

PRENEGOTIATION OBJECTIVE MEMORANDUM (POM)
(For Negotiated Construction Action Over \$500,000)

SECTION I. Cover and Signature Pages.

Contracting Activity: USACE, Far East District Date: 10 December 1999

Competitive Prenegotiation X Total: W720,212,662 plus
\$632,018.07 for Offshore CFM

Non-Competitive X Postnegotiation X Total W672,218,352 plus
\$631,158.54 for Offshore CFM

Solicitation No.: N/A.

Contract No.: DACA81-99-C-0050, FY99 Flood Supplemental Pre-Engineered Buildings, Camp Casey & H-220, Korea

Change Item No.: 7

Name & Address of Contractor:

Samil Enterprise Co., Ltd.: #773-~~5~~, Yoksam-Dong Kangnam-Ku, Seoul, Korea

Description of Work (C.I. #7):

Furnish all necessary plant, labor, material, equipment, transportation, and supervision, and construct Outside Plant cable infrastructure to support eight (8) buildings located at Camp Casey and Camp H-220, all in accordance with the revised Scope of Work, pages 1 of 17 thru 17 of 17, and the following-listed revised sketches, Technical Specifications, Section 16711, entitled "Telephone System, Outside Plant", and technical data for MDF, and FED Standard Drawing No. 40-06-0091, Sheets 0036 through 0038, dated 30 January 1989:

<u>Sketch No.</u>	<u>Sheet No.</u>	<u>Date of Sketch</u>
TR09950-1	1 of 5	19 Nov 99
TR09950-1	2 of 5	19 Nov 99
TR09950-1	3 of 5	19 Nov 99
TR09950-1	4 of 5	19 Nov 99
TR09950-1	5 of 5	19 Nov 99

For Pricing Structure, See Next Page.

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Pricing Structure	Prenegotiation Objective Amount (PO Amt)	Post Negotiation Amount (PN Amt)
Direct Costs	\$632,018.07 plus W519,280,856	\$631,158.54 plus W478,032,209
Subtotal in Won	@W1,169.80/\$1.00 W1,258,615,594	@W1,169.80/\$1.00 W1,216,361,469
Field Overhead	W40,839,000	W39,467,957
G & A	(4.0%) W51,978,184	(4.0%) W50,233,178
Profit	(8.0%) W108,114,622	(8.0%) W104,485,008
Total Amount in Won including Offshore CFM	W1,459,547,400	W1,410,547,612
Total Won Amount excluding Offshore CFM	W720,212,662	W672,218,352
Total Dollar Amount for Offshore CFM	\$632,018.07	\$631,158.54
Total Amount in Dollar	@W1,446.75/\$1.00 \$1,129,832.25	@W1,446.75/\$1.00 \$1,095,798.84

Ceiling Price N/A

Performance Period A separate time allowance to 133rd day from the date of definitization of this change item.

Point of Contact:

Contracts: Ms. Kim, Tok Kyong Ph 721-7478

Technical: Mr. Choe, Kwang Kyu Ph 721-7704

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PRENEGOTIATION OBJECTIVE MEMORANDUM (POM)
Contract No. DACA81-99-C-0050, Change Item No. 7

SECTION I. Cover and Signature Pages (Cont'd).

POM:

Prepared By _____ Date : _____
(Negotiator)

Reviewed by _____ Date : _____
(Negotiator's Supervisor)

Recommended By N/A. (Basic Contract is less than #10 mil.) Date : _____
(Chief, Contracts Branch)

Approved By _____ Date : _____
(Contracting Officer)

Post Negotiation Memorandum (PNM) :

Prepared By _____ Date : _____
(Negotiator)

Reviewed By _____ Date : _____
(Negotiator's Supervisor)

Recommended By N/A. (Basic Contract is less than #10 mil.) Date : _____
(Chief, Contracts Branch)

Counsel _____ Date : _____
(Gilbert H. Chong, CEPOF-OC)

Approved By _____ Date : _____
(Contracting Officer)

SECTION II. POM Compliances.

1. a. Determinations and Findings (D&F) to exclude a source (FAR 6.202 and Subpart 1.7) was approved on N/A by N/A. Attached as Exhibit N/A.

b. D&F for the Public Interest circumstances permitting other than full and open competition (FAR 6.302-7 and Subpart 1.7) was approved on N/A by N/A. Attached as Exhibit N/A.

c. A justification for other than full and open competition (see FAR 6.303) was approved on N/A by N/A. If approved at other than the Secretarial level, a copy is attached as Exhibit N/A.

2. Acquisition Plan (AP) dated N/A was approved on N/A by N/A. This acquisition is in conformity with the approved AP. Yes No N/A . If no, explain.

3. This acquisition was synopsisized in the Commerce Business Daily. Yes No N/A . If no, explain.

4. Written waiver of audit review was granted by the Contracting Officer (FAR 15.805-5). Yes N/A .

5. a. The Contractor has submitted SF 1411, Contract Pricing Proposal Cover Sheet. Yes No N/A . If no, explain.

b. The SF 1411s for all major subcontractors have been submitted (FAR 15.806). Yes No N/A . If no, explain.

c. Assist audits have been requested or received for all major subcontractors. Yes No N/A . If no, explain.

6. Equal Employment Opportunity (EEO) compliance has been requested or obtained. Yes No N/A .

7. The prospective Contractor has been determined to be responsible within the meaning of FAR subpart 9.1 and is financially stable. Yes No N/A . If no, explain.

8. This memorandum constitutes resolution of contract audit in accordance with DODD 7640.2. Yes No .

9. Exception to the Buy American Act has been obtained. If no, explain. (FAR 25.202 and 25.203) Yes _____ No _____ N/A

10. Certification of independent price determination has been submitted by the Contractor (fixed price only). If no, explain. (FAR 3.103-1) Yes _____ No _____ N/A

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11. The proposed procurement has been reviewed by the Contracting Officer for Small and Disadvantaged Business and Labor Surplus Area consideration.

If no, explain. (FAR 19.502-2 and 20.201-1) .. Yes No N/A

12. The Consolidated List of Debarred, Suspended and Ineligible Contractors has been checked.

If no, explain. (FAR 9.404 and 9.405) Yes No N/A

SECTION III. Summary of Key Documents.

1. Request for Proposal: Original: Serial Letter No. 99-0050-9, 15 Jun 99.
Supplemental: Serial Letter No. 99-0050-45, 26 Aug 99.
2. Technical Analysis: See Marked-up Proposal (Tab q).
3. DCAA Report: No. 4201-99A21000007 (Chron No. 202), 28 Sep 99.
(For Cost Pricing only)
No. 4201-2000A21000001, 9 Nov 99.
(For Cost Pricing and Technical Evaluation)
4. Government Estimate: Original, 23 Jul 99
Revised, 13 Oct 99
6. Pre-Award Survey: N/A
7. Others: None

SECTION IV. POM Introduction.

1. Exhibits/Attachments.

TAB No.:

- a. Basic Change Document (POF FL 7), Change Item No. 1, dated 16 Jun 99.
- b. Request for Proposal (RFP) C.I. No. 1, S/L No. 99-0050-9, dated 15 Jun 99.
- c. Contractor's Price Proposal, S/L No. SI-0050-020, dated 2 Jul 99, subject: Submittal of Cost Breakdown for Change Item No. 1, Outside Plant Cable for MCA 99 PN 52440, Contract No. DACA81-99-C-0050/A50, FY99 Flood Supplemental Pre-Engineered Buildings, Camps Casey and H-220, Korea.
- d. Original Independent Government Estimate, dated 23 Jul 99.
- e. Contractor's 1st Revised Price Proposal, S/L No. SI-0050-39, dated 24 Aug 99, subject: Submittal of Cost Breakdown for Change Item No. 1, Outside Plant Cable for MCA 99 PN 52440, Contract No. DACA81-99-C-0050/A50, FY99 Flood Supplemental Pre-Engineered Buildings, Camps Casey and H-220, Korea.
- f. Standard Form 1411, dated 24 Aug 99.
- g. Supplemental Request for Proposal (RFP) C.I. No. 1, S/L No. 99-0050-45, dated 26 Aug 99.
- h. Memorandum for Audit in Charge, CEPOF-CD-V, dated 3 Sep 99, subject: Request for Advisory Audit Services, Contract No. DACA81-99-C-0050/A50, FY99 Flood Supplemental Pre-Engineered Buildings, Camps Casey and H-220, Korea.
- i. Audit Report No. 4201-99A21000007 (Chron No. 202) for Department of the Army, Far East District, Corps of Engineers, ATTN: Harry H. Kim, Chief, Contracting Division, Unit #15546, APO AP 96205-0610, dated 28 Sep 99, subject: Change Order Proposal for Camp Casey Flood Repair.
- j. Revised Independent Government Estimate, dated 13 Oct 99.
- k. Memorandum for Audit in Charge, CEPOF-CD-V, dated 21 Oct 99, subject: Request for Advisory Audit Services, Contract No. DACA81-99-C-0050/A50, FY99 Flood Supplemental Pre-Engineered Buildings, Camps Casey and H-220, Korea.
- l. Memorandum for Contracting Officer, Department of the Army, Far East District, Corps of Engineers, Unit #15546, APO AP 96205-0610, dated 1 Nov 99, subj: Request for Supplemental Audit Report on Change Order Proposal Audit, Samil Enterprise Co., Ltd.

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m. Audit Report No. 4201-2000A21000001 for Department of the Army, Far East District, Corps of Engineers, ATTN: Harry H. Kim, Chief, Contracting Division, Unit #15546, APO AP 96205-0610, dated 9 Nov 99, subject: Supplemental Report for Change Order Proposal for Camp Casey.

n. Revised Scope of Work and Sketchy No. TRO9950-1, Sheet No. 1 of 5 thru 5 of 5, dated 19 Nov 99.

o. Contractor's Corrected Price Proposal, S/L No. SI-0050-062, dated 24 Nov 99, subject: Resubmittal of Cost Breakdown for Change Item No. 1, Outside Plant Cable for MCA 99 PN 52440, Contract No. DACA81-99-C-0050/A50, FY99 Flood Supplemental Pre-Engineered Buildings, Camps Casey and H-220, Korea.

p. Marked-up IGE, dated 1 Dec 99.

q. Prenegotiation Objective Amount, dated 3 Dec 99.

r. Comparative Summary Sheet, dated 3 Dec 99.

2. Background:

a. Contract No. DACA81-99-C-0050/A50, FY99 Flood Supplemental Pre-Engineered Buildings, Camps Casey and H-220, Korea, was awarded to Samil Enterprise Co., Ltd. on 2 Jun 99.

b. Change Item No. 1 was identified as a user requested change based on scope of work and the Contractor's shop drawings which called for outside plant cable infrastructure for the eight (8) buildings. (Tab a). This user requested change was documented in the form of a BCD on 16 Jun 99.

c. Request for Proposal was issued to the Contractor to submit a price proposal on 16 Jun 99 based on the scope work (Tab b). The Contractor submitted his price proposal on 2 Jul 99 (Tab c). Original IGE was approved on 23 Jul 99 (Tab d).

d. Based on joint site survey made by TRO, Contractor, and telecommunication shop of 2ID, the Contractor submitted the revised proposal on 24 Aug 1999 (Tab e). The Contractor also submitted Standard Form 1411, dated 24 Aug 99 (Tab f).

e. On 27 Aug. 99, Request for Supplemental Price Proposal was issued to the Contractor to submit adequate back-up documentation including the Contractor's shop drawings, Standard Form 1411, and a Certificate of Current Cost or Pricing Data (Tab g).

f. Initial review of the Contractor's proposal and the IGE revealed that the absolute value of this change item No. 1 substantially exceeds the \$500,000 threshold, and therefore, the DCAA audit was requested on 3 Sep 99 (Tab h). DCAA submitted via e-mail on 28 Sep 99, their initial audit report subject to reflection of the result of technical analysis (Tab i).

g. Due to revision to route of telecommunication lines and scope of work, CEPOF-ED revised and approved the revised IGE on 13 Oct 99 after joint site survey with the Contractor and the Using Agency (Tab j).

h. Technical evaluation for the Contractor's 1st revised proposal was conducted by CEPOF-ED-C and submitted to the DCAA on 21 Oct. 99 (Tab k). The DCAA responded with acknowledgment of on 3 Nov. 99 (Tab l).

i. DCAA submitted their final audit report on 9 Nov. 99 via e-mail (Tab m).

j. Subsequent to the scope meeting held at the Office of Construction Service Branch on 19 Nov. 99 with the Contractor, on 24 Nov. 99, the Contractor submitted 2nd revised (corrected) proposal stating that they failed to included in the 1st revised proposal the requirement of some major work shown on the revised Sketch No. TRO9950-1 (Tab o).

k. Prenegotiation Objective amount is based on the marked-up IGE (hereinafter IGE unless otherwise noted) and DCAA audit report. Although the total amount recommended by the DCAA is higher than the total IGE amount, the IGE's material, labor, and T/E unit prices were used in establishing the objective price (Tab p and q)).

3. Type of Contract: This is a sole source procurement because it is an in-scope change to an on-going contract. Change Item No. 1 was issued pursuant to Contract Clause 53, "CHANGES" as the Contractor is the only practical source.

4. Extent Competition Solicited and Secured: Not Applicable - Sole Source Procurement.

SECTION V. POM Cost Analysis

1. Summary Comparison:

(See next page.)

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	<u>1st Revised Proposal</u>	<u>Audit Report</u>	<u>Revised IGE</u>	<u>2nd Revised Proposal (Corrected)</u>	<u>Marked-Up IGE</u>	<u>P.O. Amount</u>
Offshore Materials	<u>\$651,228.20</u>	<u>\$670,290.10</u>	<u>\$632,018.07</u>	<u>\$693,767.50</u>	<u>\$632,018.07</u>	<u>\$632,018.07</u>
Offshore Mat'ls in Won	<u>W781,473,840 (W1,200/\$1.00)</u>	<u>W804,348,120 (W1,200/\$1.00)</u>	<u>W914,372,143 (W1,446.75/\$1.00)</u>	<u>W832,521,000 (W1,200/\$1.00)</u>	<u>W739,334,738 (W1,169.80/\$1.00)</u>	<u>W739,334,738 (W1,169.80/\$1.00)</u>
Local Materials	<u>W160,621,341</u>	<u>W196,178,333</u>	<u>W169,987,875</u>	<u>W202,102,802</u>	<u>W169,987,875</u>	<u>W169,987,875</u>
Subtotal, Materials	<u>W942,095,181</u>	<u>W1,000,526,453</u>	<u>W1,084,360,018</u>	<u>W1,034,623,802</u>	<u>W909,322,613</u>	<u>W909,322,613</u>
Labor	<u>W417,498,343</u>	<u>W319,492,092</u>	<u>W216,219,153</u>	<u>W470,604,305</u>	<u>W247,104,661</u>	<u>W247,104,661</u>
Transport/ Equipment	<u>W119,129,460</u>	<u>W102,835,680</u>	<u>W27,024,005</u>	<u>W114,582,060</u>	<u>W102,188,320</u>	<u>W102,188,320</u>
Total, Direct Cost	<u>W1,478,722,984</u>	<u>W1,422,854,162</u>	<u>W1,327,603,176</u>	<u>W1,619,810,167</u>	<u>W1,258,615,594</u>	<u>W1,258,615,594</u>
Field Overhead	<u>W45,840,413</u>	<u>W44,108,479</u>	<u>W0</u>	<u>W50,214,115</u>	<u>W44,720,000</u>	<u>W40,839,000</u>
G&A	<u>W60,982,536</u>	<u>W58,678,506</u>	<u>W57,083,965</u>	<u>W66,800,971</u>	<u>W56,043,431</u>	<u>W51,978,184</u>
Profit	<u>W126,843,675</u>	<u>W122,051,292</u>	<u>W112,852,244</u>	<u>W138,946,020</u>	<u>W110,789,391</u>	<u>W108,114,622</u>
Total Amount in Won	<u>W1,712,389,608</u>	<u>W1,647,692,439</u>	<u>W1,497,542,355</u>	<u>W1,875,771,274</u>	<u>W1,470,168,416</u>	<u>W1,459,547,400</u>
Total Won Amount excl. Offshore CFM	<u>W930,915,768</u>	<u>W843,344,319</u>	<u>W545,175,956</u>	<u>W1,043,250,274</u>	<u>W730,833,678</u>	<u>W720,212,662</u>
Total Dollar Amount for Offshore CFM	<u>\$651,228.20</u>	<u>\$670,290.10</u>	<u>\$632,018.07</u>	<u>\$693,767.50</u>	<u>\$632,018.07</u>	<u>\$632,018.07</u>
Total Amount in Dollar Converted for Comparison at the exchange rate of W1,446.75/\$1.00	<u>\$1,294,681.30</u>	<u>\$1,253,213.42</u>	<u>\$1,035,107.90</u>	<u>\$1,414,866.70</u>	<u>\$1,137,173.54</u>	<u>\$1,129,832.25</u>

2. Cost Analysis of Major Cost Elements:

a. General Comments:

(1) The major items to be discussed during the negotiations with the Contractor are the results of the Audit by DCAA and the Technical Evaluation performed by CEPOF-ED-C. The scope of this change is relatively complex since it requires duct work along perimeter fence by road including demolition/removal of existing structures for new telephone cable system. The user has asked that this change is necessary in order to provide new telephone system for the newly constructed eight (8) pre-engineered buildings. Since the present contract completion date is already passed on 9 Sep. 99 and this change item will result a separate allowance to 133rd day from the date of definitization of this change item, it is very essential that this modification be settled as soon as possible to mitigate the amount of time growth/extended overhead. The Contractor's 2nd revised (corrected) proposal (hereinafter proposal unless otherwise noted) is approximately 124.42% of the marked-up IGE (hereinafter IGE unless otherwise noted) to reflect revised scope. The Contractor's 1st revised proposal was submitted to the DCAA and CEPOF-ED-C's technical evaluation was based on the same 1st revised proposal and submitted it to DCAA for their audit services. The Contractor's corrected proposal based on revised scope of work and TRO's Sketch was received on 24 Nov. 99 after initial scope meeting held at the office of Construction Branch, Construction Division, USAEDFE on 19 Nov. 99. CEPOF-ED-C carefully reviewed the Contractor's corrected proposal, the IGE along with the DCAA audit report. For a purpose of establishing a prenegotiation objective amount, the Contractor's unit prices and quantities were used for items that are below the technical evaluation, and unit prices and quantities of the technical evaluation used for items above the technical evaluation. Samil submitted quantity take-off sheets and pricing back-up data including vendor's quotations for offshore and local materials.

b. Offshore Materials:

Samil proposed \$693,767.50 which is 9.77% or \$61,749.43 higher than the IGE amount of \$632,018.07. The DCAA did not take any exception to the proposed unit prices, but made upward adjustment, based on the Government's technical evaluation of approximately 2.93% or \$19,060.90. The cost difference between audit adjusted price and the Contractor proposed cost of \$23,477.40 is considered to be minor, however, this will be negotiated with the Contractor. Since the IGE amount is lower than the DCAA audit report, a prenegotiation objective amount of \$632,018.07 was established.

c. Local Materials:

The Contractor proposed W202,102,802 which is 18.89% or W32,114,927 higher than the IGE amount of W169,987,875. The DCAA did not take any exception to the proposed unit prices, but made upward adjustment of W30,850,682 based on the Government's technical evaluation. The cost difference between audit adjusted price and the Contractor's corrected proposed cost of W5,924,469 is considered to be minor, however, this will be negotiated with the Contractor. Since the IGE amount is lower than the DCAA audit report, a prenegotiation objective amount of W169,987,875 was established.

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d. Labor Costs:

The Contractor proposed W470,604,305 which is 90.45% or W223,499,644 higher than the IGE amount of W247,104,661. The Contractor proposed excessive man-days for some labors, especially for telecommunication and concrete work including form work. He proposed too many telecommunication workers (2,386 man-days vs. 1,277 Government estimated man-days) for cable pulling work which is considered to be simple job with help from common labors. The DCAA questioned W96,822,314 for daily labor rates and due to technical evaluation. This will be addressed during the negotiations with the Contractor. The Contractor proposed W585,186,365 for combined cost of labor and T/E whereas the IGE estimated it for W349,292,981 and audit adjusted price is W422,327,772. After a detailed review of the Contractor's proposal, IGE and audit report, a prenegotiation objective amount of W247,104,661 was established.

e. Transportation and Equipment:

The Contractor's T/E cost is W114,582,060 which is 12.13% or W12,393,740 higher than the IGE amount of W102,188,320. The DCAA questioned W11,746,380 for equipment daily rates and due to technical evaluation. The Contractor proposed excessive equipment-days for some equipments/vehicles, especially for backhoe and dump truck (15ton). This will be addressed during the negotiations with the Contractor. After a detailed review of the Contractor's proposal, IGE and audit report, a prenegotiation objective of W102,188,320 was established.

f. Other Direct Costs/Escalation:

Neither the IGE nor the Contractor's proposal considered.

g. Field Overhead:

The Contractor proposed W50,214,115 for field overhead cost for the period of 4 months when the marked-up IGE estimated it for W44,720,000 for 4.3 months. The Audit Report considered that the Contractor proposed 3.1% of field overhead rate is reasonable based on technical evaluation. Cost difference between the marked-up IGE and the Contractor's 2nd revised proposal is W5,494,115 or 12.29% higher than the marked-up IGE. Technical evaluation prepared by this office consist of 30 days for duct work, 62 days for offshore procurement, and 39 days for cable installation work for staffs including Project Manager, CQC, Safety Engineer, Civil/Electrical Engineer, Foreman, and Typist. DCAA's audit finding for 3.1% field overhead rate was used in establishing the Prenegotiation objective amount.

h. G & A Expense:

The DCAA audit report showed the Contractor proposed 4.0% G&A rate is considered reasonable. This will not be addressed during the negotiations with the Contractor. The rate of 4.0% used for prenegotiation objective rate.

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SECTION VI. POM Profit Analysis

The Contractor's proposed 8.0% profit rate is 0.15% lower than the IGE's rate of 8.15%. DCAA expressed their opinion that the evaluation of profit is outside the scope of our expertise and did not provide comment on profit. The Government's prenegotiation objective profit rate is 8.0%. The IGE rate of 8.15% is based on the Alternate Structured Method as prescribed by EFARS 15.973-100 (See POF Form 19 included in the IGE).

SECTION VII. POM Price Analysis

Results of the comparison are shown on Summary Comparison, SECTION V. POM Cost Analysis of this Prenegotiation Objective Memorandum.

SECTION IX. Other POM Information

The 1st revised IGE was adjusted to reflect the final scope based on the revised scope of work and the Sketch No. TRO9950-1, dated 19 Nov. 99, for a revised amount of W730,833,678 plus \$632,018.07 for offshore materials (increase). Field overhead cost for 4.3 months was added to the original IGE.

SECTION X. POM Attachments.

See attachments as described in SECTION IV.

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SECTION XI. Postnegotiation Compliance

1. Compliance:

a. The Contractor is required to submit a "Certificate of Current Cost or Pricing Data" (Absolute value of Modification is greater than \$500,000). He submitted it on 10 December 1999 after completion of negotiations with the Government negotiator.

b. Funds are available to cover the contract requirements.

Yes No N/A

c. Appropriation Data:

21 NA 1999 2150.0000 J1 1999 08 8122 10526530000 94626 3200
0025L4
W100,151,995 (\$69,225.50 @W1,446.75/\$1.00) (Increase)
\$8,130.96 (Increase)
PR&C Requisition No. WT4KCL93503692

21 NA 1999 2150.0000 J1 1999 08 8122 10526530000 94626 3200
0025L7
W120,814,380 (\$83,507.43 @W1,446.75/\$1.00) (Increase)
\$486,362.03 (Increase)
PR&C Requisition No. WT4KCL93503692

21 NA 1999 2150.0000 J1 1999 08 8122 10526530000 94626 3200
0025L5
W47,322,365 (\$32,709.43 @W1,446.75/\$1.00) (Increase)
\$29,665.37
PR&C Requisition No. WT4KCL93503692

21 NA 1999 2150.0000 J1 1999 08 8122 10526530000 94626 3200
0025L6
W170,751,805 (\$118,024.40 @W1,446.75/\$1.00) (Increase)
\$25,483.69 (Increase)
PR&C Requisition No. WT4KCL93503692

21 NA 1999 2150.0000 J1 1999 08 8122 10526530000 94626 3200
0025L8
W233,177,807 (\$161,173.53 @W1,446.75/\$1.00) (Increase)
\$81,516.49 (Increase)
PR&C Requisition No. WT4KCL93503692

2. Place and Date of Negotiations: Negotiations were conducted between the Government and the Contractor on 10 December 1999. Negotiations were held with the Contractor to achieve the Prenegotiation Objective Price of W720,212,662 plus \$632,018.07 (equivalent to \$1,129,832.25

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@W1,446.75/\$1.00). The following individuals participated in the negotiations held at the office of Construction Service Branch.

For the Contractor

Samil Enterprise Co., Ltd.
Min, Byong Chol
Project Manager

For the Government

Mr. Choe, KWang Kyu
Civil Engineer,
Construction Service Branch,
USAEDFE

SECTION XII. Postnegotiation Summary

1. Exhibits/Attachments.

Tab No.:

- a. thru r. See Section IV, para. 1.
- s. Revised Vendor's Quotation, dated 13 December 1999.
- t. Certificate of Current Cost or Pricing Data, dated 10 December 1999.
- u. Marked-up Copy of Contractor's Proposal, dated 10 December 1999.
- v. Comparative Summary Sheet, dated 13 December 1999.

2. Background.

See Section IV, POM paragraph 2, Background and Section IX, Other POM Information.

3. Results of Negotiations.

a. This change item No. 7 is an in-scope change issued to pursuant to Contract Clause 55, "CHANGES", therefore, the Contractor is the only practical source.

b. Summary Comparison:

(See next page for summary comparison.)

	<u>Audit Report</u>	<u>Revised IGE</u>	<u>2ND Revised Proposal</u>	<u>Marked-Up IGE</u>	<u>P.O. Amount</u>	<u>Negotiated Amount</u>
Offshore Materials	\$670,290.10	\$632,018.07	\$693,767.50	\$632,018.07	\$632,018.07	\$632,018.07
Offshore Mat'ls in Won	W804,348,120 (W1,200/\$1.00)	W914,372,143 (W1,446.75/\$1.00)	W832,521,000 (W1,200/\$1.00)	W739,334,738 (W1,169.80/\$1.00)	W739,334,738 (W1,169.80/\$1.00)	W739,334,738 (W1,169.80/\$1.00)
Local Materials	W196,178,333	W169,987,875	W202,102,802	W169,987,875	W169,987,875	W169,987,875
Subtotal, Materials	W1,000,526,453	W1,084,360,018	W1,034,623,802	W909,322,613	W909,322,613	W909,322,613
Labor	W319,492,092	W216,219,153	W470,604,305	W247,104,661	W247,104,661	W247,104,661
Transport/ Equipment	W102,835,680	W27,024,005	W114,582,060	W102,188,320	W102,188,320	W102,188,320
Total, Direct Cost	W1,422,854,162	W1,327,603,176	W1,619,810,167	W1,258,615,594	W1,258,615,594	W1,258,615,594
Field Overhead	W44,108,479	W0	W50,214,115	W44,720,000	W40,839,000	W40,839,000
G&A	W58,678,506	W57,083,965	W66,800,971	W56,043,431	W51,978,184	W51,978,184
Profit	W122,051,292	W112,852,244	W138,946,020	W110,789,391	W108,114,622	W108,114,622
Total Amount in Won	W1,647,692,439	W1,497,542,355	W1,875,771,274	W1,470,168,416	W1,459,547,400	W1,459,547,400
Total Won Amount excl. Offshore CFM	W843,344,319	W545,175,956	W1,043,250,274	W730,833,678	W720,212,662	W720,212,662
Total Dollar Amount for Offshore CFM	\$670,290.10	\$632,018.07	\$693,767.50	\$632,018.07	\$632,018.07	\$632,018.07
Total Amount in Dollar Converted for Comparison at the exchange rate of W1,446.75/\$1.00	\$1,253,213.42	\$1,035,107.90	\$1,414,866.70	\$1,137,173.54	\$1,129,832.25	\$1,129,832.25

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c. Objective Price: The settled amount of W720,212,662 plus \$632,018.07 (equivalent to \$1,129,832.25 @ W1,446.75/\$1.00) is the same as the prenegotiation objective price. The negotiated amount is lower than the marked-up IGE amount of W730,833,678 plus \$632,018.07 (equivalent to \$1,137,173.54 @ W1,446.75/\$1.00).

d. Scope of Work: Through the course of negotiations, the scope of work was thoroughly discussed with the Contractor to avoid misunderstandings and to reconcile any differences in quantity takeoffs when comparing the proposal against the IGE and the audit's findings in their report. Since the audit findings were based on the 1st revised scope of work, the Contractor's corrected proposal could not be compared with audit report directly.

e. Offshore Material: Samil's proposal amount of \$693,767.50 is \$61,749.43 or 9.8% higher than the prenegotiation objective amount of \$632,018.07 and \$23,477.40 or 3.5% higher than the audit adjusted amount of \$693,767.50. Samil asked to contact to his local vendor, Saehan Aerotek Corporation, for possible discounted amount since certain items of his proposal considered to be excessive. In the afternoon of the same date, Samil stated that he discussed the additional discount amount with his vendor and he could barely obtained further discount amount. The Contractor agreed to the Government's position and reduced his price proposal accordingly. The negotiator asked the Contractor to submit Current Cost or Pricing Data and Samil submitted it in the afternoon of the same date. The Contractor's proposal contained no significant quantity differences and omissions based on technical evaluation submitted for DCAA audit. The negotiated amount of \$632,018.07 is the same as the prenegotiation objective amount but, lower than audit adjusted amount of \$670,290.10. However, it is considered to be acceptable since the negotiated amount is lower than the marked-up IGE amount of \$632,018.07.

f. Local Material: Samil's proposal amount of W202,102,802 is W32,114,927 or 18.9% higher than the prenegotiation objective amount of W169,987,875 and W5,924,469 or 3.0% higher than the audit adjusted amount of W196,178,333. Prenegotiation objective amount was advised to the Contractor that his proposal contained excessive quantities and unit costs for certain local materials which were screened during the detailed review. After a much discussion, the Contractor stated that he has no objection to the Government's position. Local material cost was reduced from W202,102,802 to W169,987,875. Government's negotiated amount of W169,987,875 is the same as the marked-up IGE amount and lower than the DCAA audit adjusted amount and is considered to be acceptable.

g. Labor: Labor cost was reduced from W470,604,305 to W247,104,661. Labor cost was reduced primarily by deletion of quantities for telecommunication workers since they were considered to be excessive. Much of telecommunication work can be done by common labors or helpers. DCAA audit adjusted unit costs for all the labors. The Contractor's labor wage rates are not the factual data as stated in the audit report. The Contractor stated that he has no objection to the Government's finding except for labor quantities for demolition/removal work along perimeter fence by road that needs special attention and shall be performed by skilled labors. After a much discussion and telephone conversation with Mr. Ronnie Trower, QAR, CEPOF-CD-T on 10 Nov. 99, the negotiator accepted the Contractor's statement for existing condition of the site. The negotiated amount of W247,104,661 is the same as the prenegotiation objective amount and the IGE amount of W247,104,661. The Contractor's proposed amount of W470,604,305 is 52.5% or W223,499,644 higher than the negotiated amount. The prenegotiation objective amount is achieved. Negotiated amount is 29.3% or W72,387,431 lower than audit adjusted amount of W319,492,092.

h. Equipment and Transportation: T/E cost was reduced from W114,582,060 to W102,188,320. The Contractor's T/E cost of W114,582,060 is 12.1% or W12,393,740 higher than the prenegotiation objective amount and 11.4% or W11,746,380 higher than the DCAA audit adjusted amount. The Contractor's T/E wage rates are the factual data except for 15-ton dump truck as stated in the audit report. After a much discussion, the Contractor stated that he has no objection to the Government's finding. The negotiated amount of W102,188,320 is the same as the prenegotiation objective amount and the IGE amount of W102,188,320. The Contractor's proposed amount of W114,582,060 is 12.1% or W12,393,740 higher than the negotiated amount. The prenegotiation objective amount is achieved. Negotiated amount is 0.6% or W647,360 lower than audit adjusted amount of W102,835,680.

i. Other Direct Costs/Escalation: Neither the IGE nor the Contractor's proposal included other direct cost and escalation factor.

j. Field Overhead: The Contractor proposed field overhead amount of W50,214,115 is 23.0% or W9,375,115 higher than he prenegotiation objective amount of 40,839,000, 12.3% or W5,494,115 higher than the IGE amount of W44,720,000, and 13.8% or W6,105,636 higher than the DCAA audit adjusted amount of W44,108,479. During the negotiations, the Contractor was advised that his proposal is considered to be excessive for both field operation period (4 months) and extended field overhead cost for certain field staffs such as Civil Engineer, Material Coordinator, and Foreman. DCAA audit report recommended the Contractor proposed 3.1% field overhead rate was considered reasonable. After a much discussions, the Contractor was agreed to reduce his proposed cost from W50,214,115 to W40,839,000 based on 133 calendar days (4.3 months) time period and adjustment of extended field overhead cost for certain field staffs. Negotiated amount of W40,839,000 is 3.24% of total negotiated direct cost. However, a cost difference of W1,821,917 between 3.1% and 3.24% is considered to be minor and reasonable. The prenegotiation objective amount is achieved.

k. General and Administrative (G&A) Expenses: The Contractor proposed G&A rate of 4.0% is lower than the prenegotiation objective and IGE rate. This was not addressed to the Contractor since it was considered to be reasonable. However, the Contractor's proposed G&A expenses was reduced from W66,800,971 to W51,978,184 due to reduction in the direct and indirect costs.

l. Profit: The Contractor proposed profit rate of 8.0% is the same as the prenegotiation objective amount and lower than the IGE's profit rate of 8.15%. The IGE estimated 8.15% of profit rate based on the "Alternate Structured Method" as prescribed by EFARS 15.973-100 (See Profit Evaluation Sheet, POF Form 19, in the IGE). This was not addressed to the Contractor since it was considered to be reasonable. However, the Contractor's proposed profit amount was reduced from W136,946,020 to W108,114,622 due to reduction in the direct and indirect costs.

m. Performance Period: After settlement of price negotiations, the Contractor requested that he wants to negotiate for time extension since this modification involve procurement of offshore materials contract as well as duct and cable installation work. The Contractor's original subnet diagram was 4 months after receipt of the NTP. During the negotiations, the Contractor was advised that his proposal is considered to be excessive and shall be adjusted, especially for field operation time of certain field staffs and he was also advised that a separate time allowance shall be applied to this modification in lieu of the proposed time extension since the Construction Completion Date of this project was 9 September 1999. A total of 133 calendar days of performance period which was based on technical evaluation was explained to the Contractor. The Contractor stated that he would talk to his supervisor

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and will get back to the negotiator as soon as possible. In the afternoon of the same date, the Contractor submitted the revised subnet diagram which showed 133 calendar days of performance time after the NTP as negotiated in the morning. The Contractor proposed 24 calendar days for submission and approval of ENG Forms 4288, 4025, 203, USFK-75, and L/C open. The negotiator met with Mr. Norman Boeman, Chief, CEPOF-CD-Q to discuss processing time for ENG Forms 4288, 203, 4025 and USFK Form 75. He stated that his office will expedite this type of work for 7 days for approval/submission of ENG Forms 4288, 203 and submission of ENG Form 4025, 7 days for approval of ENG Form 4025 and 5 days for submission and approval of USFK-75. The Contractor proposed 133 calendars of separate performance time was considered to be reasonable and accepted as proposed. (Tab u). On 13 Dec 99, the Contractor's revised subnet diagram was reviewed by Mr. George Brown, Negotiator, CEPOF-CD-T, and returned to CEPOF-CD-V without further comments. Following is a summary of agreement for time negotiations:

<u>Work Description</u>	<u>No. of cal. days</u>
Unpriced NTP	29 July 1999
Work performed under the Unpriced NTP, P00002 (C.I. #1): Installation of U/G duct lines with manholes within monetary limit of W162,418,174	105
Remaining Work for this Change Item No. 7 as Definization of Modification No. P00002:	123
Manhole Excavation	7
Pre-Fab. Wood Form & Re-bar Work for Manhole	7
Placing Conc. for Base Floor and Conc. Curing	10
Form & Re-bar Work for Wall & Slab and Conc. Curing	17
Wood Form Removal & Install PVC Duct Line	24
Sodding	10
Pulling Cable	20
Splicing Cable	15
Testing	7
Inspection and Correction	13
Turn Over	3
	Total: 133

n. The Contractor Was informed that the foregoing agreement Was not final and binding until approved by the Contracting Officer.

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4. Other Information:

a. Negotiator's Comments Regarding DCAA Audit Report No. 4201-2000A21000001, dated 9 November 1999 for Change Item No. 1, Contract No. DACA81-99-C-0050:

Pages 3 to 11, Explanatory Notes:

- (1) Note 1, Difference Columns: Noted.
- (2) Note 2, Offshore Materials: Based on final scope of work, negotiated amount is the marked-up IGE amount which is lower than the DCAA audit adjusted amount.
- (3) Note 3: Local Materials: Based on final scope of work, negotiated amount is the marked-up IGE amount which is lower than the DCAA audit adjusted amount.
- (4) Note 4, Labor: Based on final scope of work, negotiated amount is the marked-up IGE amount which is lower than the DCAA audit adjusted amount.
- (5) Note 5, T/E: Based on final scope of work, negotiated amount is the marked-up IGE amount which is lower than the DCAA audit adjusted amount.
- (6) Note 6, Field Overhead and G&A: In lieu of the DCAA recommended 3.1% of field overhead rate, negotiated field overhead rate is 3.24% which is based on a line by line review of the field overhead contained in the IGE. Negotiated G&A rate is the same as the DCAA audit report.
- (7) Note 7, Profit: Noted. Negotiated as the Contractor proposed rate since the IGE's rate is higher than the Contractor's.

b. The Prenegotiation Objective Amount of W720,212,662 plus \$632,018.07 (equivalent to \$1,129,832.25 @W1,446.75/\$1.00) was achieved and the negotiated amount is lower than the audit adjusted amount of W843,344,319 plus \$670,290.10 (equivalent to \$1,253,213.42 @W1,446.75/\$1.00) and the IGE amount of W730,833,678 plus \$632,018.07 (equivalent to \$1,137,173.54 @W1,446.75/\$1.00).

c. Funds were requested on 13 December 1998 to CEPOF-PP-S-F in the amount of W720,212,662 plus \$632,018.07. On 14 December 1998, Mr. Richard Byron, Chief, Flood Damage Section, advised the negotiator that Schedule 0004, PN 52441, Warehouse, DPW, Camp Casey, shall be deleted from scope of work of this change item 7 due to funding constraint. Negotiated amount for Schedule 0004 is W47,994,310 plus \$859.53 (equivalent to \$34,033.41 @W1,446.75/41.00). The Contractor and the negotiator met again on 14 December 1999 to settle the negotiations. By subtracting the negotiated amount for Schedule 0004 from total negotiated amount, corrected negotiated amount for this change item 7 is W672,218,352 plus \$631,158.54 (equivalent to \$1,095,798.84 @W1,446.75/\$1.00). The Contractor agreed to the Government's position of corrected negotiated amount due to deletion of Schedule 0004. Corrected negotiated amount is lower than the DCAA audit report and the IGE amount of W738,859,039 plus \$631,611.42 less W41,137,827 plus \$406.65 for Schedule 0004. Following is a corrected summary comparison after deletion of Schedule 0004:

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	<u>2ND Revised Proposal</u>	<u>Marked-Up IGE</u>	<u>P.O. Amount</u>	<u>Negotiated Amount</u>	<u>Corrected Negotiated Amount</u>
Offshore Materials	<u>\$670,290.10</u>	<u>\$632,018.07</u>	<u>\$632,018.07</u>	<u>\$632,018.07</u>	<u>\$631,158.54</u>
Offshore Mat'ls in Won	<u>W804,348,120</u> <u>(W1,200/\$1.00)</u>	<u>W739,334,738</u> <u>(W1,169.80/\$1.00)</u>	<u>W739,334,738</u> <u>(W1,169.80/\$1.00)</u>	<u>W739,334,738</u> <u>(W1,169.80/\$1.00)</u>	<u>W738,329,260</u> <u>(W1,169.80/\$1.00)</u>
Local Materials	<u>W196,178,333</u>	<u>W169,987,875</u>	<u>W169,987,875</u>	<u>W169,987,875</u>	<u>W156,433,133</u>
Subtotal, Materials	<u>W1,000,526,453</u>	<u>W909,322,613</u>	<u>W909,322,613</u>	<u>W909,322,613</u>	<u>W894,762,393</u>
Labor	<u>W319,492,092</u>	<u>W247,104,661</u>	<u>W247,104,661</u>	<u>W247,104,661</u>	<u>W234,074,476</u>
Transport/Equipment	<u>W102,835,680</u>	<u>W102,188,320</u>	<u>W102,188,320</u>	<u>W102,188,320</u>	<u>W87,524,600</u>
Total, Direct Cost	<u>W1,422,854,162</u>	<u>W1,258,615,594</u>	<u>W1,258,615,594</u>	<u>W1,258,615,594</u>	<u>W1,216,361,469</u>
Field Overhead	<u>W44,108,479</u>	<u>W44,720,000</u>	<u>W40,839,000</u>	<u>W40,839,000</u>	<u>W39,467,957</u>
G&A	<u>W58,678,506</u>	<u>W56,043,431</u>	<u>W51,978,184</u>	<u>W51,978,184</u>	<u>W50,233,178</u>
Profit	<u>W122,051,292</u>	<u>W110,789,391</u>	<u>W108,114,622</u>	<u>W108,114,622</u>	<u>W104,485,008</u>
Total Amount in Won	<u>W1,647,692,439</u>	<u>W1,470,168,416</u>	<u>W1,459,547,400</u>	<u>W1,459,547,400</u>	<u>W1,410,547,612</u>
Total Won Amount excl. Offshore CFM	<u>W843,344,319</u>	<u>W730,833,678</u>	<u>W720,212,662</u>	<u>W720,212,662</u>	<u>W672,218,352</u>
Total Dollar Amount for Offshore CFM	<u>\$670,290.10</u>	<u>\$632,018.07</u>	<u>\$632,018.07</u>	<u>\$632,018.07</u>	<u>\$631,158.54</u>
Total Amount in Dollar Converted for Comparison at the exchange rate of W1,446.75/\$1.00	<u>\$1,253,213.42</u>	<u>\$1,137,173.54</u>	<u>\$1,129,832.25</u>	<u>\$1,129,832.25</u>	<u>\$1,095,798.84</u>

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