



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Contractor Insurance/Pension Review

Contracts Directorate
OPR: DCMA-AQD

DCMA-INST 107
March 6, 2014

1. PURPOSE. This Instruction:

- a. Revises DCMA Instruction (DCMA-INST) 107, “Contractor Insurance/Pension Review” (Reference (a)).
- b. Is the contractor insurance/pension review (CIPR) technical support function for the Agency in accordance with DoD Directive 5105.64, “Defense Contract Management Agency (DCMA)” (Reference (b)).

2. APPLICABILITY. This Instruction applies to all DCMA activities unless higher-level statute, regulations, policy, guidance, or agreements take precedence.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. In accordance with DCMA-INST 710, “Managers’ Internal Control Program” (Reference (c)), this Instruction is subject to evaluation and testing. The Process flowchart is located on the policy resource Web page (resource page) for this Instruction.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE. 116, Contractor Insurance/Pension Reviews Program.

6. POLICY RESOURCE WEB PAGE. <https://home.dcma.mil/POLICY/107r>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective March 6, 2014, and all applicable activities shall be fully compliant within 60 days from this date.

Timothy P. Callahan
Executive Director
Contracts

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REFERENCES

- (a) DCMA-INST 107, "Contractor Insurance and Pension Review," October 2004 (hereby canceled)
- (b) DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (c) DCMA-INST 710, "Managers' Internal Control Program," September 12, 2011
- (d) Defense Acquisition Regulation Supplement (DFARS)
- (e) DFARS Procedures, Guidance, and Information (PGI)
- (f) Federal Acquisition Regulation (FAR)
- (g) DCMA-INST 402, "Workload Acceptance," December 4, 2012
- (h) DCMA-INST 126, "Contract Audit Follow Up (CAFU)," August 22, 2013
- (i) Chapter 99 of Title 48 Code of Federal Regulations, Cost Accounting Standards
- (j) DCMA-INST 134, "Boards of Review," November 4, 2013
- (k) Section 2306(a) of Title 10, United States Code

CHAPTER 1

POLICY

1.1. POLICY. Requirements:

1.1.1. DCMA is the DoD Executive Agency for the performance of all CIPR's

1.1.2. As cited at Defense Acquisition Regulation Supplement (DFARS) 242.7301 (Reference (d)), a CIPR is a DCMA/Defense Contract Audit Agency (DCAA) joint review that provides an in-depth evaluation of a contractor's:

- Insurance Programs
- Pension Plans
- Other deferred compensation plans
- Related policies, procedures, practices, and costs
- Concentrates on specific areas of the contractor's insurance programs, pension plans, or other deferred compensation plans

1.1.3. Corporate Administrative Contracting Officers (CACO), Divisional Administrative Contracting Officers (DACO), Administrative Contracting Officers (ACO) (hereinafter, ACO) and Cost Monitors shall follow the requirements of DFARS 242.73 Contractor Insurance/Pension Review (Reference (d)) and DFARS Procedures, Guidance and Information (PGI) 242.73 Contractor Insurance/Pension Review (Reference (e)) when requesting a CIPR.

1.1.4. As specified at DFARS 242.7301(a) (Reference (d)), the ACO is responsible for determining the allowability, reasonableness, and allocability of insurance/pension costs in Government contracts and for determining the need for a CIPR. For instance, a DACO who receives a determination from a CACO on the reasonableness of the cost estimating methodology used by the contractor to propose insurance and pension costs would not request a CIPR when all that is performed at the business unit is an adjustment of the costs provided by the corporate office for changes in headcount.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. DIRECTOR, CORPORATE AND DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER (CACO/DACO) GROUP OR DIRECTOR, SPECIAL PROGRAMS PRICING DIVISION. The Director of the CACO/DACO Group or Director of the Special Programs Pricing Division shall ensure compliance with this Instruction by subordinate CIPR and contracting staff.

2.2. DIRECTOR, CONTRACTOR INSURANCE/PENSION REVIEW CENTER. The Director of the CIPR Center shall ensure:

2.2.1. The review schedule of the team is planned to include, in order of priority, mandatory self-insurance reviews pursuant to Federal Acquisition Regulation (FAR) 28.308, Self-Insurance (Reference (f)), full CIPR reviews, reviews of hazardous risk indemnification requests pursuant to FAR 50.104-3, Special Procedures for Unusually Hazardous or Nuclear Risks (Reference (f)), and special CIPR reviews. These reviews should be scheduled based on analysis of when and how many dollars are at risk in each category.

2.2.2. Requests for review of insurance and/or defined benefit pension and/or other funded executive or post retirement employee benefit costs of business entities from DoD customers are received through the assigned ACO and any requests for review from non-DoD customers are handled in accordance with DCMA-INST 402, "Workload Acceptance" (Reference g)).

2.2.3. Supervisory review and approval of reports prior to issuance of report by the CIPR Center to an ACO or external customer.

2.3. CONTRACT MANAGEMENT OFFICE (CMO) CONTRACTS DIRECTOR, CACO/DACO GROUP SUPERVISOR OR SPECIAL PROGRAMS PRICING DIVISION SUPERVISOR. The CMO Contracts Director or CACO/DACO Group Supervisor shall ensure:

2.3.1. DCAA Audit reports and Host Nation Audit reports provided in support of a CIPR report are properly resolved and dispositioned in accordance with DCMA-INST 126, "Contract Audit Follow Up (CAFU)" (Reference (h)).

2.3.2. Disposition memorandums are provided to the CIPR Center and DCAA by the ACO upon completion.

2.4. ADMINISTRATIVE CONTRACTING OFFICER (ACO). The ACO shall:

2.4.1. Determine the need for a CIPR in accordance with the procedures at DFARS PGI 242.7302 (Reference (e)).

2.4.2. Request and schedule the reviews with the appropriate DCMA activity.

2.4.3. Notify the contractor of the proposed date and purpose of the review, and obtain any preliminary data needed by the DCMA insurance/pension specialist or the DCAA auditor.

2.4.4. Review the CIPR report, advise the contractor of the recommendations contained within the report, and receive contractor comments. Consult with DCMA functional specialists, DCAA, and assigned legal counsel as appropriate (see paragraph 2.4.8). Render a written decision regarding the CIPR report recommendations considering the contractor's comments and other input and advice obtained

2.4.5. Provide other interested contracting officers copies of documents related to the CIPR.

2.4.6. Ensure adequate follow-up on all CIPR recommendations.

2.4.7. Perform contract administration responsibilities related to Cost Accounting Standards (CAS) (Chapter 99 of Title 48 Code of Federal Regulations (Reference (i))) administration as described in FAR 30.2, CAS Program Requirements (Reference (f)) and FAR 30.6, CAS Administration (Reference (f)).

2.4.8. Determine, after consultation with DCMA functional specialists, DCAA, and assigned legal counsel, whether all contractor insurance and pension costs charged to Government contracts are compliant with applicable CAS (Reference (i)) and are allowable in accordance with the FAR and DFARS cost principles, including FAR 31.205-6(j), Pension Costs (Reference (f)) and FAR 31.205-19, Insurance and Indemnification (Reference (f)).

2.4.9. Provide specific request for CIPR services to the CIPR Center through the CIPR Inbox, CIPRInbox@dcma.mil.

2.4.10. As described within DCMA-INST 134, "Boards of Review" (Reference (j)), follow the Boards of Review Matrix Chart for pension and insurance costs.

2.4.11. Disposition audit reports as required in accordance with DCMA-INST 126, (Reference (h)).

2.4.12. Provide a copy of the resulting price negotiation memorandum (PNM) or forward pricing rate recommendation to the CIPR Center and applicable DCAA office.

2.5. DCMA INSURANCE/PENSION SPECIALIST. The Insurance/Pension Specialist is responsible for:

2.5.1. Issuing a technical report on the contractor's insurance/pension plans for incorporation into the final CIPR report based on an analysis of the contractor's pension plans, insurance programs, and other related data.

2.5.2. Leading the team that conducts the review. Another individual may serve as the team leader when both the insurance/pension specialist and that individual agree. The team leader is responsible for:

- Maintaining complete documentation for CIPR reports
- To the extent possible, resolving discrepancies between audit reports and CIPR draft reports prior to releasing the final CIPR report
- Preparing and distributing the final CIPR report
- Providing the final audit report and/or the insurance/pension specialist's report as an attachment to the CIPR report
- Preparing a draft letter for the ACOs use in notifying the contractor of CIPR results

2.5.3. When requested, advising ACOs and other Government representatives concerning contractor insurance/pension matters.

CHAPTER 3

PROCEDURES

3.1. DETERMINE THE NEED FOR A CIPR.

3.1.1. An in-depth CIPR as described at DFARS 242.7301(a)(1) (Reference (d)) shall be conducted only when:

3.1.1.1. A contractor has \$50 million of qualifying sales to the Government during the contractor's preceding fiscal year. Qualifying sales are sales for which certified cost or pricing data were required in accordance with section 2306(a) of Title 10, United States Code, Cost or Pricing Data: Truth in Negotiations (Reference (k)), as implemented in FAR 15.403 Obtaining Certified Cost or Pricing Data (Reference (f)), or that are contracts priced on other than a firm-fixed-price or fixed-price with economic price adjustment basis. Sales include prime contracts, subcontracts, and modifications to such contracts and subcontracts.

3.1.1.2. As described at DFARS 242.7302(a)(1)(ii) (Reference (d)), the ACO, with advice from DCMA insurance/pension specialists, DCAA auditors and/or Host Nation auditors, determines whether a CIPR is needed based on a risk assessment of the contractor's past experience and current vulnerability.

3.1.2. As described at DFARS 242.7302(b) (Reference (d)), a special CIPR that concentrates on specific areas of a contractor's insurance programs, pension plans, or other deferred compensation plans shall be performed for a contractor including, but not limited to, a contractor meeting the requirements in DFARS 242.7302(a)(1) (Reference (d)), when any of the following circumstances exists, but only if the circumstance(s) may result in a material impact on Government contract costs:

3.1.2.1. Information or data reveals a deficiency in the contractor's insurance/pension program.

3.1.2.2. The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.

3.1.2.3. The contractor is involved in a merger, acquisition, or divestiture.

3.1.2.4. The Government needs to follow up on contractor implementation of prior CIPR recommendations.

3.1.2.5. The contractor makes a cost accounting practice change to its method of allocating the cost or assigning cost to accounting periods, that affects pension and or insurance costs.

3.1.3. When a Government organization believes that a review of the contractor's insurance/pension program should be performed, that organization should provide a

recommendation for a review to the ACO. If the ACO concurs, the review should be performed as part of an ACO-initiated special CIPR or as part of a CIPR already scheduled for the near future.

3.1.4. Typical conditions that warrant a full or special CIPR are as follows.

3.1.4.1. Review of contractor's method of estimating contributions to a defined benefit plan.

3.1.4.2. Review of a contractor's method of estimating contributions to a funded other than pension employee plan.

3.1.4.3. Review of a contractor's method of estimating insurance costs.

3.1.4.4. Review of the contractor's allocation method or changes in allocation method required to remain in compliance with CAS 412, 413, 415 and 416.

3.1.4.5. Corporate external or internal restructuring that triggers changes to current allocation methods

3.1.4.6. Business unit closings.

3.1.5. Mandatory self-insurance program review. A mandatory review shall be requested when pursuant to FAR 28.308, Self Insurance (Reference (f)), a contractor submits, in writing, information on its proposed self-insurance program for ACO approval.

3.1.6. External customer request. This refers to a request for a review of indemnification for unusually hazardous or nuclear risk activities pursuant to FAR 50.104-3 (Reference (f)). The ACO will forward these requests to the CIPR Center. The CIPR Center will provide a report directly to the external customer.

3.2. REQUEST AND PLAN A CIPR.

3.2.1. Request a CIPR by sending an e-mail to the CIPR Center at CIPRInbox@dcma.mil.

3.2.2. The CIPR Center will accomplish all related work virtually. In instances in which critical issues cannot be resolved, the ACO may schedule an on-site review.

3.2.3. Prior to a review, the CIPR Center shall determine the data required and prepare a letter to be signed by the ACO to request the data from the contractor.

3.2.4. Prior to issuance of the CIPR Report to an ACO or external customer, a supervisory review and approval shall occur.

3.2.5. After supervisory review and approval occurs, the CIPR Center issues the CIPR Report to the ACO in time to support the development of a negotiation position.

3.2.6. The CIPR Center will perform CIPR reviews for external customers in accordance with DCMA-INST 402 (Reference (g)).

3.3. DISPOSITION CIPR FINDINGS.

3.3.1. The ACO or cost monitor will consider for incorporation, the recommendations of the CIPR Center into a Prenegotiation Objective Memorandum (PNOM), as appropriate. The ACO will submit the PNOM for supervisory review and approval. Failure to agree with the recommendation of the CIPR Center may require a board of review in accordance with DCMA-INST 134 (Reference (j)).

3.3.2. Upon conclusion of negotiations, the ACO drafts the PNM and submits for supervisory review and approval.

3.3.3. The ACO shall ensure that rate documents are correctly marked with contractor proprietary markings and are marked "For Official Use Only." Contractors' financial, technical, or business proprietary and competitively sensitive data are protected by the Truth in Securities Act and/or other information protection legislation. Such data should not be released or disclosed to any non-federal employee without first consulting with DCMA legal counsel. Unauthorized disclosure of proprietary data may be subject to criminal prosecution.

3.3.4. The ACO or cost monitor will retain the CIPR report, as part of the process it supports, in a filing location designated by the Agency. If such a location is not available, the report will be retained in a location designated by the ACO's reporting component as the official filing location. The CIPR report should be filed with the process it supports. For example, a CIPR for forward price rate development would be filed with the forward pricing rate agreement/forward pricing rate recommendation documents.

3.3.5. The ACO shall disposition audit report findings in accordance with DCMA-INST 126 (Reference (h)).

GLOSSARY

ACRONYMS

ACO	Administrative Contracting Officer
CACO	Corporate Administrative Contracting Officer
CAS	Cost Accounting Standards
CIPR	Contractor Insurance/Pension Review
CMO	Contract Management Office
DACO	Divisional Administrative Contracting Officer
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
PGI	Procedures, Guidance, and Information
PLAS	Performance Labor Accounting System
PNM	Price Negotiation Memorandum
PNOM	Prenegotiation Objective Memorandum