

11/17/11

POLICY ALERT
No. 11-84
**Direct and Indirect Charging of Contractor Proposal
Preparation and Negotiation Support Costs**

REFERENCES: [Defense Procurement and Acquisition Policy Memorandum dated November 10, 2011, Direct and Indirect Charging of Contractor Proposal Preparation and Negotiation Costs](#)

TYPE OF ACTION: Defense Procurement and Acquisition Policy Memorandum

EFFECTIVE DATE: November 10, 2011

SUMMARY: The referenced Defense Procurement and Acquisition Policy (DPAP) memorandum states that:

“Proposal preparation and negotiation support costs not funded by a grant or required by a contract are by definition to be indirectly charged to contracts through the Bid and Proposal (B&P) indirect cost pool. If there is a specific requirement in an existing contract to submit one or more proposals, costs of preparing those proposals are allocable only to the contract requiring the proposal preparation. In comparison, proposal costs not specifically required by a contract relate to and are allocable as B&P costs to the contractor's total business activity.”

For the costs to be charged directly to a contract there must be a specific requirement in an existing contract to submit that particular proposal, not just an implied requirement. Additional information and guidance maybe be found in the referenced DPAP memorandum.

ACTION REQUIRED: Contracting Officers (CO) should minimize the situations where a contractor will be contractually required to prepare proposals. If a CO determines that allowing proposal preparation and negotiation costs to be charged directly to a contract is in the best interest of the Government, the CO should consider controls on such costs.

This Policy Alert is effective on the date indicated above, and remains in effect until incorporated into an acquisition policy document, as appropriate, or until otherwise rescinded.

You may direct comments/questions on this Policy Alert to the Contract Policy and Pricing Branch at 303-676-3985.

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