



**FAR FACTS
SEASON 2023, EPISODE TEN
FAR PART 15.4**

1. **FAR 15.4** price negotiations and procedures should be used by contracting officers to determine the price reasonableness of modifications offered under a sealed bid contract. **FAR 15.400.**
2. As a general rule, a contracting officer will not need to obtain additional data to support the reasonableness of a contractor's proposed price if "adequate competition" exists in a procurement. **FAR 15.402(a)(2)(i).**
3. The Government is not permitted to request the submission of "certified" cost or pricing data if:
 - There is "adequate price competition" (**FAR 15.403-1(c)(1)**);
 - Proposed prices are set by law or regulation (**FAR 15.403-1(c)(2)**);
 - The procurement is for commercial products and commercial services (**FAR 15.403-1(c)(3)**);
 - The contracting officer has obtained a waiver of a requirement to obtain certified cost or pricing data from the head of the contracting activity (**FAR 15.403-1(c)(4)**); or
 - The value of the contract or contract modification is less than \$750,000, for prime contracts awarded before July 1, 2018, and \$2 million for prime contracts awarded on or after July 1, 2018 (**FAR 15.403-4**).
4. The fact that a price is included in a commercial product or commercial service "price list" or catalog does not, in and of itself, make that particular price "fair and reasonable." **FAR 15.403-3(c).**
5. Price analysis is the process of examining and evaluating a proposed price without evaluating its separate costs elements and proposed profit. **FAR 15.404-1(b).**
6. The contracting officer is required to utilize "price analysis" techniques when certified cost or pricing data is not required to be disclosed. **FAR 15.404-1(a)(2).**
7. Examples of price analysis techniques can be found at **FAR 15.404-1(b)(2).**
8. Cost analysis is the review and evaluation of any separate cost elements and profit or fee in a contractor's proposal, as needed to determine a fair and reasonable price or to determine cost realism, and the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency. **FAR 15.404-1(c).**
9. When certified cost or pricing data is disclosed, the contracting officer is required to utilize "cost analysis" techniques to evaluate the individual cost elements and "price analysis" techniques to determine the overall price is "fair and reasonable." **FAR 15.404-1(a)(3).**
10. Examples of cost analysis techniques can be found at **FAR 15.404-1(c)(2).**

11. Cost realism analysis is the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine whether the estimated proposed cost elements are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with the unique methods or performance and materials described in the offeror's technical proposal. **FAR 15.404-1(d)(1).**
12. Cost realism analysis shall be performed on all cost-reimbursement contracts to determine the probable cost of performance of each offeror. **FAR 15.404-1(d)(2).**
13. Unbalanced pricing exists when, despite an acceptable total evaluated price, the price of one or more contract line items is significantly over or understated as indicated by the application of price or cost analysis techniques. **FAR 15.404-1(g).**
14. Prime contractors who intend to subcontract more than 70% of the total cost of work to be performed under a contract are subject to the Limitations on Pass-Through Charges clauses set forth at **52.215-22** or **52.215-23**. Each clause requires that the prime contractor identify to the Government the indirect cost and profit applied to the subcontracted effort and describe the value added to the subcontracted effort by the prime to justify that indirect cost rate or profit. Any rate or profit deemed "excessive" will be deemed unallowable under the contract.
15. A prime contractor is required to conduct appropriate cost or price analysis to establish the reasonableness of proposed subcontractor pricing. **FAR 15.404-3(b).**
16. Any prime contractor that is required to disclose certified cost or pricing data shall generally require any of its subcontractors which hold subcontracts worth over \$750,000 or \$2 million to disclose certified cost or pricing data, unless an exception applies. **FAR 15.404-3(c).**
17. Negotiations aimed merely at reducing prices by reducing profit, without the proper recognition of the function of profit, are not in the Government's interest. **FAR 15.404-4(a)(3).**
18. Unless other agency instructions exist, contracting officers are required to use the profit analysis factors set forth at **FAR 15.404-4(d)** to establish profit or fee pre-negotiation objectives.
19. The contracting officer's overall objective during a FAR Part 15 negotiation is to negotiate a contract of a type and with a price that provides the contractor the greatest incentive for efficient and economical performance. **FAR 15.405(b).**
20. A Certificate of Current Cost or Pricing Data requires contractor to certify that the cost or pricing data provided in support of their proposal to the Government is "current, accurate, and complete"

as of the date of price agreement or earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price. **FAR 15.406-2.**

22. Contracting officers are required to document in the contract file the principal elements of the negotiated agreement. The required elements that must be documented in a Price Negotiation Memorandum are set forth at **FAR 15.406-3.**