

14.0 SOURCE SELECTION

14.1 Introduction

Various qualified sources within the United States have the prerequisite experience and facilities necessary to develop, produce, and deliver major air traffic control systems, as well as provide certain technical and administrative services. Each of these sources has an inherent right to compete for programs involving an expenditure of public funds. Competitive procurements generally are preferred because economic theory supports that competition should lead to the best quality good or service provided at the best price. Source selection procedures must be designed to ensure that all competitive companies seeking to perform a service or deliver a specific system to the FAA receive due consideration.

While the FAR details a specific source selection process, the FAA AMS guidelines for source selection are less structured. The FAA AMS policy allows for deviations from the prescribed FAR methods based on the discretion and sound judgment of the source selection official (SSO) and other members of the integrated product team (IPT). The SSO generally acts as the IPT leader unless designated otherwise.

The FAA believes significant reductions in time and cost to field high quality new products and services can be realized best if all elements of acquisition management (policy, processes, people and their proficiencies, and organization) are reengineered dramatically at the same time into a coordinated, integrated system. This chapter describes a new system that allows the FAA to be innovative and creative in the selection of vendors and the management of contracts. Section 15.2 discusses source selection policy in more detail. Section 15.3 defines the role of cost and price analysis in the source selection. The remaining sections discuss competitive source selections, single source selections, commercial purchases, and unsolicited proposals.

This chapter is intended to familiarize the cost estimator with FAA source selection policy, the source selection process, and types of source selections. Generally, the cost and price analyst participates directly in FAA source selections. Unless cost analysis is required, the cost estimator may have little input into this process. However, the cost estimator needs a general understanding of the process in order to contribute when called upon. The *FAA Pricing Handbook* is an excellent source for more detailed information on the role of the cost and price analyst in FAA source selections.

14.2 Source Selection Policy

The FAA should provide reasonable access for firms interested in obtaining contracts. One FAA goal is to procure supplies and services from sources that offer the most advantageous solution to satisfy the agency's mission need. In selecting sources, the preferred method is to

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compete requirements for supplies and/or services among two or more sources. Contracting with a single source is also permitted when it is in the best interest of the FAA. The rationale for contracting without competition, or for limiting the number of sources competing, should be documented in writing.

If not previously announced, the IPT should issue a public announcement informing industry of the FAA's procurement strategy prior to or concurrent with issuance of the initial Screening Information Request (SIR). Each SIR should contain the specific evaluation criteria to be used to evaluate offeror submittals. Cost and price considerations should be an evaluation factor in all award decisions. All SSO decisions should be based on the evaluation criteria established in each SIR. The IPT should document the findings of the evaluation. Debriefings should be conducted with all offerors that request them.

The guidelines provided below are intended to provide the contracting officer (CO) and the IPT with latitude to use any method of procurement deemed appropriate to satisfy the agency's mission. The complexity, dollar value, and availability of supplies and services in the marketplace should be considered. The CO should have warrant authority commensurate with the estimated value of the procurement.

Awards should be made to responsible contractors only. To be determined responsible, a prospective contractor must:

- Have adequate resources (financial, technical, etc.) to perform the contract, or the ability to obtain them
- Be able to comply with the required or proposed delivery or performance schedule, considering all existing business commitments
- Have a satisfactory performance record
- Have a satisfactory record of integrity and business ethics
- Be otherwise qualified and eligible to receive an award under applicable laws and regulations

The CO's signing of the contract should constitute a determination that the prospective contractor is responsible with respect to that contract. When an offer is rejected because the prospective contractor is nonresponsible, the CO should make a determination of nonresponsibility. The CO is given great discretion in making this determination.

14.3 Role of Cost and Price Analysis in Source Selection

The purpose of cost analysis and price analysis in the source selection process is to give the CO a sense of the reasonableness of a proposed price. Cost analysis involves the detailed analysis of cost elements that sum up to the total proposed price. In order for the government to perform a cost analysis, the contractor must prepare a detailed estimate of the proposed price. Under cost

analysis, cost and price analysts would evaluate every element in the detailed cost estimate supporting the proposal for reasonableness. The rationale is that if the cost of each element is reasonable, the total cost of all the elements should be as well.

Price analysis involves a comparison of the proposed price with another “competitive” price. The CO must first determine that sufficient competition exists and then compare the price of the proposal to a competitive price to determine reasonableness. If a competitive price exists, it is assumed, based on economic theory that the existence of competition is sufficient to ensure a reasonable price to the government. Therefore, the extent of the analysis required under price analysis is limited to finding a competitive price.

FAA policy employs methods of price and cost analysis to determine fair and reasonable prices for procurement of supplies and services. The selection of the type of data requested and the analysis method should be based on the specific requirements of the procurement. When the CO determines that adequate price competition exists, cost and pricing data should not be requested. In situations where we have established catalog or market prices, prices set by law or regulation, and commercial items, cost, and pricing data should not be requested.

The CO has the discretion to require cost and/or pricing data to assure that negotiated prices are fair and reasonable. Cost and pricing data should be requested only when the CO does not have reasonable assurance that the costs or prices are fair and reasonable based on price analysis or other means of evaluation. When considering the degree to which cost and/or pricing data may be required, the CO should consider the cost and schedule burden on both the agency and the contractor associated with providing the information. When the CO determines that adequate price competition exists, cost and pricing data are not required. In situations where adequate price competition does not exist, the decision to require cost and pricing data and the level of data required should be based on the specific circumstances of the procurement. Adequate price competition may exist when:

- Two or more responsible offerors, competing independently, submit priced offers responsive to the agency expressed requirement
- There is a reasonable expectation, based on market research or other assessment, that two or more responsible offerors competing independently would submit priced offers responsive to the solicitation’s expressed requirement even though only one offer is received from a responsible responsive offeror
- Price analysis clearly demonstrates that the proposed price is reasonable in comparison with current or recent prices for the same or similar items purchased in comparable quantities, under comparable terms and conditions under contracts that resulted from adequate price competition

If the CO determines that the competition is not adequate to support the determination of price reasonableness, or the otherwise successful offeror’s price cannot be determined to be reasonable, the CO may require cost and price data or information other than cost and price data.

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The information and data should be sufficient to support a determination of a fair and reasonable price.

14.4 Competitive Source Selection

This section establishes the FAA's guidance for evaluating and selecting sources for the award of competitive contracts. The steps that involve cost and price analysis are in bold and underlined. The competitive source selection process consists of up to five distinct phases, with the screening phase being the cornerstone. The five phases are listed below.

- Planning
- Screening
- Selection
- Debriefing (as requested)
- Lessons learned

With tailoring by the individual IPT, this process will work effectively for both simple and complex procurements, and will allow for the flexibility required to meet the needs of individual, unique procurements.

14.4.1 Planning

Procurement planning is an indispensable component of the total acquisition process. IPTs are expected to use procurement planning as an opportunity to evaluate the entire procurement process, so that sound judgments and decision making will facilitate the success of the overall program. For procurements not covered by an Acquisition Strategy Paper (ASP), the magnitude and character of procurement planning should be appropriate and proportionate to the complexity and dollar value of the requirement.

For procurements not addressed in a program with an approved ASP, the market analysis is to initiate industry involvement, develop and refine the procurement strategy, obtain price information, determine if commercial supplies exist, determine the level of competition, identify market practices, and obtain comments on requirements. The magnitude and degree of formality of the market analysis should be proportionate to the contemplated procurement. Market analysis may be as simple as a telephone call or as formal as a market survey advertisement to learn of industry capabilities. All market analysis, formal or informal, will be appropriately documented.

The plan for each contemplated procurement or class of procurements should address significant considerations of the procurement action. A procurement plan may cover more than one contract and represents the IPT agreement on the conduct of the procurement. For less complex procurements, plans are not required if deemed unnecessary by the IPT.

14.4.2 Screening

Screening is the process by which the FAA will determine which offeror provides the most advantageous solution to the FAA’s procurement needs. The number of distinct screening steps for a particular procurement will vary based on the complexity of the procurement. In some cases, only one screening step may be required; while in others, two or more may be required. Screening occurs whenever the FAA issues a SIR and evaluates the offeror submissions in accordance with the stated evaluation criteria. The purpose of the screening phase is to evaluate offerors and identify the offeror who provides the most advantageous solution.

Screening Information Request (SIR)

Once the public announcement has been issued, the SIR may be released. This starts the competitive process. The SIR is any request for documentation/information/offer made by the FAA for the purpose of identifying the offeror that provides the most advantageous solution. Each SIR should include a definition of need, a request for specific information, a closing date stating when submittals must be received in order to be evaluated, evaluation criteria, a statement informing offerors how communications with offerors will be conducted during the screening, and an evaluation/procurement schedule. SIRs fall into one of the following three categories - qualification information, screening information, and requests for offers. The following table defines these three types of SIRs.

Table 14.1 Types of SIRs

Type Of SIR	Definition
Qualification Information	Qualification information, used to qualify vendors and establish qualified vendor lists (QVLs), should only be requested if it is intended that the resultant QVL will be used for multiple FAA procurements. If the FAA does not intend to qualify vendors for future procurements, qualification information should not be requested.
Screening Information	Screening information allows the FAA to determine which offeror(s) are most likely to receive award, and ultimately which offeror(s) will provide the FAA with the most advantageous solution(s). The screening information requested in the SIR should focus on information that directly relates to the key discriminators for the procurement.
Requests For Offers	A request for offer is a request for a binding offer for supplies or services required by the acquisition. The request for offer may take the form of an invitation for bid, a formal solicitation, a proposed contract, or a purchase order. In instances where the FAA is seeking to make a selection on the initial SIR, an invitation for bid, purchase order, or formal solicitation may be used.

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Communications with Offerors

Communications with all potential offerors should take place throughout the source selection process. All communications in the screening, selection, and debriefing phases of source selection are coordinated with the CO. The purpose of communications is to ensure that there are mutual understandings between the FAA and the offerors concerning all aspects of the procurement, including the offeror submittals/proposals. Information disclosed as a result of oral or written communication with an offeror may be considered in the evaluation of an offeror's submittal(s).

Receipt/Evaluation of Submittals

Once offerors have submitted responses to a SIR, the IPT will evaluate the submittals in accordance with the evaluation criteria stated in the initial SIR (and evaluation plan, if applicable). In order to be considered for an award, an offeror must submit a response to the initial SIR, unless the IPT determines it is in the best interest of the FAA not to require it.

The evaluation criteria form the basis by which each offeror's submissions are to be evaluated. Once the criteria have been established and disclosed to offerors, they should not be modified without first notifying offerors and allowing offerors currently participating in the process to revise their submissions accordingly. Each SIR should contain the evaluation criteria to be used to evaluate offeror submittals to the initial SIR. Evaluation criteria should be tailored to the characteristics of a particular requirement and should be limited to the key discriminators in the ultimate selection decision only. The criteria should avoid, whenever possible, the inclusion of detailed subcriteria (or subcriteria in general). Further, efforts should be made to ensure that there are no overlapping criteria. Finally, while cost and price considerations need not be considered in screening decisions, cost and price considerations should be an evaluation factor in all award decision(s) and should be considered as soon as practicable.

The evaluation methodology should be set up to allow for maximum flexibility in selecting the offeror(s) providing the most advantageous solution(s). To facilitate such flexibility, the following should be considered in setting up evaluations:

- Relative weighting between criteria is not required (when relative weighting is used, the relative order of importance between criteria should be disclosed)
- Each SIR may incorporate separate and/or distinct criteria that relate to the specific SIR discriminators
- The use of either adjectival rating or numerical ratings are acceptable
- Comparative evaluations between offerors' proposals/supplies are acceptable
- The IPT should be selective/inventive concerning the screening requirements for document submissions (e.g., oral proposals, sample tests, plant visits, etc.)

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- Communications with offerors during the evaluation may help clarify submittals, allowing a fuller understanding of the offeror submittals and a more comprehensive evaluation
- Testing of supplies is encouraged to the maximum extent practical (“try before you buy”)
- Award of initial offers to other than the low cost and price offer is allowed

The evaluation will be conducted by the IPT in accordance with the stated evaluation criteria (and evaluation plan, if applicable). The IPT (including any additional required evaluators and/or advisors) should be limited in size and dedicated through completion of the acquisition. The IPT is expected to apply sound judgment in determining appropriate variations and adaptations necessary for individual situations, provided these do not constitute a departure from the basic concepts and intent of the evaluation plan and SIR(s). Communications may be considered in the evaluation of an offeror’s submittal(s). Verifiable information from outside sources may be considered in the evaluation. Any such findings should be noted in the evaluation report and disclosed to the offeror during the communication process. The IPT should document the results of the evaluation (including applicable recommendations) and brief the SSO if required/requested.

SSO Decision

Based on a review of the IPT’s evaluation report, the SSO may either:

- Make a selection decision (see the selection phase below)
- Make a screening decision by screening those offerors determined to be most likely to receive award, thus continuing the screening phase
- Amend and re-open to initial offerors
- Cancel the procurement

To ensure the integrity of the FAA competitive source selection process, all SSO decisions should be based on the evaluation criteria established in the SIR. All offerors that are eliminated from the competition, based on any screening decision, should both be provided the basis for their elimination within five working days of the screening decision and be informed that they may request a debriefing after contract award. Screening decisions may be made without cost and price considerations.

14.4.3 Selection

The selection decision should be based on the stated evaluation criteria including cost and price considerations and will identify the most advantageous solution. The IPT should brief the SSO

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(if required/requested) on their evaluation findings. The SSO should document the selection decision in the SSO decision memorandum. (In situations where the CO and the Technical Officer are the only IPT members, the evaluation report and the SSO decision memorandum may be one report.) In making the selection decision, the SSO may accept or reject the IPT's recommendations, provided there is a rational basis on which to reject the IPT's recommendation.

Based on the SSO's decision, the CO will execute a contract with the selected offeror. In order to make an award without further communications with the selected offeror, the FAA must have an acceptable binding offer that may be executed without further communication. If the FAA does not have an offer from the selected offeror, communications with the selected offeror will be required prior to award. If after communications, the FAA and the selected offeror cannot come to an agreement, the FAA may select another competing offeror for communications/award without issuance of further SIRs.

14.4.4 Debriefing (if requested)

Once an award has been made, all offerors who participated in the competitive process should be notified of the award and given three working days from receipt of the award notification to request a debriefing. Debriefings are intended to provide meaningful feedback to offerors on their submission. The purpose of the debriefing is to improve the offeror's ability to successfully compete for future FAA business by discussing the strengths and weaknesses of the offeror's submissions. The debriefing should provide the offeror with the following information:

- The SSO's selection decision
- The offeror's evaluated standings relative to the successful offeror(s)
- A summary of the evaluation findings (excerpts from evaluation summary documentation relating to the specific offeror)

The CO should request detailed questions from the unsuccessful offeror so that the FAA can provide meaningful information during the debriefing. Debriefings should be conducted, as soon as practicable, with all offerors that request them.

14.4.5 Lessons Learned

A lessons learned memorandum is a valuable tool that the IPT can use to relay their procurement experiences to other FAA acquisition personnel. Once an award has been made, the IPT must communicate its learning experiences and highlight those issues/processes used that had significant impact on the procurement. Further, the IPT should discuss what it would do differently to ensure a more comprehensive evaluation and/or a timelier award.

14.4.6 Responsibilities

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The responsibilities listed below are intended to be guidelines to ensure a successful evaluation by the IPT. The IPT must apportion these responsibilities to fit the needs of specific procurements.

Source Selection Official

The SSO has full responsibility and authority to select the source(s) for award. The SSO's responsibilities are to:

- Approve the evaluation plan, if required
- Ensure that the IPT is constituted properly and includes all necessary disciplines
- Make all screening decisions and selection decisions

Integrated Product Team

The IPT is responsible for the proper and efficient conduct of the source selection process. The IPT's responsibilities and duties are to:

- Draft all SIRs
- Formulate the evaluation plan for the acquisition, if required
- Review existing lessons learned reports that provide meaningful insights into the acquisition
- Ensure an in-depth review and evaluation of each submitted screening document against the FAA requirements and the stated evaluation criteria
- Prepare the evaluation report (including recommendations when applicable), using sound business judgments to assist the SSO in making the down selection and/or award decisions
- Conduct all debriefings
- Exercise oversight of all procedural and administrative aspects of the procurement;
- Select, as required, advisors to assist the IPT in their evaluation;
- Prepare the documentation, at the SSO's request, that provides the SSO's decision rationale; and
- Prepare a lessons learned memorandum after the source selection has been accomplished.

Contracting Officer

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The CO's responsibilities and duties are to:

- Ensure that (as applicable) conflict of interest documentation is obtained from all IPT members, and determine, with legal counsel review, if any conflicts of interest exist
- Ensure that IPT members are briefed on the sensitivities of the source selection process, the prohibition against unauthorized disclosure of information (including their responsibility to safeguard proposals and any documentation related to the IPT's proceedings), and the requirements pertaining to conflicts of interest
- Coordinate all communications with industry
- Participate during the screening, selection, and debriefing phases of source selection to ensure fair treatment of all offerors
- Issue, as required, solicitation amendments, letters, SIRs, and SIR amendments to industry
- Control all written documentation issued to industry
- Ensure that the contract is signed by an official with the authority to bind the company
- With guidance from legal counsel, assure that all contractual documents are in compliance with applicable laws and regulations
- Serve as the SSO if specifically delegated
- Execute contract(s)

The Integrated Product Team Leader

The IPT Leader's responsibilities and duties are to:

- Serve as the SSO, unless otherwise delegated
- Assure that the FAA's program needs are acquired through the source selection process
- Assure that the FAA's SIRs include adequate definition of requirement(s)
- Assure that the technical evaluation is performed in accordance with the stated evaluation criteria and that its findings accurately reflect the offeror's capabilities

- Assure that qualified technical evaluators, if required, are chosen to assist the IPT in the evaluation
- Assure team cohesiveness and effectiveness

Other Source Selection Team Members

Advisors may be appointed by the IPT to provide specific guidance to the IPT when essential expertise is not available within the IPT. Also, nongovernment personnel may be used as IPT members, evaluators, and/or advisors. Notice of any nongovernment participation will be provided in the SIR.

14.5 Single Source Procurement Process

The FAA may contract with a single source when it is determined to be in the best interest of the agency and when the rational basis is documented. The decision to contract with a single source may be made as part of the overall program planning. The rational basis may be approved as part of the Integrated Program Plan (IPP) or as a separate document. If an IPP is not required, the single source justification should be endorsed by the IPT and approved by the CO.

Some level of market analysis should be conducted to support each single source decision, except in the case of emergencies. The method and extent of the analysis will be dependent on the requirement.

After the decision to contract with a single source has been approved, a public announcement will be made, except in the case of emergencies. The purpose of the announcement is both to inform industry of the basis of the decision to contract with the selected source and to ensure that the source selected is in the best interest of the FAA.

A basic contract may be modified either to exercise an option, or to satisfy a follow-on procurement for more of the same supplies/services without seeking additional competition, or obtaining additional single source approvals.

The single source procurement process includes planning, negotiations, award, and lessons learned. The actions for an individual phase within the process may vary to accommodate emergencies, complex requirements, and commercial or follow-on procurements. The procurement process should be adapted to the complexity of each of the procurements.

14.5.1 Emergencies

In rare instances, an emergency situation involving loss of life/property or a threat to national security arises, which requires immediate contracting with a single source. In these instances, the CO may give a contractor verbal authorization to proceed, and the process phases may be consolidated or completed after the fact. As a minimum the CO should, as soon as practical:

- Obtain funding certification

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- Issue a public announcement
- Document the single source decision

14.5.2 Non-emergencies

For single source non-emergency procurements, planning includes:

- Analyzing the market and determining potential sources
- Developing an independent FAA cost estimate
- Obtaining funding certification
- Obtaining approval of justification for single source, except for follow-on or exercise of options
- Issuing public announcement

For single source nonemergency procurements, negotiation includes:

- Holding communications with the contractor to reach a mutual understanding of: 1) the requirement, 2) probable contract terms and conditions, 3) contract line item number structure, 4) technical approach, 5) level of current cost and pricing data, and 6) bill of material, labor, and overhead rates
- Issuing a proposed contract, draft modification or solicitation
- Receiving and evaluating the contractor's proposal relative to technical qualitative and quantitative evaluation, cost, and price analysis, audit of rates and bill of material. The level of review and analysis may vary depending upon the complexity of each individual procurement
- Developing a pre-negotiation position
- Negotiating the final terms, conditions, and price. Negotiations may continue up to the point of award and may be terminated at any time by the CO
- Awarding the contract or modification

14.6 Commercial Purchases

The term "commercially available" includes supplies, commodities, equipment, material, or services available in existing commercial markets in which vendors compete primarily on the basis of established catalog or market prices.

The FAA may make purchases from the competitive marketplace for commercially available supplies and services using the simplified purchase method described in the following subsections.

14.6.1 Planning

The purpose of procurement planning is to:

- Determine whether commercially available supplies or services meet the FAA's needs
- Identify potential commercial sources
- Publicly announce requirements.

The CO should ensure that the procurement strategy is consistent with the particular requirement. The degree and extent of planning should be dictated by the characteristics of the particular requirement. Market analysis should be simple and straightforward. It may include information based on personal knowledge, historical purchase information, qualified supplies list/qualified vendors list, commercial catalogs, and local telephone directories.

14.6.2 Sourcing Determination

The CO should solicit an appropriate number of vendors both to ensure competition and to obtain a fair and reasonable price.

14.6.3 Screening

The CO should determine the appropriate screening approach, and format for the vendor's responses (e.g., electronic, written, oral, use of commercial or FAA forms). The CO may conduct communications, as appropriate, to determine acceptable prices, terms, and conditions.

14.6.4 Selection Decision and Award

The SSO's selection decision should be consistent with the FAA's needs. The contract file should document the basis for the award decision.

14.7 Unsolicited Proposals

14.7.1 Policy

The FAA may consider and/or accept unsolicited proposals when it is determined to be in the best interest of the FAA, based on the guidance provided herein.

14.7.2 Guidance

Unsolicited proposals are a valuable means for FAA to obtain innovative or unique methods or approaches to accomplishing its mission from sources outside the FAA. Advertising material,

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commercial item offers, contributions, or technical correspondence are not considered to be unsolicited proposals. A valid unsolicited proposal must:

- Be innovative and unique;
- Be independently originated and developed by the offeror;
- Be prepared without FAA supervision;
- Include sufficient detail to permit a determination that the proposed work could benefit the FAA's research and development, or other mission responsibilities; and
- Not be an advance proposal for a known agency requirement that can be acquired by competitive methods.

14.7.3 Evaluation of Unsolicited Proposals

Unsolicited proposals should be addressed to:

Federal Aviation Administration
Attn.: Office of Acquisitions, Acquisition Policy, and Procedures, Division (ASU-100)
800 Independence Avenue, SW
Washington, DC 20591

Once received, the FAA contact point determines if the unsolicited proposal:

- Contains sufficient technical and cost information; and
- Has been signed by a responsible official or other representative authorized to obligate the offeror contractually before initiating a comprehensive evaluation.

If the proposal meets these requirements, the contact point promptly acknowledges and processes the proposal. If it does not, the contact point provides the offeror an opportunity to submit the required data.

The FAA is not required to perform comprehensive evaluations of unsolicited proposals not related to its mission. If such proposals are received, the FAA contact point promptly replies to the offeror, states how the FAA interprets the proposal, and why it cannot be evaluated.

14.8 Summary

This chapter provides the cost estimator with the basic concepts of source selection within the FAA. A cost estimator must grasp fully the concepts within the FAA source selection process in general, and have a working knowledge of the competitive and single source procurement processes, commercial purchases, and unsolicited proposals.