQ Contracts

1. Purpose. This Acquisition Letter approves a class deviation to Federal Acquisition Regulation (FAR) section 15.404-1(d)(2) that clarifies cost realism analyses are not required when establishing multiple-award indefinite-delivery indefinite-quantity (IDIQ) contracts that include the ability to issue cost reimbursement-type orders. This class deviation applies to all GSA multiple-award IDIQ contracts, such as Governmentwide Acquisition Contracts (GWACs).

2. Background. Multiple-award IDIQ contracts may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award. These contracts are competitively awarded, and contract holders generally must be given a fair opportunity to be considered for each order placed against the contract exceeding $3,500. GSA routinely establishes these contracts for Governmentwide and internal use, and some of these contracts permit eligible contracting officers to place cost-reimbursement orders.

FAR 15.404-1(d)(2) requires cost realism analyses to "be performed on cost-reimbursement contracts to determine the probable cost of performance of each offeror." However, determining the probable cost to the Government via a cost realism analysis when establishing a multiple-award IDIQ presents several challenges, including:

- There are no known cost reimbursement-type requirements at the time the master contract is established; therefore, there is no utility in conducting realism assessments.
- Contractors' rates at the order level, depending on timing and other factors, may differ radically from those proposed at the master contract level.
- The administrative burdens associated with conducting cost realism analysis at multiple junctures (master contract and individual order), when competition is primarily at the order level.
- Difficulty when conducting balanced competitions for the multiple-award contracts when the master contract provides for both fixed-price and cost-plus
orders, but not all offerors are capable of performing cost-reimbursement contracts.

- Requiring contractors to propose against a sample task order does not allow for a cost realism analysis that covers the full scope of the indefinite-delivery contract, unnecessarily increases industry bid and proposal costs for which the government pays for in the contract price, potentially, reduces competition, and increases the administrative cost of acquisition.

As a result, removing the requirement for cost realism analysis at the master contract level will promote efficiency and a more effective competitive process for the establishment of future multiple-award indefinite-delivery contracts. Additionally, moving the requirement for cost realism analysis from the master contract level to the task order level does not contravene the Competition in Contracting Act (CICA), which requires that agencies “shall include cost or price to the Federal Government as an evaluation factor that must be considered in the evaluation of proposals...” The realism analysis will be conducted at the point when all requirements are known — i.e., at the task order level — thus ensuring a fair competitive process.

3. **Effective Date.** Immediately.

4. **Termination Date.** This Acquisition Letter expires upon incorporation into the FAR or General Services Administration Acquisition Manual (GSAM).

5. **Instructions/Procedures.** Solicitations for GSA multiple-award IDIQ contracts must not include requirements for cost realism analyses at the master contract-level. Instead, the solicitations and applicable ordering guides must include the FAR 15.404-1(d)(2) class deviation language. Additionally, solicitations open as of the date of this Acquisition Letter should be amended to remove requirements for contract-level cost realism analyses and include the FAR 15.404-1(d)(2) class deviation language. See the attachment to this Acquisition Letter for the FAR 15.404-1(d)(2) class deviation language.

This class deviation does not eliminate the requirement to perform cost or price analysis at the master contract level; nor does it remove the requirement for cost realism analyses at the order level for cost-reimbursement orders under IDIQ contracts.

6. **Point of Contact.** Any questions regarding this Acquisition Letter should be directed to Matthew McFarland, Senior Policy Advisor, General Services Acquisition Policy Division, via email at matthew.mcfarland@gsa.gov.

Attachment
Attachment
FAR 15.404-1(d)(2) Class Deviation

- Changes to the current text are shown by [additions] and deletions.
- Five asterisks (* * * *) indicate there are no revisions between the preceding and following sections.
- Three asterisks (*) indicate there are no revisions between the material shown within a subsection.

15.404 — Proposal Analysis.

15.404-1 — Proposal Analysis Techniques.

* * * * *

(d) Cost realism analysis.

(1) * * *

(2) Cost realism analyses shall be performed on cost-reimbursement contracts to determine the probable cost of performance for each offeror. [Cost realism analyses are not required when establishing multiple-award indefinite-delivery indefinite-quantity (IDIQ) contracts. Cost realism analyses shall be performed at the task-order level for cost-reimbursement orders.]

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